



## **April 2005 Issue**

In the April issue of Marketing Magnified, U.K.-based marketing expert Prof. Malcolm McDonald—the keynote speaker at this week’s MPM Forum in London—offers a wake-up call for CMOs everywhere. Also, High-Definition Consulting’s Clark Crowdus amuses and disturbs us at the same time on the newest consumer segment, and Dean Harris of Vonage talks about navigating the ultra-competitive VOIP space in “Get to Know a CMO.”

### **Editor’s Cut**

**Our lead article in this month’s issue comes from marketing guru Prof. Malcolm McDonald ...**

### **Getting Marketing Back in the Boardroom**

It is intensely irritating to hear yet more pleas for marketers to become more accountable...

### **Channel Chat: Mind Your P<sup>3</sup>s and Qs**

If you are looking to grow your channel revenue...

### **Let’s Hear It for the CCO!**

Long gone are the days when a company was helmed solely by a chief executive officer...

### **Vertical View: Staking Your Claim on Insurance**

Although the insurance industry is often criticized...

### **Get to Know a CMO: Dean Harris of Vonage**

In just four years, Vonage has grown into the nation's largest Internet-based phone service provider...

### **Fed Focus: Demystifying the GSA Schedule**

If your technology company is ready to embrace the federal IT market opportunity...

### **Marketing to the Newest Global Consumer Segment**

As demographic measurement and psychographic research become more advanced....

### **The Download**

Having a hard time getting a handle on online B2B advertising? Join the club....

## Editor's Cut



Our lead article in this month's issue comes from marketing guru Professor Malcolm McDonald, who offers up a blunt European-based assessment of the CMO's role and reputation in the boardroom—but one that can certainly be applied globally. McDonald argues that marketers must align their own goals with their company's business goals, or they'll become irrelevant.

McDonald's piece parallels a couple of current CMO Council initiatives that address the CMO's standing in the corporate hierarchy. One is "Define & Align the Chief Marketing Officer," a joint research project with Northwestern University's Kellogg School of Management at along with *The Economist* and *Chief Executive Magazine*. The project goal is to advance understanding of the CMO's role and responsibility to best serve their companies.

Ongoing qualitative research by Kellogg faculty and doctoral candidates includes interviews with 25 CMO members of the CMO Council, as well as talks with 25 CEOs regarding roles, responsibilities, issues, challenges, etc. of the CMO within the enterprise. Quantitative research includes an online survey to be sent to over 1,000 participants. The study is expected to wrap up in a few months, with findings to be presented soon after and at the annual CMO Council Summit on Oct. 27-28 in Monterey, Calif.

On Thursday of this week Professor McDonald will deliver the keynote speech at our Marketing Performance Measurement (MPM) Forum in London. After reading his article here in Marketing Magnified, it promises to be an interesting presentation to say the least. MPM ties directly into the CMO's standing within a company, as an MPM strategy is essential in delivering the hard numbers that the CEO and the boardroom now require.

The London event is the second stop on the eight-venue global MPM Forum series. Future Forums and their host companies include Orange County, CA May 3, FileNet; Chicago May 17; CDW; Boston, June 21, ZOOMInfo; Munich, July 19, Oracle; New York, Sept. 7, Thomson Financial; and Paris, Sept. (date TBD); Alcatel For more information, go to [www.mpmforum.org](http://www.mpmforum.org).

Those are just two of a number of CMO Council initiatives in the formative stages. Others include:

- "The Remote Revolution: Mobile Workforce Survey on Uptime Issues, Implications & Imperatives with the Business Performance Management) (BPM) Forum"
- "The Tech 100 Customer Affinity Index (CAI)," a program in partnership with Columbia School of Business and CMP Media that explores customer satisfaction, intimacy and attachment among global tech brands
- "Pipeline to the Frontline: Just-in-Time Prospect Delivery" will study online marketing's affect on lead generation, pipeline management, prospect harvesting practices and more.

For more information on these initiatives and others, check out [www.cmocouncil.org](http://www.cmocouncil.org).

Besides Prof. McDonald's provocative piece, this month's Marketing Magnified offers up other stimulating content, including a "modest proposal" for the establishment of a new C-level marketing position penned by Amazon Consulting's Eileen Renner; an undressing of the mysterious federal GSA Schedule in Gal Bornstein's "Fed Focus"; and in "Get to Know a CMO," Vonage CMO Dean Harris reveals his strategy to compete with the cable companies joining the VOIP party.

Enjoy!

*Scott Van Camp, Editorial Director of the CMO Council and Editor of Marketing Magnified, can be reached at [scottvc@globalfluency.com](mailto:scottvc@globalfluency.com).*



## Getting Marketing Back in the Boardroom

By Malcom McDonald

It is intensely irritating to hear yet more pleas for marketers to become more accountable, especially when our official bodies, such as The Marketing Society and the Chartered Institute of Marketing keep getting it all wrong. The Marketing Society's "Manifesto for Marketing" and CIM's recent "Hard-Edged Marketing" completely miss the point, as both have promotion as the central model.

