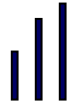**ITPMG**

ITPMG Insights

Using Web 2.0 to Build and Enrich Customer Relationships

Engaging Customers on Their Own Terms

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Executive Summary:
Today's customer-centric, Web 2.0 environment is dramatically changing the discipline of marketing.

The evolution of the Internet to more dynamic Web 2.0 technologies is accelerating the emergence of a new customer interaction model in which customers engage with businesses on their own terms. In order to maintain a competitive edge in this new environment, marketers need to evolve
accordingly. Marketers must develop an understanding of changing customer needs and expectations, build expertise in new technologies, and use their new understanding and expertise to revamp marketing strategies and techniques.
To succeed, marketers will need to quickly adjust to the new environment by moving from a "Command and Control" model where the marketer controls all communication regarding products and brands to a "Communicate and Collaborate" model, where customers have an equal voice. Rather than creating marketing programs geared to a handful of defined market segments,
"giving a user control to tell you what matters to them will be the key in the future."[1]

Challenges Faced by B2B Marketers

For business-to-business marketers, the changing environment presents both a challenge and an important opportunity to become more customer-centric: a major objective for many businesses.

More than ever, B2B marketers are under intense pressure to demonstrate measurable success in a competitive, global business environment. As a result, they have begun to rely on more customer-focused strategies to achieve their objectives. In the 2005-2007 Institute for the Study of Business Markets (ISBM) Trends Study, a panel of marketing executives and academics cited the following among their highest-priority business challenges:

- **Expand understanding of customer needs, market segments, and the drivers of customer value.**
- **Demonstrate and document delivered customer value, and price accordingly.**
- **Master analytical tools and improve quantitative skills.**
- **Reinstate innovation as an engine of growth.**
- **Improve return on marketing investment (ROMI) decision making.**

The previous ISBM Trends Study (2003-2005) found "profitable growth strategies and tactics" and "selling marketing within their companies" as the highest priorities, and prior to that, in 2001-2003, the study reflected the greatest challenge as "marketing accountability." In other words, recent survey results have shown increasing emphasis on the desire to gain a deeper understanding of customer needs and drivers. While growth and accountability are still key challenges for most B2B marketers, there is growing recognition that advanced tools and strategies are only effective if supported by a deep understanding of what drives customer decisions.[2] Research on this topic was also recently undertaken by Forrester Research and by *B to B Magazine*, in which 126 B2B marketing executives were asked, "What are your top marketing challenges?" The following challenges were all mentioned by more than 50% of the respondents, highlighting a significant need by B2B marketers to find ways to reach their target market and deepen and develop the contact once it has been made:

Top Marketing Challenges

Challenges	% of Responders
Reach Decision Makers	**63%**
Deepen Relationships	**63%**
Measure Marketing Results	**57%**
Generate More Leads	**56%**
Increase Product Awareness	**52%**
Improve Lead Quality	**52%**

Markets for technology products and services are evolving especially rapidly, making the evolution of marketing strategies and tactics even more critical. Marketers within technology fields face all of the challenges outlined above while also dealing with the faster pace of product development and obsolescence, high product complexity, and market uncertainty surrounding which technologies will become standard or at least dominant. Staying abreast of customers' shifting needs is of even greater importance for marketers in the technology realm, where being able to showcase the latest and greatest products and services is critical to success. Making a misstep in direction or being slow to react can have serious consequences for maintaining market viability.

The Influence of the Internet

The rapid adoption of the Web in the 1990's gave marketers a new but atypical - channel for customer engagement.

One of the main reasons it has become so important for marketers to develop a deeper understanding of consumer needs is that the Internet has given customers greater power than ever before. With the Web, customers began to set the parameters for their commercial relationships, communicating with companies on their terms rather than just

responding to offers. So marketers had to begin to find new ways to interact and collaborate with customers - and the Internet was clearly a key place to focus.

Now, the Internet has taken on even more importance with the introduction of "Web 2.0" the current "version" of the Web. Web 2.0 describes an Internet where Web sites are not just locations with static pages, but are services where the visitor can accomplish something.[3]

Web 2.0 is based on openness open applications, open communities, and open conversations, all enabled by AJAX, JavaScript and XML technologies. It is an environment of collaboration and communication, active participation by users, and social interaction.

Although Web 2.0 is more heavily deployed in the B2C environment, B2B is not far behind.

