



# Rite of passage

By Kris Wadia

For an established company making its move into e-business, the importance of getting strategy right cannot be overestimated. Here are some important lessons learned from those who made smart moves—and those who didn't.

**N**ow that the dust has settled, it's increasingly clear that many companies moved too quickly to embrace the Internet and go into e-business. Instead of thinking ahead about how they were going to build and sustain customer trust and loyalty, they plunged into the new medium, investing too heavily in the design and launch of their websites. The upshot: Many potentially successful new ventures became short-lived upstarts.

With the benefit of hindsight, we can see what worked and what did not. And one of the primary lessons is that the established companies that moved with clear strategies and business models in mind were the ones that won. They made some smart moves—moves that others can learn from.

The Internet is many extraordinary things, but it is not a mass market with millions of largely inattentive buyers. In fact, many Internet shoppers are highly sophisticated consumers, with access to unprecedented amounts of information, which makes customer relationships more important than ever.





Companies often launch websites that do not have the capacity to handle what turns out to be poorly estimated demand.

To earn the customer loyalty that will help ensure the long-term viability of an e-business, a company must have a clear strategy and a business model that actually delivers what it promises. And it must be careful not to lose the customer's trust—because once that's gone, it's almost impossible to get back.

#### **The right start**

Obviously, there is no single “correct” Internet strategy for every company. Online businesses confront too many different variables—geography, market, industry, infrastructure and customer sophistication—for there to be a one-size-fits-all solution. Nonetheless, it is essential for each company to get its own particular strategy right.

For existing businesses, the choice of strategy is usually driven by how closely the Internet presence is linked to a company's current branded bricks-and-mortar operations.

To determine how close that link should be, it is helpful to think through the following questions:

- *How feasible is it to leverage the existing franchise?* In general, the more closely linked an Internet model is to the company's existing operations, the greater the opportunity for leverage.
- *To what extent are you willing to put the current brand at risk?* The more visibly linked an Internet model is to the existing company, the more its success—or failure—will reflect on the parent company's brand.
- *What is the end game?* Is it to spin off the Internet business as a separately capitalized entity? If so, a stand-alone brand might be more appropriate.

Whatever you decide to do, a staged implementation will dramatically improve your chances of success. Remember the old adage: You don't get a second chance to make a good first impression. This is particularly true on the Internet, where every technological or process hiccup, especially at the launch stage, will be covered in the press.

For a company with an established market position, the starting point should be its own customer base. There are three phases your company should proceed through.

#### *Phase 1: Test before you launch*

A smart move is to select a group of real customers, let them use the proposed version of your site prototype, watch what they do, take down their suggestions and make changes—then test again.

In the headlong rush to be first to market, companies often launch websites that do not have the capacity to handle what turns out to be poorly estimated demand. Delays in opening customer accounts also conspire to undermine the appeal of attractive (and expensive) introductory offers. Such self-inflicted injuries serve only to make building trust considerably harder than necessary.

#### *Phase 2: Take care of your current customers*

Be the first to tell them about your new Internet presence. Give them a special incentive to become your customers on the Internet.

This step often goes against the instincts of business leaders, who fear they will be cannibalizing their existing, profitable business. But the failure to communicate with your bricks-and-mortar customer base actually makes you more vul-

## Internet models for an existing business

To understand the range of strategic options for an existing business, let's look at some of the models that banks around the world have adopted in going online.

*New channel.* With this model, a bank's Internet presence is simply another option for communicating with the bank and making transactions. It probably doubles as the corporate brand presence online as well.

*New operation.* Here the Internet presence is a new bank, but it is clearly sub-branded to show that it is part of a group with considerable financial muscle.

*Internet-only operation.* In this model, the entity stands alone. It may have been launched by an existing bank, but there is no visible connection between the parent and the Internet offspring. The Internet bank will have to succeed on its own merits—and to do that, it will have to build trust through the repeated use of its service, which should bring to bear all the advantages of the Internet, including low cost and ease of access.

*Portal.* In this scenario, the initial trust in the existing brand of the retail bank is being leveraged to build a different kind of Internet presence, whose success will, in turn, support the offline brand.

nerable to losing them to competing Internet companies.

If your customers' first information about your new online operation comes through an advertisement or news report, they will most likely view it through the eyes of a prospect, not as a loyal "member of the family." In effect, your customer will see your Internet presence as one of many available choices, rather than the default option, and brand loyalty will have to be built all over again.

### *Phase 3: Help your customers work for you*

For any commercial transaction, but especially for one based on trust, the recommendation of a satisfied user can be powerful. Existing customers are your best and least expensive source of new customers. Give them incentives to bring friends, family and colleagues into the fold.

Of course, this will work only if you take excellent care of current cus-

tomers. Unless they are fully satisfied, they are not going to be strong advocates on your behalf.

Please your customers, the saying goes, and they'll tell one person; displease your customers and they'll tell 10 people. On some bulletin boards today, a displeased customer can tell 10,000 people. The impact of online sites devoted to collating and leveraging customer opinions (for example, Epinions.com) should not be underestimated: They can do you tremendous damage—or tremendous good.

### **Building trust**

Acquiring the customer is just the first step in a long, relationship-building process. Customization—adding value to the online experience by making it more personalized and directly relevant—is key. Also essential is holding and accumulating detailed information on behalf of customers, making them less inclined to accept competitors' promotional offers.

Initial interactions between the customer and the new online presence will largely determine the duration and tone of the relationship. Communications designed to smooth the settling-in process are likely to pay dividends.