Certainly, if I were a CEO and asked my Chief Marketing Officer what we had got for the millions invested in marketing, on being informed we had achieved an increase in awareness, or a change in attitude, they would be sacked instantly.

Nor should we be talking about "ROMI" in the sense of Return divided by Investment. It is a bit like trying to do a financial justification on the wings of an aircraft! What we really mean is Return (not necessarily financial) for marketing expenditure. We have always had perfectly robust models for measuring promotional effectiveness, so one of the most fundamental things we must do is to define what marketing's role is and how it contributes to shareholder's added value.

In Capital markets, success is measured in terms of shareholder value, having taken account of the risks, the time value of money and the cost of capital. This is not the same as profit. Main Board Directors concern themselves with the risk-adjusted return on capital, a worry which marketers generally do not seem concerned with.

What business leaders need is a way of assessing their business risks quantitatively. Once this hype and jargon are cleared away, all business strategies say the same thing: "We're going to do these things in this market and make this much profit". Digging deeper the assertions in a strategic plan give rise to three components of business risk:

- **Market risk** –The risk that the market is not as good as you think it is
- **Share risk** –The risk that your strategy will not deliver the share it promises
- **Profit risk** –The risk that the profit pool will not allow you to make the promised margins

It is an inarguable fact that corporate assets and their associated competencies are only relevant if customer markets value them sufficiently highly that they lead to sustainable competitive advantage, which is the same as shareholder value added. The failure of the marketing community to get to grips with the risks inherent in their strategies, the time value of money and the returns demanded by shareholders in relation to the cost of capital, is the real reason marketers are thought of in terms of T-shirts and coppers off.

The keynote address given at the MPM Forum will introduce a fully-researched methodology for marketing chiefs to assess quantitatively whether their plans will create or destroy shareholder value. The purpose is very clear: to give marketers the knowledge to position themselves at the epicentre of corporate strategy making—i.e. in the Boardroom.

*Malcolm McDonald, Emeritus Professor, Cranfield University School of Management in the U.K., works with the operating boards of such companies as IBM, Xerox and BP. He will deliver the keynote address at the CMO Council's MPM Forum in London on April 14.*

## Channel Chat: Mind Your P<sup>3</sup>s and Qs

By Toni Clayton Hine

If you are looking to grow your channel revenue, then you probably agree that it has become extremely difficult to differentiate yourself from the competition. Especially when your competition, like you, communicates to partners or solution providers (VARs, integrators, consultants, etc.) that *their* products provide the most advanced technology, the highest reliability and the overall best quality and value in the marketplace. If you are only using your products to differentiate, then you're going at it the hard way.

Differentiating your channel value proposition comes from a precise combination of Products, Process and People (P 3). Using over 20 years of channel intelligence from 180,000 business profiles and over 1 million data points, the Institute for Partner Education and Development (IPED) developed the P 3 Methodology to help companies accelerate channel revenue through the development and execution of mutually beneficial business goals.

### Products: Not Every One Solves Every Business Need

The most recent data shows that solution providers work with an average of 30 different manufacturers and various divisions within those vendor companies. And while a Solution Providers' most profitable revenue comes from services, recommending and deploying products as part of the total solution is what makes them trusted IT advisors for their customers.

Solution providers segment the products they recommend into three categories:

- **Core Products:** Strategic vendor partners, technologies and products that enhance their fundamental value proposition
- **Gap Products:** Complimentary tools and add-on products that round out the solution or are delivered as customer service but do not define the solution provider's business
- **Emerging Technologies:** Newer technologies with the potential to create new revenue streams, especially from new customers or new markets.

To accelerate your channel revenue, it is imperative to understand which of your products fit into the categories outlined above and where you fit in to the competitive landscape. Solution providers sell technology to solve a business problem for their customers. A product might perform a unique function, but it will not be represented in any category until they understand all of the issues required to integrate it into their overall solution set. In other words, your product would be considered part of the solution only if—or when—it fits efficiently within the solution provider's view of a particular business solution.

Research shows that product attributes are the most important element solution providers evaluate. If they don't believe that it works, then nothing else matters. So when communicating the strengths of a particular product be sure that you present your product attributes as an integrated portion of the total solution.

### Process: Programs Help Your Products Align With Partners

In today's technology marketplace, it is a foregone conclusion that you will be able to articulate the ROI on a product purchase. For channel partners, there are additional factors that impact that calculation and correlate to how well your process complements their business model.

The main reason it takes an average of 18 months for a new partner to become fully enabled (six months to recruit, six months to educate and six months to profitability) stems from the fact that once your products are included in the portfolio, the real work is just beginning. Developing marketing and sales tools that educate all functions within the partner organization will help tie their go-to-market strategy with yours.

Understand what the total investment required is and how you are going to prove internal and external ROI for each new partner. Clearly articulate how you will provide them with a competitive advantage in their market, with metrics for measuring success over time.

