ONLINE MARKETING STRATEGIES IN THE INFORMATION ECONOMY:
A COMPARATIVE ANALYSIS

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by

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INTRODUCTION

Online marketers are fast pushing the boundaries of the field through a combination of creative content, the use of in-depth market knowledge, and the deployment of interactive and analytical technological tools. Targeted online marketing has emerged as a viable form of reaching customers on the Internet. In addition to providing a cheap and effective way of reaching qualified and interested end customers, it offers several other advantages in the way marketers can establish long-term customer relationships, leading ultimately to retention and loyalty. In this paper, we offer an introduction to the phenomenon, and describe typical business models for targeted marketing online. We do this through a comparative case analysis of Netcentives, Inc. a leading integrator of interactive media technology; Agency.com, a leading interactive media agency, and NetPerceptions, Inc., a provider of collaborative filtering software. We then outline some of the challenges and opportunities in this new medium going forward, including issues related to consumer privacy and the changing nature of intellectual property.

BACKGROUND

Direct marketers spent approximately $163 billion in the U.S. in 1998. Recent figures show the U.S. retail sales are growing at about three-percent annually, while catalog and direct-mail sales are growing at about seven-percent. This confirms the trend that more households purchasing in response to these catalogs and direct mailings, mostly based on mailing lists obtained by the marketers. Although catalog marketing remain one of the most popular forms of
off-line direct marketing, direct marketers do not mail catalogs to every household in the country, due to resource constraints. Instead, they purchase mailing lists that are break down customer groups by income segments, household size, purchase history, or hobbies and interests. By using these lists, direct marketers can target their prospective consumer and limit the amount of extra catalogs being mailed.

In the early days of direct marketing, efforts at reaching prospective customers could be best described as using a "shotgun approach". By packing an envelope full of advertisements and coupons and mailing them out to a large amount of households, it was discovered that customers would actually respond by buying some of the promoted products. Gradually, such efforts gave way to more targeted campaigns. 1-800 numbers grew in popularity as marketers fled to the television seeking immediate response. Today, with the creation of large-scale databases that systematically collect information on households and individuals, direct marketing is fast approaching the Promised Land of one-to-one promotions and incentives, and incorporating new types of interactivity\(^1\). By using mail, telephones, computers and television, knowledge on prospective customers is being converted to revenue dollars. Knowledge of this sort is tremendously useful in is used in turn to creating powerful online brands\(^2\). Thus, online marketing radically changes the way in which information about customers is collected, analyzed and put to use.

The competitive dynamics of the direct marketing industry are changing fast with the advent of the Internet. At the present time, nearly 30% of the 97 million U.S. households are online. Electronic commerce generated $32 billion in online purchases in 1998. Correspondingly, expenditures on online ad spending (including media and direct marketing) have been growing steadily, and are expected to rise to $9 billion in 2002 from $3.3 billion in 1999. This represents a small chunk of spending if one considers the total amount spent by direct marketers in 1998

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($163bn). It comes as no surprise that online advertising has emerged as one of the hottest
growth areas for direct marketers. As a recent Forrester Research study put it,

“Direct marketers are flocking to the Internet, drawn by the promise of cheaper
marketing, deeper customer relationships, and access to a worldwide audience. With the
ability to connect instantly to the customer, the Internet promises to become the ultimate
one-to-one marketing vehicle…”

Several interesting business models have emerged in order to tap into some of the
advantages offered by the Internet. In the following sections, we profile three business models
that tap into some of these possibilities.

COMPANY PROFILES AND ANALYSES

I. NETCENTIVES: TAKING INCENTIVES ONLINE

What is Incentive Marketing?

Incentive-based marketing is a technique where the consumer is rewarded or
compensated for completed purchase transactions. Similar to the concept of "rebates" in the
physical marketplace, online marketing "incentives" are driving the explosive growth in
advertising and marketing revenues. The key difference, however, is that marketers can extract
information from online consumers by providing them additional incentives. This information
can then be used in conjunction with other direct marketing plans to design and deliver targeted
messages.

