

Often-Overlooked Opportunities

The Internet has become an integral part of business in nearly every industry. The capabilities of the Net are familiar to most business leaders. Yet, why is it that simple opportunities to increase revenues, reduce costs and improve service are so often overlooked?

This booklet does not reveal radical new truths. Rather, it is intended as a reminder of opportunities that a surprisingly high percentage of companies ignore.

Browse through the pages that follow. If you're applying all the ideas here, congratulations! If not, why not? Most are easy to implement yet yield significant and immediate returns.

10 Increase Revenues & Reduce Costs Often-Overlooked Ways to Increase Revenues & Reduce Costs

Often-Overlooked

Ways

Increase Revenues & Reduce Costs

1

Customers Want to Hear From You

A friend recently told me of a 20% signup rate to e-mail ads for a breakfast conference where participants were charged \$40 for attendance.

Qualified Leads. Typical return rates for direct mail are about 1-2% and typical return rates for e-mail advertising run at a fraction of a percent, but these mailings produced strong double-digit returns. The secret? These e-mail ads were sent to people who had voluntarily added their e-mail addresses to the mailing list at my friend's Web site. They were highly interested prospects. From highly interested prospects come high response rates.

Immediacy. After the first e-mail contact, about 10% of the list members used their credit cards on the Web site to pay to attend. While a high return, it would not have covered the costs of the meeting. So another mailing was sent out a week later, followed by a third a few days before the meeting. At each step my friend knew *in real time* how signups were going. He was able to respond quickly with additional mailings and modified messages.

Nobody likes spam—unsolicited commercial e-mail messages. But lots of people are no doubt interested in your products and services. Give them the chance, but do it on their terms.

2

Do Your Customers Improve Your Product?

When more people join a network the value of the network increases for everybody—it's called "network effect." For example, as more people got telephones in the early twentieth century, the value of owning a phone increased for everyone since there were more people to call. The same thing happened with fax machines in the 1980s then with e-mail in the 1990s.

Businesses that understand the value of network effects build them into their businesses. For example, many companies host public discussion groups where customers ask one another questions about the use of a company's products. Sure, the company and the products will sometimes be criticized but the value of your products will increase for all customers as they share their experience and insights.

Amazon benefits from network effects in two ways on each product page. First, customers leave product reviews for others to read. Second, Amazon software tracks other products that customers buy and list the most strongly correlated in a section called "Customers who bought this also bought..." Each customer benefits from the opinions and actions of those who have come before.

Are your customers benefiting from those who have come before?

3

Contributed Content

A Dallas area high school was disappointed with their Web site. The content quickly went out of date and the effort required to generate new content was considerable. At the

same time, controls over the content were necessary to avoid letting inappropriate content appear on the site. There was enthusiastic student interest in online discussions, which would generate a constant flow of new material, but the effort required to moderate the discussions would be prohibitive.

Another approach tapped student interest in creating content while minimizing faculty overhead. A system was created which allowed students to write articles from football game play-by-plays to the recent victory of the debate team. Or, they can write feature stories on fellow students or faculty members. Or, one might assemble a collection of digital photos that tell the story of the making of the spring musical. All are submitted through the Web site. A faculty sponsor then need only look over the material and click an Approve button or Delete button. If approved, the text and photos immediately appear on the site. The site is continually refreshed with new content. Faculty effort required: online review and one button click.

4

Bits Are Free

Perhaps the most remarkable aspect of the Net is one of the least-often considered. You can move bits around for free. Visit a Web site, and it costs you nothing. Download a file at no charge. Send an e-mail. It's free. A bits-only business can be a powerful and profitable strategy as eBay has shown with auctions, Google has shown with search and Getty Images has shown with stock photography. But many companies are overlooking the quick and easy benefits of moving bits for free.

Newsletters can be sent through e-mail eliminating printing and mailing costs. Newsletters can also incorporate links to more information as well as call-to-action pages. In addition, most e-mail recipients today can handle messages formatted in HTML, making them more visually interesting.

Customers are kept informed of progress and status on their orders as well as new developments through free e-mails and personalized Web pages.

Online catalogs allow detailed descriptions of millions of products as first the bookstores demonstrated followed by many other markets. The cost of mailing the equivalent printed catalog is prohibitive.

5

Rapid Exposure

Free downloads can be a source of broad, rapid exposure. Software developers (companies as well as individuals) make their products available for free download over the Net. It reduces risk for potential customers who can try before they buy. Some software comes with limitations for a trial period, others come as “lite” versions inviting the user to upgrade and some is fully functional intended to build the brand of the developer.

Musicians offer free music downloads. If it’s popular, a new song can spread worldwide literally at the speed of light. It provides astonishing exposure at very little cost. It can be used to create demand for personal appearances and sales of CDs.

Getty Images (gettyimages.com) has revolutionized the stock photography business by replacing printed photo catalogs, slides, negatives and proofs with all-electronic photo collections. Graphic designers browse online image catalogs, download watermarked images and incorporate them into their design concepts. When a concept is accepted, the designer purchases photos (not watermarked) to build final art. They browse, experiment and create final art all electronically. Compare that to the old days of waiting for the annual stock photography catalog to arrive.