Your channel marketing programs should take into account that solution providers care about different things when they are evaluating vendors and their products, depending on where they fit in the organization.

- **Executive Management:** Deliver a value proposition that shows how extending your relationship will increase profits and mitigate risk as they grow their business into new markets.
- **Technical Tools:** These allow you to train the partner on more than the speeds and feeds of your products. These programs should emphasize quality of pre-sale and post-sale support, as well as articulate escalation procedures.
- **Sales People:** They are looking for ways to solve customer issues at the business level with products and services that enhance their reputation and provide additional revenue opportunity.

### **People: Factors That Effect the Relationship**

Solution providers engage with those vendors that provide products that offer a mutual business benefit. The most well thought out products and processes will not succeed without emotional engagement, i.e. weighing the rational vs. emotional effects of a partner relationship.

The most successful relationships take into account your short term requirements with their long term business goals presented in a way that demonstrates your commitment to mutual success.

Once the rational issues are satisfied (how well does the product work and how does your program enhance my business?) the less tangible issues become the true differentiators.

Over 530 responses from a recent IPED study on Best Practices in Field Engagement (March 2005) shows the following qualities create the most financially product relationships:

- **Support:** My vendor partner provides excellent support in all areas of technical support, sales assistance and marketing development
- **Proactive:** My vendor partner brings me new ideas that help grow my business
- **Availability:** My vendor partner is always available to help me work through an issue
- **Mutual Benefit:** My vendor partner works with me to create a mutually beneficial that will grow both of our businesses over the long term.

The best vendors understand how solution providers run their business, and what they need to accomplish their business goals, these companies provide the biggest return on your partner

investment. So be proactive, supportive, available and mutually beneficial, and remember those three Ps.

*Toni Clayton Hine is the Managing Director of the IPED, a division of the CMP Channel Group that leverages over one million data points and 20 years of experience to deliver customized channel education and market intelligence to the technology community. She can be reached at [tclayton@cmp.com](mailto:tclayton@cmp.com) or 212 600 3113.*

## **Let's Hear It for the CCO!**

By Eileen Renner

Long gone are the days when a company was helmed solely by a chief executive officer. Recognizing that executives in C-level positions are uniquely positioned to motivate, direct and enact the strategic priorities under their auspices, many companies now employ any combination of a CIO, CMO, CTO, and COO. When a company creates a new C-level position, it conveys a strong message—both to its employees and to its potential partners and customers—that the subject area is a critically important strategic priority.

This leads us to believe that in today's tough economic environment, establishing a new C-level position, the chief channel and/or alliances officer (CCO), might be the fuel needed to help companies achieve greater growth and increased profitability through their partner channels.

The fact is that many companies increasingly view alliances and channel partners as a critical part of meeting their fiscal goals. The average technology company generates 10-50 percent of its revenues through indirect channels and resellers. Donna Coallier, partner in the PricewaterhouseCoopers Transaction Services group, notes that "Companies are using alliances more and more because they can open the door to new business opportunities at less cost, and with greater speed and lower risk than traditional M&A or even internal growth initiatives."

Some companies rely on alliances to stimulate growth rather than riskier mergers and acquisitions. Eighty percent of executives who have become more willing to use alliances in the last three years cite the need for new sources of growth as their primary reason for doing so, compared with 56 percent who use alliances primarily to cut costs. Risk sharing, greater agility, new product development, and gaining access to new distribution channels and geographical areas are also obvious advantages of alliances.

When an organization begins to attribute significant contributions to its success from its channel strategy and alliances, it may be time to institute a chief channel officer (or chief alliance officer) in order to establish a critical communication link between the "channel chief" and the executive suite. With direct and regular interaction with the CEO, the CCO is better able to influence decisions that drive the business and shape corporate strategy at the highest level. The CCO is suddenly in a position to ensure that alliance and channel strategies integrally support and are aligned with corporate goals.

### **An Idea Who's Time Has Come?**

We have observed several recent trends pointing towards the fact that appointing an executive who is responsible for a company's alliance or channel strategy to a C-level role is becoming more of a foregone conclusion than a radical idea. One such trend is that over the past five years, many successful Global 2000 firms who consider marketing a function of executive level strategy have implemented CMOs in their organizations.

In a recent study fielded by Amazon Consulting to CMOs and senior marketing executives in Fortune 500 firms, we asked what they saw as the difference in responsibilities between a CMO role and a vp of marketing. Their answers pointed to the fact that functioning at the C-level, or even as a member of the executive board, allows CMOs to have a more holistic view both across the business and across all the marketing functions. Janice Chaffin, CMO of Symantec, says, "As a CMO I have solid influence with the executive team as a peer." Others polled saw a CMO role as more strategic or visionary, while a vp or even svp of marketing's function would be more focused on the day-to-day execution of that strategy.

## The Driving Forces

When a company establishes a CCO, it recognizes the contribution alliances make to ongoing customer satisfaction levels, company growth and profitability. These factors form the driving force that propels the “channel chief” into the C-suite boardroom.