One of the key objectives of online marketers is to increase their look-to-buy ratio. In
addition, they want to build relationships with customers so that they return and be retained for
repeat purchases. In addition to a major new marketing channel, the online world offers a cheap
and cost-effective way of reaching a large number of qualified customers. Of the $163 billion
spent on online advertising, about $34 billion was spent on online direct marketing in 1998.

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However, it is estimated that online direct marketing will account for between 30% and 50% of the total online advertising expenditures in 2001, up from 21% in 1998. Online direct marketing can take the form of email or Web-based promotional offers. The online channel is particularly attractive because advertisers can use tools that are not available in traditional media, such as measurement of “click-through” rates and one-click response to email offers. Further, online sites can record and track user behavior, and these data can be used in conjunction with responses to online advertising messages. These tools give advertisers rapid feedback on their marketing campaigns. This feedback can be used to tailor new messages and targeted offers, when integrated with existing data about customers, and purchase and post-purchase behavior.

Netcentives, Inc.: Company Background

Netcentives, Inc. is one of the leading integrators of interactive media technology. Combining its expertise in interactive media, and traditional promotion incentives, Netcentives is one of the leaders in the use of online incentive plans for advertisers and marketers. In order to understand how this program works, one must look closer at the business model in question. In the following section, we describe a typical set of transactions that may be conducted, and the role of a media integrator.

Netcentives holds the sole rights to an important set of systems, procedures, and a method for providing online rewards programs. On June 30, 1998, Netcentives was granted U.S. Patent 5,774,870, “Online Interactive Frequency and Award Redemption Program”, which gives the company ownership of intellectual property pertaining to the online incentive business process. Customers who shop online can earn points or other units of value for their purchases, and then redeem those points online for items from an award catalog. A user may access the program online and may browse a product catalog for shopping. The user may electronically place an order, upon which the program automatically checks the user’s credit and electronically issues a purchase order to the supplying company. The program also calculates award points, updates the award account of enrolled users, and communicates that number of awarded points to the user. Enrolled users may browse through an award catalog and electronically redeem an amount of

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awarded points towards an award. The program then electronically places an award redeeming order with the fulfillment house and updates the user’s award account.

Netcentives, Inc.: Products And Services

ClickRewards™ is the flagship product for Netcentives⁵. It is a promotional program that allows consumers to earn valuable rewards for completing activities on participating web sites. Consumers earn ClickMiles™ for doing things like purchasing products, downloading software or filing out surveys. ClickMiles are Netcentives’ version of a digital currency that Internet marketers can provide to consumers as an incentive for completing online activities. Consumers can redeem ClickMiles for a number of valuable rewards, including frequent flyer miles, car rental and hotel discounts, as well as goods and services on the web. The basic premise of ClickRewards.com is to shop at various partner sites outlined on the ClickRewards.com home page. While shopping at these sites, the customer collects ClickMiles, which may be redeemed for diverse types of services and products.

The partner sites and methods for obtaining ClickMiles are quite diverse. Each partner site has its own link on the ClickRewards.com web site that delineates how ClickMiles are obtained. The total amount of the ClickMiles received is dependent upon which site is visited and how much is spent. ClickMiles can also be received for trying out a product or service offered by the one of the partner sites. In addition, ClickRewards.com also publicizes certain specials throughout the year. This serves as a direct incentive to join ClickRewards.com and further to utilize their membership to benefit from shopping with ClickRewards.com affiliated retailers. ClickRewards.com has taken the basic concept of frequent flyer miles and has expanded the ways a person may accumulate more mileage through their partner sites. This concept is not new but rather a reinvention. This reinvention serves as a great avenue for consumers to a) shop online and b) gather ClickMiles to put toward rewards. This interactive campaign can be easily imitated, but one of the things that differentiate ClickRewards.com from other incentive web sites is its diverse relationship with popular physical and online retailers.