6

What Do Customers Want?

The basic idea of business is pretty simple: offer folks something they want at a price they can afford. Your business lives or dies by guessing those two parameters. Success goes to the business that can figure it out quickly and cheaply. Ultimately, only customers will tell whether you have the right combination.

Publishers of online content have an opportunity undreamed of in the offline world: immediate feedback on what customers really want to see. As online publishers as varied as MountainZone.com, Salon.com and Motorcycle Online (motorcycle.com) know, reader preferences are reflected in the site’s Web traffic logs. Put up a new set of articles and the publisher can know in real time how readers are responding.

The same applies to product info on your Web site. Where is the traffic? Where is the interest? Look for surprises.

With more effort you can learn of customer preferences *faster than real time*...you can know before you build a product. Built-to-order products reveal customer preferences before parts are purchased or products are assembled. Web-based ordering is the ideal partner to built-to-order products because it allows customers to pick and choose among options and show the costs of different choices while enforcing configuration constraints.

7

Just Ask

What if your customers supplied you with a continuous stream of ideas of products they would like to buy from you? What if you could compile a database of features customers liked most or liked least about your product? Or customers' likes and dislikes about your competitors' products?

It's easy to build online questionnaires into your Web site that collect all sorts of information about your customers, their preferences, their needs and their wishes. The questionnaires can be particularly effective on sites where customers have identified themselves by logging on, thus avoiding possibly spurious input from random visitors.

If you were meeting with customers face-to-face on a daily basis you would naturally engage them in conversation about products and needs. You would collect stories anecdotally and, if meticulous, you could gather statistics to uncover general trends.

Your Web site *is* meeting your customers every day. Web questionnaires and databases are ideal collectors of stories *and* statistics. And guess what? Your customers want you to ask them what they want.

To learn more about how to serve your customers better, just ask.

8

Self-Service

Customers can become like (unpaid) employees while you improve customer satisfaction by providing them with online self-service options.

Self-service has a long history of reducing costs while increasing customer satisfaction. Supermarkets replaced clerk-behind-the-counter grocery stores. Dial phones replaced operators, first for local calls, then for long distance. ATMs have replaced the most common functions of bank tellers.

The Internet enables all sorts of functions to benefit from self-service. Change of address, subscription renewals, event registration, changes to insurance coverage and bank balance inquiries can be done better and less expensively by letting customers serve themselves.

Even more complex functions are offered for self-service. For example, Web site developers are typically allowed to make a wide range of configuration and maintenance adjustments to the servers they use through Web site hosting services. Necessary adjustments can be made immediately by the developer and at no cost to the hosting service.

Customers feel more in control, they take responsibility for accurate data entry and costs of making these sorts of changes fall to 10% or less of their offline, indirect costs.

9

Don't Guess, Test

How effective is the copy in your e-mail promotion? Is your headline a real grabber? Is it better to have more stylish graphics on your Web site or simple, fast loading pages? Would you make more profit in online sales if you lowered your prices or if you raised them?

The Net offers the opportunity for real time testing of the effect of virtually any aspect of online interactions with customers. Called split-run or A-B testing, it's easy to employ two versions of copy, designs, prices or whatever, then offer them to different Web site visitors. Say you have two Web pages, identical except for the headlines. Both versions include a Buy button. You can quickly learn which headline works best at converting browsers to buyers by counting the Buys from each version. Standardize on the most effective headline, then vary something else such as the price, the color of the page, the placement of the Buy button or whatever you think may improve results.

There are lots of opinions and experts around ready with advice on how to improve profits. Nevertheless, your customer is the one whose opinion really counts. Online split-run tests show quickly and easily what your customer values and what she's willing to pay for.

10

Provide the Missing Link

New products often languish when customers encounter

barriers to use. Lawn fertilizer was slow to gain customer acceptance. It was precisely formulated but spread in a fairly haphazard manner... until Scott developed the spreader. The spreader allowed measured application that matched the fertilizer formulation. The spreader provided the "missing link" in the lawn fertilizer business and sales took off.

In many cases, the missing link consists only of information, which is provided so proficiently over the Net. Savvy companies provide the tools needed to make it easy to use their products. Travel companies offer trip planning, local hotels and attractions along the way, currency conversion calculators, health and safety tips, language translators, ATM locations, even help in finding travel buddies. Car dealerships offer competitive loan bids, details on makes and models, loan calculators, trade-in values, and running costs as features are added or removed from a car. Financial companies offer investment information, dictionaries of financial lingo, real-time prices, side-by-side fund comparisons, tax planning, retirement and college fund planning and investment strategies.

What missing link is frustrating your customers and slowing your sales? If it's information, provide it quickly and cheaply over the Net.

Dr. Harry Tennant is an author, lecturer and consultant on e-business strategy. His latest book is *Effective e-Strategies: The Themes and Strategies at Work on the Web*.

Dr. Tennant formed Harry Tennant & Associates in 1993, focused on helping organizations create their Internet strategies, then implement them. They build Net applications for clients, specializing in those requiring technical sophistication. Customers include such well-known companies as Texas Instruments, Boy Scouts of America and Southern Comfort.

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