In a report on the value of alliances, Gartner Dataquest found that executive-level support and sponsorship emerged as No. 1 on the relationship value driver list. Even more than financial commitment—which ranked 12th on the same list—executive support and sponsorship is perceived as a key indicator of organizational commitment to an alliance. Not only can executive leadership instigate alliance programs, it can also empower the alliance and channel organizations by providing the strategic direction and financial support required to fully execute programs.

Understanding this dynamic and the integral role channels play in their success, some of today’s most successful organizations, including IBM, Microsoft and eBay, have already begun to intimately involve top executives in forming their channel strategies. And when C-level executives get involved, channel relationships are typically transformed from opportunistic to strategic in nature. C-level involvement also keeps the channel strategy close to the center of the core business. A 2004 report by the Patricia Seybold Group suggests that there should be a senior executive responsible for the entire “customer experience.”

This position would be ultimately responsible for the quality of the entire end-to-end customer experience. The report notes, “...gaps appear between your go-to-market organizations—between direct sales and your partner, OEM or retail sales and support channels...to address and eradicate customer experience gaps proactively you’ll need someone highly placed in the organization who has the clout to make policy changes and business process changes...”

In the end, the title that the “Channel Chief” of an organization holds doesn’t matter as much as having a place “at the table” or on the executive team that defines direction and strategy for the company. However, by creating a C-level title for this position, a company does send a strong message to the entire organization—and to key external stakeholders—that it is wholly committed to success through the channel. The first organization to appoint a senior channel executive to a C-level position will surely receive the utmost praise from their partner community and recognition as a thought-leader in channel operations.

*Eileen Renner is director of Amazon Consulting. Amazon Consulting is a boutique consulting firm in the Silicon Valley dedicated to helping organizations increase profitability by effectively developing and leveraging partnerships. For feedback on this article, please contact [info@amazonconsulting.com](mailto:info@amazonconsulting.com).*

## Vertical View: Staking Your Claim on Insurance

By Felicia Aronov

Although the insurance industry is often criticized for its lack of innovation, insurance was one of the first industries to computerize, going back to the 1950s and '60s. Unfortunately, many of those legacy systems are still in place, which today hampers insurance companies' ability to compete.

However, a dramatic overhaul is taking place. Technology is enabling a new era of connectivity in this most paper- and process-bound of industries. Employees, clients, distributors and partners are linking in ways that allow them to transact quickly, accurately and securely. Although technology advances are enabling this transformation, it's also being driven by competitive and financial pressures, compliance requirements and customer demands. The result? Every day, more insurance companies are becoming Connected Enterprises.

As carriers adopt the concept of connectivity and straight-through processing, they are investing in an array of critical technologies and tools—including systems integration and middleware, network management systems, web services, business intelligence (including data warehousing and database management systems), industry standards and state-of-the-art core processing systems (claims management, policy administration, agency management systems, security, etc.).

These investments are coming at a time when insurance company IT budgets are growing, although modestly (around 4 percent over 2004 levels). However, despite the recent lean years, insurance technology executives actually do not seem to miss the free-spending '90s. After the optimism about budget growth that many CIOs expressed a year ago, hopes for 2005 seem to be for budget levels to remain even, or just slightly greater. But that may not necessarily be a bad thing for the industry. The austerity of recent years has taught IT organizations to waste much less and to perform more skillfully and reliably— now less really is more.

But that doesn't mean that mapping and executing IT strategies has become simple. For example, legacy systems continue to take a high toll by diverting funds to maintenance that could be used for development. But at many organizations, that is generally the result of sound cost/benefit analysis that CIOs can live with, especially since they have so much more influence today on the direction and amounts of their budgets, and on the direction of the enterprise as a whole.

So what does this mean for technology marketers? Clearly there are opportunities for both hardware and software vendors as companies begin to replace these aging systems. *Insurance & Technology*, part of the InformationWeek Media Network at CMP Media, has been a trusted editorial voice in the insurance industry for more than 30 years. In keeping with our industry-thought-leading position, we are advancing our analysis of core functions within the context of integration and connectivity, while encouraging many companies to begin to transform their processes and technology.

To track this transformation, *Insurance & Technology* last month launched Connected Enterprise, an integrated editorial initiative that delves into the industry's efforts to achieve true end-to-end electronic processing of critical business functions.

Perhaps the best way to understand the value of the "connected enterprise" is to reflect on the costs—in money, time and customer satisfaction—of the disconnections that continue to plague the insurance enterprise. Claims is a good place to start that reflection, as the complexity of the process and sheer number of participants make for a wealth of opportunities for process discontinuity and information disjunction.

While a favorable business climate has encouraged many companies to begin to transform their claims processes and technology, the handling of claims across the industry is still characterized by paper-intensive and error-prone manual processes, resulting in inefficiency, delay and the loss of goodwill among business partners and end customers. Alone, efficiency efforts aimed at manually intensive and redundant systems could provide significant return of technology investment

Each quarter, the content of all the Connected Enterprise channels — print, web, e-newsletters and webcasts — will focus on one high-profile topic: Maximizing the Claims Process, Enabling Distribution, Service and Customer-Centricity, and Securing the Connected Enterprise.

