

TECHNOLOGY MARKETING FOR BUSINESS SUCCESS

Exploiting the Information Network Effect

A New Model for Customer-centric Communications

by Michael Gale, principal, Strategic Oxygen

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Research has shown that, like most consumers exposed to a blitz of marketing messages, technology buyers build their own custom information networks, prioritizing how and when they use specific sources and reference points during the buying cycle. This white paper, the third in the "Technology Marketing for Business Success" series, explains the theory and practice of exploiting the Information Network Effect (INE) in marketing information technology. INE-based marketing enables marketers to differentiate their marketing methods as well as their brand offerings, messaging, and share of voice performance.

WHY INE-BASED MARKETING IS ESSENTIAL NOW

By properly orchestrating their messages and the media used to deliver them, IT marketers can leverage the information networks of their customers and prospects to improve the efficiency and effectiveness of their programs. These are essential requirements in the current challenging economic climate, as marketers come under increased pressure to deliver demonstrable returns on marketing investments.

Especially for marketers working on behalf of the more prominent technology brands, there are four core reasons why INE-based marketing is critical right now:

- Consumers today are subjected, on average, to more than 3,000 marketing messages a day (Hagel and Singer). Technology buyers may well be exposed to even more, given the crowded nature of the technology market and the array and volume of information sources these buyers come in contact with. Among them: print vehicles, web sites and online advertising, television and radio, colleagues and salespeople and the many other people they meet with on a daily basis. To cope with such a chaotic information environment, people develop schemes for filtering out information sources that, through experience or perception, they believe will not deliver the information they need. Marketing experts such as Steven Cristol (Simplicity Marketing) see this as an inevitable simplification process in a cluttered and confusing world of information. Marketing methods that reduce clutter and simplify information gathering for customers and prospects can take advantage of the process.

- In an uncertain economy, it is absolutely vital to minimize drop-off in brand performance during the transitions in the buying cycle, from awareness to consideration to final purchase. Especially with the increased pressure on their budgets, marketers need maximum efficiency from their programs and tactics. They simply must achieve the highest practical levels of conversion from each stage to the next as they "bring buyers along" through the buying cycle.
- As highlighted in "Back to Basics," the introductory white paper in this series, there is a strong correlation between a technology brand's share of voice (SOV) and the market share (MS) it has already achieved (in research conducted in 2001 by Strategic Oxygen, correlations ran from over 50% to just under 80%). The fact that SOV derives in part from MS means that most brands cannot afford to consistently buy the levels of SOV necessary to build MS. In other words, the "bigger" the brand, the easier it is to buy SOV (especially when SOV costs are measured as a percentage of the total company revenues). Inevitably, however, there are time lags between MS prominence and SOV efficiency. The longer those time lags, the more the advantages of SOV dominance are reduced – just as margins on each sale achieved are reduced. Marketing programs and tactics that can tighten the link between SOV enhancement and MS prominence can buttress the leadership position of major brands – and aid smaller brands looking to improve their competitive position.
- During hard times, maintaining customers is vital for every business, and IT companies are no exception. Customer-centric marketing tactics, such as INE-based communications programs, take maximum advantage of what marketers know about the buyers they know best: their tried and true customers.

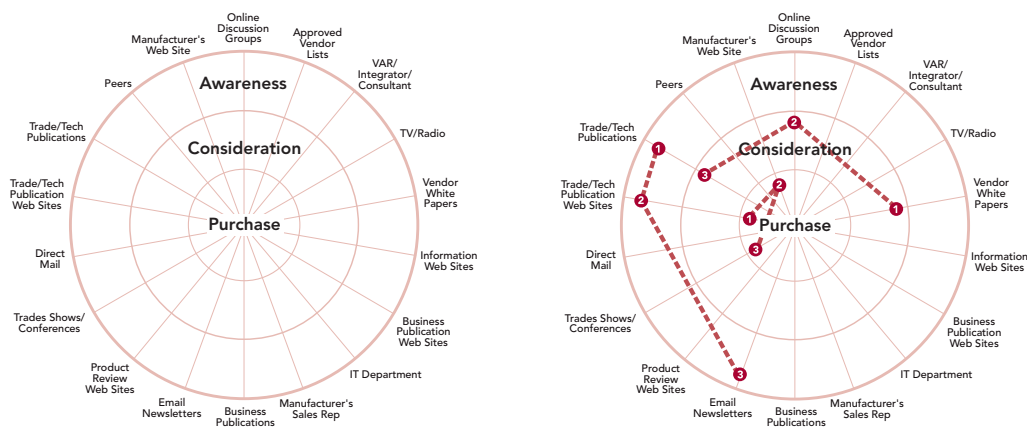
THE BENEFITS OF INE-BASED MARKETING

By studying the Information Network Effect among IT buyers, marketers can measure the effectiveness of particular sequences of marketing tools when used at each stage of the buying cycle, from awareness to consideration to purchase. The objective is to find the most efficient and most effective road maps for acquiring and retaining customers. As shown in the charts below, from Strategic Oxygen's Integrated Marketing Study, each sequence has a different set of routes. Data also shows us that the range of effects at the purchasing stage can vary widely, from less than 1% to more than 35% of all buying scenarios. Analyzing the Information Network Effect to identify

and exploit the most effective marketing routes can have a big effect on the bottom line.

During each buying scenario, there are hundreds of potential combinations of information sources that customers and prospects might rely on. It's clearly impos-

The Information Network Effect



sible for technology marketers to fund or manage every option. INE-based marketing identifies and uses the most effective combinations of marketing vehicles and avoids the risks and inefficiencies inherent in less customer-centric approaches.