Some of the most well known Web 2.0 sites are currently consumer sites which tend to be most actively used by a young, tech-savvy demographic. A few examples are Yahoo's photo-sharing site Flickr, the online reference source Wikipedia, and the popular social networking site, MySpace. Experts believe these examples are harbingers of upcoming developments in the business world that will require substantial organizational change, much the way the personal computer did. In short, Web 2.0 is considered "an online juggernaut, a phenomenon with far-reaching implication for marketers."[4]

The increased potential for interaction inherent in Web 2.0 creates significant opportunities for B2B marketers, especially in efforts to deepen customer understanding. Expanding communication with customers through the Web allows for more direct measurement of likes and dislikes, and provides immediate feedback on what is working and what is not. Ideally, the architects of a company's Web 2.0 offerings should be the customers who use it; the architecture should evolve dynamically over time based on customer needs, whether expressed or observed. Already, the Web is heavily used by B2B customers to support purchase decisions: more than half of the business decision makers (BDM's) use B2B Web sites in the early stages of research and to narrow down choices, and fully one-third of BDM's use B2B sites to make final decisions.[5]

B2B marketers must understand "the profound impact [that] this platform will have in their buying and selling, and in their relationships with customers. The job of marketers in B2B today is to be that of an aggregator of products, trends, issues, events and communities."[6]

For technology companies, the need for a strong online presence may be even more critical than for the average B2B player.

The "IT Media Consumption Trends and IT Buyer Purchase Intention" study, conducted

by TechTarget in collaboration with the CMO Council, showed that while B2B IT buyers use multiple media and sources to research purchases, 62.4% use search engines and 50.2% use IT vendor Web sites. According to Marilou Barsam of TechTarget, "IT buyers are leveraging the Web to evaluate technology before meeting face-to-face with vendors. Therefore, IT marketers need to be stronger
online and less dependent on traditional, direct, sales presentations."7

The Web as a B2B Marketing Platform

B2B marketers have gradually incorporated Internet tactics into the marketing mix.

Today's customers are empowered to choose how and with whom they wish to communicate. B2B marketers have seen the impact of this new customer empowerment in the declining productivity of once tried-and-true demand generation tactics such as direct mail and telemarketing, and most have gradually invested increased resources in digital media and marketing techniques.

While in the early years of the Web it was deemed adequate just to have a Web presence where product and company information could be posted, marketers soon learned to use email promotions and opt-in newsletters to stay in touch with key customers. The Internet also offered an effective means to gather data about customers through registered web site visits, online surveys, and by tracking website use. Banner advertisements and pay-per-click programs offered a new arena in which to reach customers and offered a level of measurability not available in many other advertising media. The next wave of marketing tactics collectively known as Web 2.0 - are being built around a model of customer interaction, where the customer is actively involved in deciding what information to view, provides feedback, and actively participates in creating a personal experience with the company.

Web 2.0 is turning traditional B2B marketing on its ear.

Web 2.0 is also presenting new opportunities to address today's marketing challenges. B2B marketers can embrace this new model to identify new customers and to build and nurture these relationships. The following are examples of Web 2.0 technologies and their applicability to marketing:

Improved data capture mechanisms to develop better profiles of customers and prospects.
New tools and enhanced information exchange are increasing the quantity and improving the quality of Web site interactions. Visitors can provide information through site registration tools, product reviews, blog comments, and online surveys. In addition, click-to-chat capabilities can give companies real-time insight into individual customer needs and preferences. Another advantage of these new web technologies is that they

allow for more direct measurement and instant feedback for marketers on which products, promotions, and communications are working and which are not. Successes are more easily measured and substantiated, while those efforts which are not as successful can be quickly adjusted or abandoned.

Improved search and personalization to target messages and offers on an individual customer basis.
Enhanced customer profiles and greater knowledge of individual customer preferences will lead to the ability to customize the user's experience on the site.

Improved Web site search engines and cookie-based content serving can get visitors to more valuable information i.e., highlight or even display the pages and content of most interest to that user. In addition, external search engine optimization and search engine marketing can facilitate the ability for customers to connect with a company's offerings, helping the company gain an edge over competitors in the vast and increasingly crowded Web environment.