Are we there yet? Of course not. The road to a truly straight-through insurance processing environment still contains many speed bumps and detours. But, after years of traveling in the wilderness, it looks like the industry is on the right path.

*Felicia Aronov is publisher of CMP Media's Insurance & Technology. She can be reached at [faronov@cmp.com](mailto:faronov@cmp.com).*

## Get to Know a CMO: Dean Harris of Vonage



In just four years, Vonage has grown into the nation's largest Internet-based phone service provider. The Yankee Group expects the residential market for VOIP (Voice Over Internet Protocol) to triple this year to 2.8 million subscribers. The market is so ripe that big cable companies like Cablevision and Time Warner are getting in on the action. We recently spoke with Vonage CMO Dean Harris on marketing strategy and how they intend to deal with the competition.

### **Marketing Magnified: Considering the competition and the legislation to regulate VOIP, would you characterize this as a volatile industry?**

Dean Harris: I wouldn't say it's volatile. It's grown so quickly and it's certainly competitive. At the end of 2004 there were about one million homes with VOIP—at the end of 2009 there will be 27 million homes with VOIP. There is competition from the cable companies, and my sense is that they'll help the category overall, because they'll spend a lot of time educating people on VOIP.

### **They do have some pretty deep pockets, wouldn't you say?**

Certainly we take them as serious competition. They're trying to sell to a large extent on bundling—a double play or triple play—which in many cases is not a better deal for a consumer. But VOIP is not their primary business. They've got other competition—the DirectTVs plus the telcos that are also trying to deliver content. They've got a lot on their plate other than little Vonage.

### **So do you put out the message that Vonage only does VOIP?**

No, we don't. We market to consumers, and consumers will understand our value proposition, that if they add up their phone, broadband and cable costs—with Vonage as part of the mix—it's going to be less expensive. We're not assuming that people want to bundle. We've actually lowered our price four times since I've been here. Tell me that Cablevision has done that for you!

### **You're right. They haven't. Not only do you have the cable companies to worry about, there's also state legislation to regulate VOIP. What's the outlook on that?**

So far it's going more to our advantage. A lot of the states have tried to regulate us but the federal government has stepped in and said "That's our thing." One of the great things about us is that we're a very pro-consumer brand. We try to look at this as a way to provide phone service to lots of people and save them lots of money. As long as we stick with that objective, I think we're on very good ground.

### **So how do you acquire your customers?**

It's a direct response model, with both online and offline campaigns. About 80 percent is direct, and the rest is from retail distribution. We have a very aggressive direct response campaign combining TV, print, radio and online advertising.

### **You've got some edgy TV ads running now, called "People do stupid things," that skew toward young people. Are they your main target?**

What we're trying to do is what everybody does—get people's attention. The campaign is consistent from a brand perspective: we're a brand that's colorful, cool and has a bit of anti-establishment to it. We do target the younger generation, but "People do stupid things" is a campaign that people of all ages can relate to. I'm over 50 and I do stupid things all the time.

**In your two and a half years at Vonage, what has been your toughest marketing challenge?**

Being consistent. First, how do we figure out how to acquire customers more efficiently and later how to do that with scale, because we've grown the business very quickly. And we need to figure how to grow the business and keep the cost of customer acquisition moderate.

**So how do you do that?**

We make adjustments all the time. We optimize constantly—our offline at least every week and online as much as 12 times a day.

**That has to mean that you do a lot of measurement.**

We measure everything on a cost-per-acquisition basis. The tricky part is you're running multiple media, so although it's easier to measure the online stuff, we know that the offline stuff has a major impact of improving the conversion rates of the online.

**What percentage of your budget is spent on measurement?**

It's a small percentage, but I think you'd get that same answer from any consumer marketer. We're putting most of our money into acquiring customers.

**What are your goals going into 2006?**

We just want to continue to grow quickly, to continue to be the market leader. Increase our acquisition rate and moderate the cost of acquisition. We're constantly trying to explore those areas. We've allocated a portion of our budget for testing, to try to figure out what the next new acquisition methodology is going to be. One thing we do know, the market is not going to stay the same. So we're looking for new ways to acquire customers.

## Fed Focus: Demystifying the GSA Schedule

By Gal S. Borenstein



If your technology company is ready to embrace the multi-billion dollar federal IT market opportunity, it must quickly learn how to spell and incorporate “General Services Administration Schedule” into its strategic market plan. Simply put, obtaining a GSA Schedule is a strategic “must” in building a multi-phased approach to successfully marketing to the government.

Code language for “Government Purchasing Agent,” GSA’s formal mission is to “help federal agencies better serve the public by offering, at best value, superior workplaces, expert solutions, acquisition services and management policies.” According to the government, GSA acts as a catalyst for nearly \$66 billion in federal spending—more than one-fourth of the government’s total procurement dollars. The agency also influences the management of federal assets valued at nearly \$500 billion.