Moreover, trust develops after customers repeatedly use the online service, and then only if they have consistently pleasant experiences. And remember: Customers who trust you will forgive the occasional stumble in performance.

Here are some trust-building pointers:

### *Give customers what they need*

When a potential customer visits a website, he or she has one question in mind: "What's in this for me?" Whether the customer wants information, advice, products or services, you have to provide it—and in a useful and user-friendly format. In return, the customer will stay online, give you repeat business and become a loyal user.

The more closely your Web presence is aligned with the customers' key requirements and motives, the greater the affinity, bonding and trust. So be careful how you allocate space on your home page. For example, it's probably safe to assume that the amount of business resulting from the company's Internet presence will be inversely proportional to the amount of space devoted to messages from the chairman, especially on the home page.

Something to avoid at all cost: the use of jargon, especially if it involves internal company terminology. Jargon tells users that they are outsiders. It works against creating long-term, profitable relationships because it can get in the way of the



Every interaction a customer has with your online presence, even if it begins with a complaint or a problem, should end up being a positive experience.

purchasing process; if users can't understand the instructions on the site, they probably won't complete their initial transaction—or become repeat customers.

#### *Create a retention program*

Be willing to do some hand-holding. Design a communication program that keeps you in touch with the new customer and lets that customer talk to a real (and helpful) person when a question or problem arises. Then reward customer loyalty. Programs that offer some bonus (for example, points toward rewards based on transactions) give customers an incentive to come back.

#### *Involve customers in creating and testing your value proposition*

Ask a representative group of your best customers to evaluate new product or service launches before they go live, and invite suggestions for improvement from every user. Implementing and rewarding the best suggestions by publicly recognizing the customers' input (with their permission, of course!) also shows that you are listening, and builds trust by positioning the online entity as a business partner that is prepared to accept constructive criticism.

#### **Protect your advantage**

All that has been gained can also be lost, and at e-speed. Once you have an online brand worth protecting, put plenty of effort and energy into doing just that.

#### *Deliver on the Internet promise*

Regardless of the product or service being offered, customers have certain legitimate expectations for an Internet operation. Can they use your site outside of normal business hours—preferably every day, around the clock? Can they reach a support person outside of local business hours? Will someone respond promptly and

be competent enough to resolve the problem in most instances?

Can your website handle international business? For example, if you have potential customers outside the United States, do they have an option other than toll-free numbers (which are often usable only within North America)? Can your product be delivered by a reliable carrier?

Pay special attention to the handling of problems or complaints. Things will go wrong, and the way you handle glitches will do much to build or destroy customer loyalty. Every interaction a customer has with your online presence, even if it begins with a complaint or a problem, should end up being a positive experience.

#### *Take online security as seriously as your customers do*

Concerns about security, data protection and privacy online have been well publicized, and are especially acute when the information being exchanged is about sensitive matters such as health or personal finances.

Simply having policies that cover these areas is not enough. You must be seen to be complying with them. For example, explaining to customers that the padlock icon they see when entering their password proves that their data is being transmitted in a secure manner does wonders for building trust.

What's more, these policies should be given pride of place, wherever appropriate. How about a pop-up box that appears when personal information is requested and explains how closely that information will be guarded? Another trust-building initiative would be offering policy explanations in both technical

## Starting from zero

Targeting your current customers and letting them work for you is all well and good if you have current customers. But what if you are a pure Internet startup, with no bricks-and-mortar company standing behind you?

Rather than spending your marketing budget exclusively on a conventional advertising campaign, consider offering free information and customer education. Teach people about your industry, about services and options available to them, and about how to

make choices. Offer fact sheets, online tutorials, self-help features and self-assessments.

This is a softer approach because you are providing information and service rather than just selling. This may lead to you being mentioned favorably in the press—and potential customers who read about you in a news context are likely to be impressed and to give you credit for helpfulness. Those who take the next step and contact your site will be high-quality leads.

*specifically in building brands on the Internet. His recent book, Optimising e-Brand Profitability—Launching, Growing and Protecting Your Brand Online, was published by Financial Times Prentice Hall in December 2000.*

*kris.wadia@accenture.com*

and nontechnical formats, allowing new Internet users to understand how the secure sockets layer protocol works to protect their data. (But remember—no jargon!)

### *Be straightforward*

Online customers have instant access to multiple sources of free information—and they can seek input from what is becoming the most powerful voice on the Internet: other consumers. Remember, too, that if an online business offers one version of the truth to its customers, and then they get alternative versions via bulletin boards or chat rooms, the breakdown in trust will take far longer to repair.

When problems arise, the best solution might be to acknowledge them openly on your website. You will avoid a huge volume of inbound e-mail from irate customers. More important, your display of honesty will enhance trust.

### *Beware of pirates*

Your brand names, trademarks and service marks could be used to confer legitimacy on perpetrators of

fraud—leaving you to deal with the backlash. Constant vigilance will minimize this possibility, and the investment in prevention and detection will be cheaper, on balance, than the remedy.

The importance of getting your strategy right cannot be overestimated. Your strategy drives your business model, which, in turn, determines how you will meet your customers' expectations.

In the days and weeks immediately after launch, these expectations must be appropriately managed and satisfied if your brand is to survive beyond launch phase. Using a phased approach to building long-term customer relationships will, over time, manifest itself as a trustworthy e-brand, and you will have made the transition to success as an e-business in 2001. ■

---

*Kris Wadia is a London-based associate partner in the Accenture Financial Services practice. His clients include leading US investment banks and a UK online retail share brokerage firm. Mr. Wadia specializes in e-commerce,*