Enhanced content to elevate the customer experience and deepen the level of engagement.
An increasing number of Web 2.0 technologies are being used to deepen customer interactions:

·*Blogs* offer the advantage of an open feedback loop to promote closer communication with customers. Blogs are helpful for engaging prospects, letting visitors hear the views of the company or a key executive, and connecting with existing customers. Blogs also establish thought leadership; in a recent Knowledge Storm/Universal McCann survey, 53% of business buyers said that blogs influenced their purchase decisions. Blog posts also refresh the Web site, leading
to higher organic search engine results.[8]

·*RSS* feeds (Really Simple Syndication) allow individuals to subscribe to the information they value without the hassle of searching for information on Web sites or digging out newsletters from an overcrowded inbox. Fresh content is streamed to subscribers as it is produced, allowing companies to stay in touch with what are typically the most interested and engaged portion of their target market. As RSS feeds can include audio and video images, PDF files, and down-loads, they can constitute a comprehensive content package for customers.

·*Podcasts* can be thought of as an alternative to a white paper. They provide an easy way for customers to assimilate a company's thoughts on a topic and can help to position the company as a thought leader. Engaging listeners with rich, interesting, and easy-to-digest audio and video content can help build or reinforce connections with customers.

·*Video and webcasts* can be used for online product demos, to share research findings,

or to present solutions to common problems.

·*Wikis* collaborative content authoring destinations can be built around the company, its products, or its solutions, so information can be provided not only by the company but also by customers and other external audiences. Wikis can be used effectively to create a sense of community.9

**Social networking tools to build ongoing communication with customers**. Customers are demanding greater access to information, and social networking tools provide new options for customer communication. These tools enable customers to interact with other customers and build communities where they can share experiences, tell stories, pose and answer questions about products, provide product reviews, and/or offer suggestions. A study recently completed by Marketing Evolution found that customer-to-customer interaction around a product, termed the "momentum effect," accounted for significant value creation in social networking marketing. "The momentum effect occurs when consumers become motivated to tell their own personal stories using your brand as a prominent reference point. This phenomenon accounts for more than half the value of social network marketing."10

Enhanced content and social networking can, by expanding communication and collaboration with customers, also enable customers to provide ongoing suggestions related to product improvements or even new product ideas.

B2B marketers have expressed interest in the new Web 2.0 technologies, as shown in the survey results below:
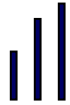
Emerging Media on which US B2B Marketing Executives Are Interested in Advertising, 2006 (% of respondents)
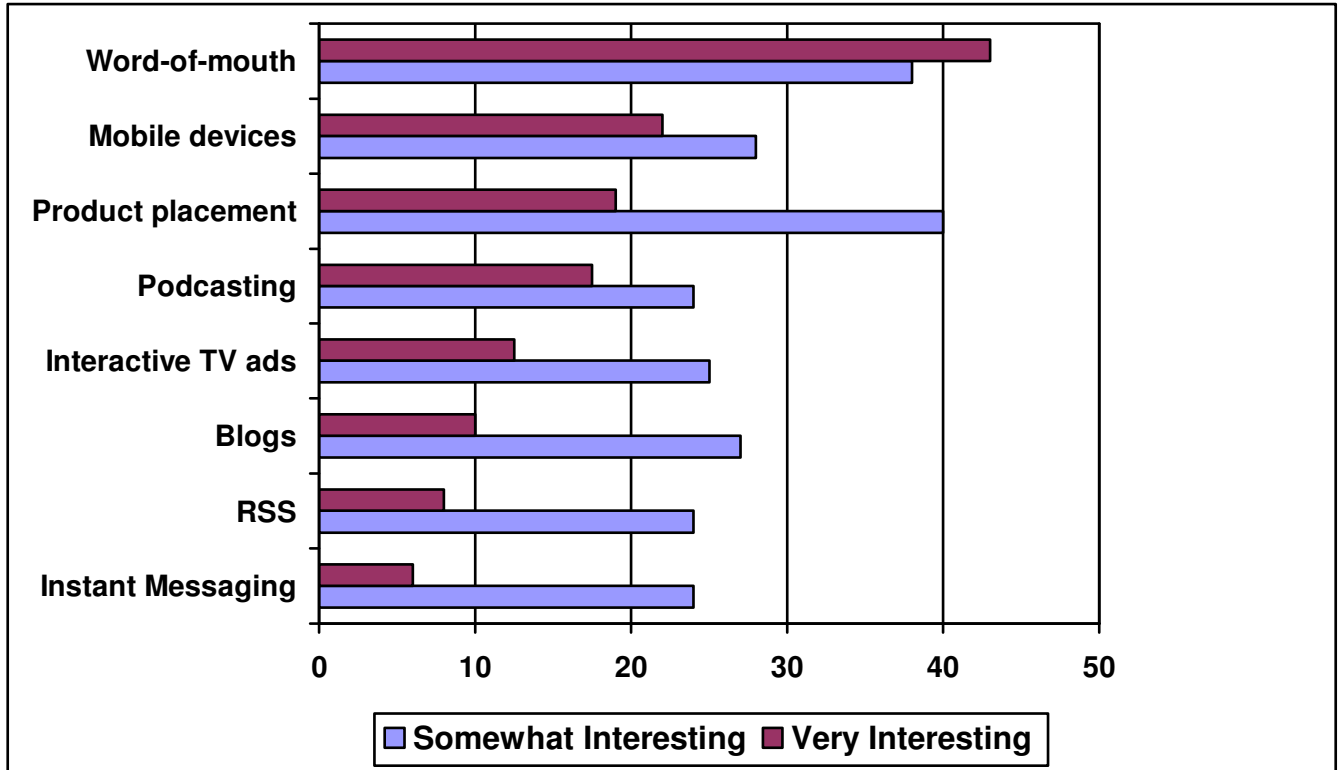
Source: GfK NOP commissioned by Epsilon Interactive, June 2006