Most IT purchases made by the government are made through a division of the GSA called the Federal Supply Service (FSS). The FSS allows government managers to consider your software or hardware without the need to engage in prolonged price negotiations as the government has ‘pre-certified’ your company as a qualified provider. So, your target prospect at the government agency can focus on the technical aptitudes of your solution rather than the fear of “red tape procurement” as a pre-condition of doing business with your company. Nonetheless, having a GSA Schedule is not a license to print money, as you are joining thousands of other vendors that have gone through the same exercise. What it does provide, however, is a “contextual marketing environment” that allows your marketing approach to overcome the largest barrier to your decision maker: PAPERWORK.

And indeed, unlike the perceptual brand of Government as perpetuator of the “status quo,” you will find today’s GSA more innovative than ever before. With an aggressive agenda of adopting commercial best practices, it has invested significant thought leadership in matching the requirements of e-government with what commercial vendors have to offer. In fact, it has made a strategic determination that it no longer needs to reinvent the wheel by creating legacy intra-agency applications, but adopt best Commercial Off-The-Shelf (COTS) products. From human resources, procurement, supply chain management; financial systems, critical infrastructure protection, enterprise architecture and information management; legacy migration, web connectivity, knowledge and customer relationship management, if you have a “plug-and-play” solution, the GSA encourages you to present it to the government for the right price.

An example of an innovative procurement contract vehicle specifically created to accommodate the demand for technology is the ACES Contract. It stands for Access Certificates for Electronic Services, which facilitates secure electronic access to government information and services using public key infrastructure/digital signature technology. ACES provides the speed and immediacy of electronic transactions while protecting business-critical information from interception, tampering, and unauthorized access. If your company can identify a technology that fits under an existing GSA-initiated contract vehicle, it should be able to create market share quickly and efficiently.

A common misnomer among outside-the-beltway technology companies is that marketing to the government through the GSA (Everyone has access to your price online through an e-portal [www.gsaadvantage.gov](http://www.gsaadvantage.gov)) means you must become a “lowest cost provider,” defeating your unique value proposition in the marketplace. While the government’s mission is indeed to aggregate the purchasing power of many agencies to get best value, fundamentally your software licensing agreement with the government is an entry point to a relationship with your specific customer.

Treated as such, savvy software and hardware providers use the GSA Schedule as a “getting to know you” point with their federal customers, as they develop and nurture strategic long-term relationships that bring with them recurring revenues in the forms of maintenance, upgrades, and other value-added applications that were not anticipated at the inception of the relationship with the customer.

If you want to see what your competitors have been doing in your specific technology niche, you could simply log in to [www.GSAAdvantage.gov](http://www.GSAAdvantage.gov). It is the electronic shopping mall run by GSA’s Federal Supply Services where FSS contract pricing is displayed. *GSAAdvantage* makes it easy for government buyers to shop and place orders allowing them to buy directly from their desktops. *GSAAdvantage* is a critical part of GSA’s e-commerce strategy, whereby any government buyer can complete a transaction—from order to payment—electronically.

Yes, you heard it right: you can view and analyze what your competitors have been doing with each federal agency and specifically identify what product lines appear to be more popular than others. It is because all GSA Schedule holders must report their sales to the GSA, who in turn posts them publicly on this web site. Log onto <http://ssq.gsa.gov/> and run a sample Schedule Sales Query (SSQ) to analyze sales reported by contractors for specific report quarters during the current and past five fiscal years.

Notwithstanding this great channel, if you run a GSA Schedule Sales Report you will also note that only 10-20 percent of Schedule holders actualize sales in the federal arena. The secret behind the success of those who’ve made it is taking an integrated marketing approach that recognizes the difference between short-term sales and strategic marketing commitment.

*Gal S. Borenstein is President of The Borenstein Group, a leading technology marketing communications agency and member of GlobalFluency. He has over 17 years of experience in marketing, advertising, public relations, and strategic planning in the business communications arena. Mr. Borenstein is in charge of setting the vision for the growth of the agency in niche markets such as telecommunications, information technology, financial services, and government. For more information visit [www.borenstein-online.com](http://www.borenstein-online.com).*

## Marketing to the Newest Global Consumer Segment

By Clark Crowds

As demographic measurement and psychographic research become more advanced, marketers are chopping groups of consumers into smaller and smaller pieces, identifying specific needs within those life segments, and then linking the life segments in an integrated strand—almost from cradle to grave.

The most recent example of segmentation is the emergence of “twixters” as a distinct demographic and psychographic group. Marketing researchers and sociologists have been busy identifying and defining this new segment, which has become so prominent that *Time Magazine* devoted a recent cover story to twixters.

The first consideration for a marketer is, of course, who are these people?

According to *Time*, twixters are an emerging market of young consumers between the ages of 21 and 29 who continue to live with their parents; have fairly good jobs and income; and who are not making any moves to get married, establish families or take on other adult responsibilities that the previous generation did almost automatically.