The following table shows the range of options used for each scenario and how much share of

SCENARIOS	AVERAGE NUMBER OF POSSIBLE INFORMATION NETWORKS PER SCENARIO	AVERAGE PERCENTAGE COVERED BY TOP 10 INFORMATION NETWORKS (PURCHASING BEHAVIOR)
24	125	60

SOURCE: Strategic Oxygen, 2001

purchase was isolated among the top ten choices.

By targeting the information networks used by customers and prospects, IT marketers can win share of mind at the awareness stage, and maintain it through consideration to purchase, by "being present" precisely in the media and other vehicles buyers rely on at each stage. While enabling marketers to run tactical marketing programs that address specific stages in the buying cycle, INE-based marketing also allows a brand to build SOV dominance through a tighter, more efficient management of marketing versus simply "turning up the volume." In effect, it enables a brand to refine the age-old argument of reach versus richness in marketing.

Because INE-based marketing is based on the measurable effective value of each marketing vehicle at each stage of the purchase process, it enables a more effective allocation of marketing budgets to meet the exact needs of a brand at any given time – for example, changing awareness, increasing consideration, or improving conversion-to-purchase rates. It also allows a company to balance marketing resources among its products and product lines, including new versus old technology.

Inherently customer-centric, INE-based marketing can also be calibrated precisely according to a company's or brand's customer segmentation models. So it provides maximum leverage when combined with a customer equity-based marketing strategy, as described in the previous paper in this series, "Customer Equity Marketing: The 80:20 Rule and Beyond."

LEVERAGING INE TO BUILD SUSTAINABLE ADVANTAGES

Strategic Oxygen's baseline Integrated Marketing Study (August 2001) included two scenarios that demonstrated the potential of INE-based marketing. Even in a harsh economic climate, the results show, marketing strategies that leverage the Information Network Effect among IT buyers can deliver sustainable advantages for technology brands.

The tables on the following page illustrate the various combinations of sources of information used by technology purchasers, and rank the top three sources by impact on purchase levels.

Scenario One: Back Office Applications

In this scenario, the technology influencer is looking for a new solution for his or her large

	AWARENESS STAGE	CONSIDERATION STAGE	PURCHASE STAGE
1ST IMPACT	TRADE PUBLICATIONS	TRADE PUBLICATIONS	MANUFACTURERS' WEB SITES
2ND IMPACT	TRADE PUBLICATION WEB SITES	VAR/SI/ CONSULTANT	VAR/SI/ CONSULTANT
3RD IMPACT	E-MAIL NEWSLETTERS	MANUFACTURERS' WEB SITES	MANUFACTURERS' SALES PERSON
PERCENT OF ACTIVITY	28.8% - 44.1% OF AWARENESS BUILDING	9% - 33.7% OF ALL CONSIDERATION ACTIVITIES	13% OF ALL PURCHASES

SOURCE: Strategic Oxygen, 2001

enterprise. The influence of peers and IT departments (informal marketing influences) has been removed from this scenario.

Three conclusions can be drawn from this INE marketing map:

- Given the focus of buyers around online and offline trade publication-based activities, brands must clearly connect content and messaging for customers at the awareness stage in these marketing environments.
- Push and pull marketing efforts need to be highly coordinated, as customers go to implementers and vendors for information at the consideration and purchase stages. In order to aid cooperative sales, channel groups and vendors sales staff and websites need to share information sources and build methods for tracking unique content captured about prospects during the sales cycle.
- Manufacturers' websites should segment their information offerings – content, case studies, technical information, and so forth – to meet the distinct information needs of buyers at the consideration stage and those at the purchase stage.

Scenario Two: Web and Application Servers

	AWARENESS STAGE	CONSIDERATION STAGE	PURCHASE STAGE
1ST IMPACT	PEERS	PEERS	PEERS
2ND IMPACT	INFORMATIONAL WEB SITES	INFORMATIONAL WEB SITES	IT DEPARTMENT
3RD IMPACT	TRADE PUBLICATION WEB SITES	MANUFACTURERS' WEB SITES	MANUFACTURERS' WEB SITES
PERCENT OF ACTIVITY	30% - 42% OF AWARENESS BUILDING	16% - 33% OF ALL CONSIDERATION ACTIVITIES	22% OF ALL PURCHASES

SOURCE: Strategic Oxygen, 2001

In this scenario, the technology influencer is looking for a new brand of servers for his or her large sized organization. The influence of peers and IT departments has been included in this scenario.

In this type of scenario, which is more suited to a direct selling model than a channel-based one, it's critical to balance marketing activities between online information and marketing support to the whole customer experience to ensure that peer-based reviews are positive. Given the importance of peer influence in this scenario (1st impact across all stages), it's critical to focus on case study- and peer reference-based marketing. Investments in customer satisfaction and experience-based marketing, as described by Patricia Seybold in Customer.com, are essential.

CONCLUSIONS

Managing IT marketing programs and tactics around the Information Network Effect will generate a more effective return on marketing investments by matching information delivery vehicles precisely to customers' information needs and the sources they rely on at each stage of the buying cycle. To leverage the Information Network Effect, IT marketers need to answer the following questions:

- Do we know our customers' schemes for coping with the Information Network Effect?
- Are there significant variations in the Information Network Effect among our customers by segment, requiring a parallel segmentation of our marketing models?
- Do we have the right marketing tools and skills (people, capital, experience) to exploit the Information Network Effect among our targets?

Especially in a challenging economic environment, such as the present, and given the state of evolution of the technology buyer, IT marketers who ask, answer, and act on these questions will maximize their chance of success in both brand development and demand generation.

Sources

Cristol, Steven. "Simplicity Marketing".

Hagel and Singer, "Net Gain".

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Allen, James, and Zook, Christopher. Profit from the Core: Growth Strategy in an Era of Turbulence.