In addition, recent data show that B2B marketers are gradually shifting media spending from traditional to online channels:

US B2B Media Spend (millions, % increase/ prior year & % share)	2005	2006	2007	2008	2009	2010
Total spending	$22,285	$23,688	$25,131	$26,740	$28,358	$30,172
Online ad spending	$1,537	$1,951	$2,431	$2,912	$3,410	$3,939
Online ad spending and growth	24.9%	26.9%	23.7%	20.7%	17.1%	15.5%
Online ad spending as % of total	**6.9%**	**8.2%**	**9.6%**	**10.9%**	**12.0%**	**13.1%**
Note: *includes B2B magazines, trade shows and exhibition, online advertising and online content and communities. Source: Veronis Suhler Stevenson, PQ Media, AdScope, Agricorn, American Business Media, BPA International, Center for Exhibition Research, IMS/TheAuditor, PERQ, SRDS, TNS Media Intelligence/CMR, Tradeshow Week, September 2006; eMarketer calculations, November 2006						

Winning in the Web 2.0 World

Skilful integration is required to merge new Web 2.0 functionality into the marketing mix

With Web 2.0, marketers have a new set of marketing tools and techniques, and a well-planned combination of blogs, podcasts, video, RSS, and social networking will be vital to the new marketing mix. Not all tools will be necessary for every company or appropriate for every type of customer, and each should be evaluated based on how it improves the overall customer experience and creates value for a brand. The Nielsen Norman Group (NNG) found that B2B marketers have a long way to go toward optimizing the customer experience. Says Jakob Nielsen, CEO and founder of NNG, "By still designing for themselves rather than for their customers, [B2B marketers] place serious barriers in the way of prospects that use the Web to discover companies to put on their shortlists. They haven't realized yet that the Web has reversed the relationship between companies and their customers, where most interactions are demand-driven."[11]

Companies interested in taking a leadership position are indeed beginning to incorporate new methods of customer interaction into the marketing mix. The key to success is full integration of traditional and Web marketing planning and tactics, specifically:

- **Truly integrated planning:** online and offline marketing activities must be fully integrated and seamless in appearance to the customer.
- **Customer experience-based communication planning:** intelligent, value-based, and personalized communication should be both the reason for and the result of integrated marketing planning.
- **Recalibration of media buys:** the new model is likely to result in measured shifts from traditional advertising to the web
- **Recognition of impact on the brand:** In the new customer empowered environment, customers can create their own experience of a brand and can easily influence a company's brand image. Marketers must implement brand strategies that extend to the greater Web, communicating openness and objectivity.
- **New methods of content creation:** the content development process must move from a flat, one-format-fits-all to a multi-faceted, multi-media approach.
- **Evolving planning and governance processes:** the new model will necessitate new planning and execution processes, a restructuring of resources, and skill development programs to effect change. This will require vision and leadership from senior management as well as commitment and creativity throughout the organization.

"Integrated `2.0' thinking into business activities will enable marketers in the future to have superior insight into their buyers, users, and prospects, accelerating new product development and creating tighter loyalty bonds."12

B2B marketers are poised to move aggressively against the Web 2.0 opportunity.