And the twixter segment is present in many developed countries, including Canada, the U.K., France, Germany, Italy, Japan, and the U.S. Known as “KIPPERS” in the U.K. (Kids In Parents’ Pockets Eroding Retirement Savings) or “Nesthocker” in Germany (nest squatter), twixters job hop, dress like teenagers and expect instant gratification. They have a nearly sleepless lifestyle in which they make purchasing decisions at midnight and expect delivery at 1 a.m., or at least the next morning.

And yet, in other ways, they are more traditional than you might expect. Twixters are really more like the ‘50s generation in the U.S. because they trust their parents and established institutions. Like their parents, they are very self-oriented and require immediate gratification of needs.

Just as marketers have identified and addressed such *previously* new segments as teens, diverse cultures, and seniors, here are some considerations for marketers who might consider approaching *this* newest segment:

**Trust in institutions** —A financial services brand, for example, may want to emphasize transactional and service capabilities to twixters—as opposed to branding concepts of financial strength, trust, stability, and the like. They already trust you; there is no money in the mattress. Understand their culture; give them service that works for them at this stage and don’t try to manipulate them.

**Living at home** —This means twixters are not likely to be burdened with the “overhead” of life that people who have moved away from home have. With the basic necessities of life covered and with more disposable income, a greater share of income can be channeled into purchases that fall into the bailiwick of credit and debit cards. Adding utility to these payment cards will spur loyalty. And, if you’re a lender, there are cosigners with hefty assets living under the same roof as well: boomer parents.

**Studying longer** —Twenty-three percent of twixters surveyed by *Time* said they were 24 years or older when they finished their education. Many routinely take six years to complete an undergraduate education. That could drive a *sustained* emphasis on university venue marketing across products—led, of course, by student lending.

**Spending big and in debt** —Twixters are big spenders. The *Time* survey notes that twixters say they spend more than most people do on (in order of magnitude) dining out, clothes, entertainment, and computers and software. Not surprisingly, the group is also pretty leveraged with 66 percent exiting college carrying more than \$10,000 in debt. While many expenses are covered by parents, lenders should approach with caution, emphasizing transactions and services over loans. Credit card issuers early on should educate about credit scores and how to establish sterling credit. Twixters are in no position to buy anything that could be considered an asset. But gadgets and clothes? No problem. Associate yourself with Apple, Abercrombie & Fitch, Circuit City and the like, and you'll nab that business.

**Overspending, but not overearning** —A study by Syracuse University found that only half of Americans in their mid-20s earn enough to support a family. Again, this is somewhat mitigated by support from parents.

The more clarity you can gain about the attitudes, beliefs and demographic realities of twixters or any life segment—boomers, tweens or Gen Xers—the more you will be able to build products and lifetime customer value.

And once you have, you can begin to use personal selling to convey the product message to *your* twixter at home over dinner!

*Clark Crowdus is principal at High-Definition Consulting Group. He can be reached at [clark@high-def.biz](mailto:clark@high-def.biz).*

## The Download

### The B2B Gap

#### **Reliable numbers for B2B online advertising trends are hard to come by**

By Geoff Ramsey, CEO, eMarketer

Having a hard time getting a handle on the online B2B advertising market? Join the club.

There is still no established source that consistently tracks online ad spending by B2B advertisers, and marketing studies of the online behavior of business users are relatively rare.

That's too bad, because, like the online ad market as a whole, online B2B marketing will grow sharply this year, as more B2B advertisers commit their dollars online.

In total, eMarketer expects advertisers to spend \$9.5 billion on the Internet this year. Of that, we conservatively estimate that B2B spending will account for at least 15 percent of the total, or about \$1.5 billion.

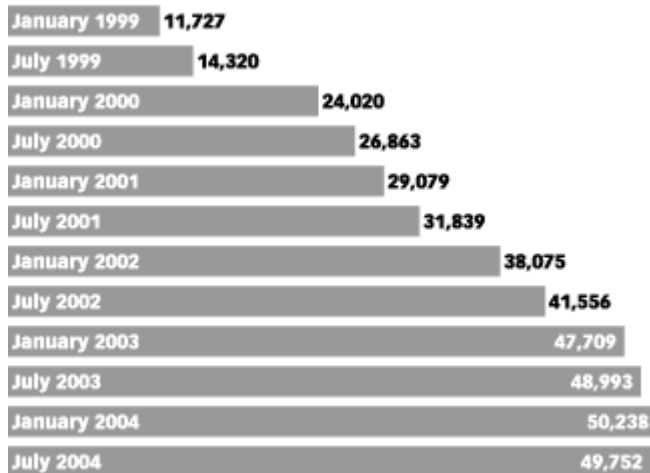
That's certainly a healthy number, but it seems small when you consider the sheer number of business users online. And the dollars begin to look even smaller when you look more closely at the kinds of tasks business people do when they are online.

