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Study Shatters Internet Marketing Myths

Anderson Consulting and Online Insight's Study Reveals Simplicity Matters and Questions Who Companies Are Really Attracting to Their Websites

ATLANTA / NEW YORK – November 29, 2000 – Companies that are spending lavishly on Web brand marketing and advertising in hopes of attracting young and trendy customers to their websites are overlooking the most profitable consumer sector and the simplest marketing remedies. These are just two of the surprising findings, released today, in an eBranding study conducted by Andersen Consulting, a leading global management and technology consulting organization which will be renamed Accenture on January 1, 2001, and Online Insight, an eCustomer Relationship Management technology company.

The nationwide study on Internet marketing spending, "Beyond the Blur: Correcting the Vision of Internet Brands," shows that companies could realize dramatic returns from online marketing efforts if only they targeted their marketing to the ten percent of the population that buys 70 percent of all products online. That ten percent is primarily comprised of people 35-and-older, not the GenX segment so often associated with the Internet. Furthermore, the study found that the best ways to reach the buying public are:

- Provide a rewarding customer experience, instead of barraging them with massive brand advertising.
- Recognize who their customer really is; consumer needs are very, very different between segments and a website should not be designed as "one size fits all."

"When it comes to online marketing initiatives, companies are ignoring the basic marketing principles traditional businesses use - first, choose your target more deliberately, and then focus marketing efforts to reach them," said Stephen Dull, partner in Andersen Consulting's eBranding practice. "Instead, many companies are spending a lot of money on sweeping Internet marketing initiatives and huge advertising buys that are not targeted. This study affirms that 'Marketing 101' applies in the Internet world. Success is not achieved by throwing around as much money as possible, but by inspiring customers to buy more."

This U.S.-focused B2C research of online customers, offers important new insight into the perceptions of digital consumers. The landmark study's findings will help companies to measure and understand the true driving force behind their online customers' purchasing and, in turn, to devise better brand-building strategies across all customer interactions. The study's findings are especially vital to companies seeking to profit from online marketing initiatives during the expensive holiday and Super Bowl advertising cycle.

Another surprising finding is that nearly a third of online consumers are not motivated by price. According to the study, these online consumers are more interested in website speed, ease of use, security, and overall brand selection.

"The secret to building brand equity is not so much in huge advertising buys, fancy logos or constant price-slashing; it's in fully understanding customers' needs and providing them with an exceptional experience tailored to those needs," said Dull.

The comprehensive study's findings are pertinent to companies seeking to establish, build, and sustain an Internet brand. The study measured the desires of more than 2,000 online purchasers using B2C websites across 17 industries, including automotive, entertainment, communications, financial services, high technology, healthcare, retail and travel. Participants also were surveyed on a variety of issues regarding their Internet usage, brand awareness, knowledge of pricing and product information, and customer service.

“For many people, a brand conjures up thoughts of company logos, product packaging or images and feelings associated with a particular product or company,” added Mark Wolfe, lead strategy partner in Andersen Consulting’s Customer Relationship Management service line. “Yet, a brand is so much more. This research shows that a brand should be defined as ‘the sum total of the customer’s experience with, and perceptions of, a product or service.’”

“It’s a highly competitive marketplace and companies must move quickly to protect their eBrands,” said Ken Forster, president and CEO of Online Insight. “Our research proves that understanding how consumers make decisions is key to surviving in this Internet economy.”

Three of the eleven B2C marketing myths that this study proved false include:

Myth #1: Target the young. Success in the online world comes from grabbing as many young, hip and trendy customers as possible.

Reality: In fact, only 10 percent of the population accounts for 70 percent of all online spending and the heavyweight spenders are 35-years and older.

New Strategy: ‘Forget the eyeballs and focus on the wallets.’

Myth #2: It’s all about the price. Most customers opt to buy on the Internet to get things more cheaply.

Reality: Pricing contributes no more than 10% to the eBrand value. The other 90 percent has nothing to do with price but everything to do with website features and brand availability.

New Strategy: ‘Focus on your experience to raise the bottom line.’

Myth #3: Marketing is the key to brand building.

Reality: The consumer experience is key. Online brands can build more value by improving the overall customer experience and by tailoring their websites to their target audience.

New Strategy: ‘Think segments to streamline the right experience for the customer.’

About the Study

The study was conceived by Andersen Consulting’s eBranding practice and conducted jointly with Online Insight. Online Insight conducted the nationwide research of more than 2,000 online consumers focusing on consumer needs, including Internet usage, broadband usage, spending, brand reputation and satisfaction, and demographics. The results address issues on branding that apply across 17 industries.

This study is the first in a series conducted by Andersen Consulting and Online Insight to collect empirical data about the value of brands in the New Economy and the impact of the Internet on the total customer experience and their chosen brands.

Understanding how consumers make choices has long been a “hot” topic for social scientists, psychologists and marketers. Marketing is the late-comer, borrowing mathematical models developed in the field of psychology to measure preferences and predict buyer behavior. One such model, “conjoint” (or trade-off) analysis, has been reliably used since the 1970s and has become one of the top choices for understanding consumers and extensively used by the best marketing companies.

The fundamental idea behind conjoint analysis is that choices usually involve a trade-off. We never get all of our decision criteria perfectly met: a Rolls Royce for \$3,000. The goal for marketing researchers is to figure out how people make those tradeoffs. By showing consumers enough realistic options and watching how they choose, conjoint can reliably measure how we buy and what we really want.

About Andersen Consulting

On January 1, 2001, Andersen Consulting, the \$8.9 billion global management and technology consulting organization, will change its name to Accenture (pronounced: ak-SEN-chure, as in “accent” + “future”). The firm is reinventing itself to become the market maker, architect and builder of the new economy, bringing innovations to improve the way the world works and lives. More than 65,000 people in 48 countries deliver a wide range of specialized capabilities and solutions to clients across all industries. Under its network of business strategy, the firm meets a full range of client needs - consulting, technology, outsourcing, alliances and venture capital. Andersen Consulting’s home page address is <http://www.ac.com>.

About Online Insight

Online Insight is an eCRM technology company offering a unique integrated guided selling and customer insight solution. Unlike most technologies used on the web today, Online Insight uncovers the “why” behind purchase motivations by engaging the consumer in a real-time dialogue that captures their explicit trade-offs and preferences at the individual level. By understanding the exact needs and motivations of each buyer, companies can more profitably drive sales, marketing, product planning and customer care systems. Founded in 1998, the company is based in Atlanta, Georgia. www.onlineinsight.com

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