While executives as a whole were initially cautious about adopting Web 2.0 technologies, many now are poised to move more aggressively. According to a 2007 McKinsey Survey on Internet technologies, few executives say that their companies are using more than two of these technologies currently, but nearly two-thirds of those companies investing in them "think they are important for maintaining the company's market position, either to provide a competitive edge or to match the competition and address customer demand."13

A few B2B companies are taking a leadership position in embracing a Web 2.0 environment, where users create their own brand experience for themselves and their peers. For example, Intuit provides enthusiasts with exclusive product information and actively solicits user ideas on product enhancements. In the IT arena, Hewlett-Packard,

Sun, SAP, and Dell have all initiated steps to integrate Web 2.0 technologies into their marketing efforts and more traditional demand generation models:

Hewlett-Packard has endeavored to become more customer-centric by focusing on three things:
1. Integrating the customer to drive the business.
2. Measuring and managing what matters to the customer.
3. Inspiring employees to drive customer centricity.
The company recently introduced "Change Artists," an online community where CIOs can learn and share.14
Stephanie Acker-Moy, VP-HP.com Customer
Experience, says, "It's been good at differentiating HP, good at differentiating HP.com, and good at bringing our message to the marketplace in an innovative way."

Sun embraced the recent interest in user-generated content and teamed with BusinessWeek.com to provide an Internet banner that allowed readers to vote or comment on the magazine's cover story."
15

SAP has begun using wikis and blogs so that customers can discuss various issues with SAP developers, a change rooted in the company's discovery that communities and co-innovation constitute a superior approach to development that leads to better products, satisfied buyers, reduced costs and happier employees. "The new SAP is rapidly becoming a classic case study in how Enterprise 2.0 technologies, combined with a collaborative, social mindset, can give a giant corporation a second wind."16

Dell launched the blogger site Idea Storm, where "Your [the customer's] ideas reign." Idea Storm enables users to comment on product needs and issues. Dell then serves up the most popular ideas and asks participants to vote on them. The company commits to seriously evaluating these ideas and to consider implementing them. Many wanted Dell to offer the Linux operating system on its machines. As a result, Dell has now decided to sell computers in the US with Linux pre-installed.

Cisco Systems is also taking a leadership position in the use of Web 2.0 technologies, and the company has taken initial steps toward building a new, Web-centric customer interaction model founded on an improved understanding of customer needs. Among the 2.0 capabilities that Cisco has are the following:

- Contextual forums enabling customer-to-customer discussions within a product area
- Customer reviews of Cisco products
- RSS enabled product pages
- Podcasts
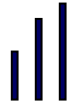
- Proactive click-to-chat sessions
- New video data sheets and rotating and telescoping 360 degree views of products to enable the site visitor to emulate in-person product assessments

Early results from Cisco.com efforts show that visitors who view innovative (Web 2.0) content, such as videos, view more site overall and are much more likely to return to the site.

After Web 2.0: The Semantic Web

More opportunities are likely to quickly follow with what is being called Web 3.0, or the Semantic Web.

While Web 2.0 is about engaging the customer and offering services through the Web, the Semantic Web will further build the capabilities of the Internet by making it less of a catalogue and turning it into more of a guide, enhanced with Artificial Intelligence. The Semantic Web works by tagging online information so that it can be better understood in relation to other data. In so doing, the vast stores of information now included on the Web, stashed in corporate databases, on software programs, and captured in user-supplied input, become even more powerful. This new
technology will make it easier and faster to find relevant information that may be distributed across multiple data resources, and will thus significantly shorten the product development cycle and streamline operations. The new Semantic Web technologies will mine for *meaning*, not just key words, and will help unlock the value of the vast stores of information that companies have amassed, including the rich customer input captured through Web 2.0 technologies.17

Indeed, part of the strength of the Semantic Web will derive from the vast amount of product information and reviews that are now being supplied by customers through new interactive models. Eventually, users will no longer have to read through a long list of product reviews to make a decision on which products or services to purchase. Instead, a virtual personal advisor might be able to make a suggestion by comparing the customer's preferences with the amassed input of other customers.

Conclusion

B2B Marketers know the importance of gaining a greater understanding of their customers and are looking for new tools to meet this challenge. Web 2.0 technologies offer a solution by empowering the customer and moving marketing from a "Command and Control" model to a "Communicate and Collaborate" model of customer interaction. B2B marketers need to embrace these technologies, as today's customers expect a much higher level of engagement with the companies on their own terms. Web 2.0 technologies offer companies a number of new methods and tools with which to reach and connect with customers to satisfy customer needs. To be successful, companies must integrate these new methods with traditional methods in all aspects of planning and execution, including data collection, media selection, content creation, resource allocation, and skills development. Companies that successfully employ these new tools and integrate them into a cohesive marketing plan will strengthen customer relationships and sustain and grow their brand's perceived value in the marketplace.

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