First, consider the size of the market. There are about 50 million Americans online at work, according to comScore, and some 95 percent of them are accessing the Internet via a broadband connection.

---

#### **Work Internet Users in the US, 1999-2004 (in thousands)**

---



Source: comScore Media Metrix, September 2004

060462 ©2004 eMarketer, Inc.

[www.eMarketer.com](http://www.eMarketer.com)

Incidentally, Harris Interactive says that 99 percent of C-level executives use the web at work. (And doesn't this jibe with your own online experience as an executive? Don't you use the Net daily to communicate, read and do research?)

The amount of time businesspeople spend online is not trivial. Harris Interactive, for instance, found that C-level execs are online 115 minutes a day. A March 2005 GartnerG2 study found that executives are online 137 minutes per day.

The key, though, is not that businesspeople are online, or for how long, but rather what they are doing when they are there.

Guess what—they are making purchases and researching purchase decisions. GartnerG2 found that 52 percent of C-level executives consider the Internet the most important source of information on business. Gartner also reports that 85 percent of business executives use search engines. (That's even higher than the 77 percent level for consumers.)

A Burst! Media study found that more than a third of at-work Internet users had sought product information online, and nearly as many had purchased a product online.

<b>Online Activities* Done at Work by US Internet Users, by Gender, 2004 (as a % of respondents)</b>			
	<b>Male</b>	<b>Female</b>	<b>Total</b>
Sent an e-mail/IM to a family member or friend	56.5%	63.6%	59.9%
Checked local or national news	56.4%	51.0%	53.9%
Looked up weather information	42.5%	39.3%	41.0%
Looked up product information, i.e., prices, specs	40.2%	29.4%	35.1%
Checked entertainment schedule, i.e., TV, movie, theater	30.7%	34.3%	32.4%
Purchased a product	34.6%	27.8%	31.4%
Conducted online banking, i.e., pay bills/check balances	32.1%	29.6%	30.9%
Looked up travel information, i.e., airline schedules/rates	30.2%	30.7%	30.5%
Checked sports information/scores	36.5%	15.6%	26.6%
Looked up health/medical information	20.6%	32.7%	26.3%
Made travel arrangements, i.e., airline flight/hotel reservation	22.1%	20.2%	21.2%
Sent an online greeting or postcard	14.7%	26.8%	20.4%

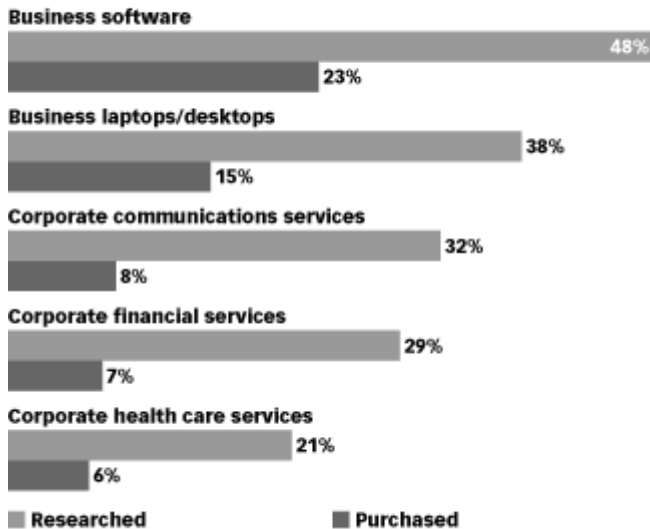
Note: n=14,616; \*activities done within the past three months  
Source: BURST! Media, December 2004

The Burst! data covers at-work users generally. But the habits of senior executives are similar. Harris Interactive found that 81 percent of senior executives visit e-commerce or shopping web sites, and reported that 23 percent had purchased software online. Nearly half had researched a software purchase online.

---

**Products Researched or Purchased on the Web by Senior Executives in the US, 2004 (as a % of respondents)**

---



Source: Harris Interactive, Wall Street Journal, May 2004

058180 ©2004 eMarketer, Inc.

[www.eMarketer.com](http://www.eMarketer.com)

In short, business users are swarming all over the web in a constant hunt for information on products and services. *If you set out to design a marketplace for B2B marketers, you could probably not do better than what has developed organically on the Internet.*

So consider this a call to action—marketers need consistent, accurate numbers spelling out the online habits of business users. We know those business users are out there, we know that the Internet is a primary source of information for them during the workday, and we know that they are doing research and making purchases online. What we need now is more focused research, specifically designed to track data about business people's activity online. This will enable B2B marketers to develop more finely tuned programs to reach this important audience.

eMarketer ([www.emarketer.com](http://www.emarketer.com)) publishes data, analysis and market projections focusing on e-business, online marketing and emerging technology. CEO Geoff Ramsey is the author of a monthly newsletter, *The Ramsey Review*, that briefs C-level executives on emerging trends affecting e-business and interactive marketing. For more information call 800-405-0844 or e-mail [sales@emarketer.com](mailto:sales@emarketer.com).