⁵ www.clickrewards.com
Netcentives is also involved in the consulting business. With their ClickRewards Enterprise Incentive Solutions program, Netcentives offers the ClickRewards incentive program to corporate Intranets and Extranets. Netcentives is providing the tool for customers to archive any motivational objectives, it could be a program to inspire performance growth from both direct and channel sales forces. Netcentives also offers two types of loyalty programs: Site Specific and Network. Netcentives offers in-depth analysis of the business and determines what drives shareholder value then and in the future, as well as what the brand stands for. Next, they collaborate with the customer to create a complete profile of their customer base, enabling them to determine what motivates each segment. Armed with this extensive knowledge, Netcentives designs unique and powerful Custom Loyalty Program. They determine the right currency, the most motivating rewards, the proper number and type of earning opportunities, even the look and feel of the entire campaign. Finally, they customize the technology necessary to build the custom program to the design specifications.

The Netcentives Professional Services (NPS) team is an additional area formed to better service customers. This group specializes in creating architectures, providing thoughtful analysis, constructing quality software, and planning careful deployment of enterprise applications. They use object-oriented tools, techniques and methods. Their comprehensive approach provides our clients with the tools necessary to move both developers and organizations toward Distributed Systems and Object Architectures. NPS team members are comfortable with technologies that include all major relational databases, Java, PowerBuilder, application servers and other middleware, and transaction technologies for processing electronic transactions.

**Netcentives Business Model**

ClickRewards provides ClickMiles as the currency unit that users accumulate from sites in the Netcentives network. ClickMiles accrue across a network of sites with participating sites rewarding online customers with Netcentives’ ClickMiles for activities like registering or subscribing to the site, buying goods, or using online customer service. Their business model is mainly premised on the fact that participating sites will buy ClickMiles from Netcentives at a cost of three cents for each ClickMiles. Netcentives, in fact, pays the airlines less than two cents
for each frequent flier mile, keeping the difference in return for managing the tracking, reporting, online adjustments, and fulfillment. By consolidating the technology infrastructure, and gaining access to a wide audience, Netcentives stands to make a small profit out of every transaction.

Since consumers already understand and collect rewards like frequent flier miles from car rentals, credit card use, etc., Netcentives is not dependent on changes in consumer behavior. In fact, the promotional offers have immediate appeal because most customers are adding to existing mileage accounts. The success to their model is dependent on the amount of partners that they can generate as well as a total number of actual members. Most frequent flyer miles programs, unless they are having a special two for one offer, give customers miles one for one on your dollars spent. ClickRewards can offer more miles for the customer dollar.

ClickRewards feels they set themselves apart from programs like CyberGold and MyPoints.com by first focusing on electronic commerce. ClickMiles are awarded for shopping online, which means partners with physical stores as well as web sites such as OfficeMax, can only grant ClickMiles for purchases from their web site. Secondly, ClickRewards is the only program to give consumers frequent flyer miles from six major airlines with the well-understood value of 1 ClickPoint equals 1 mile. Thirdly, they feel they that have some of the best and most popular merchants as partners.

While a number of firms are catching up with Netcentives in this domain, the business model is inherently robust and will increase in effectiveness with widespread adoption, and an expanded set of business relationships.

II. AGENCY.COM: THE RISE OF INTERACTIVE RELATIONSHIP MANAGEMENT

Corresponding to the rise of interactive online services like the one described above, there are a host of service providers that seek to deliver solutions in areas ranging from interactive advertising and marketing programs, to in-depth market research and media campaigns. In the following section we will describe the role of interactive ad agencies, and point out the key similarities and differences from their physical counterparts. Agency.com, a
leading interactive ad agency based in New York, has spearheaded the initial forays into new media branding and marketing.

**Background: New Media in New York**

In order to understand the success of Agency.com, it is important to understand the context of new media in New York's "Silicon Alley". New York has been the hub of the advertising and media industries. Today, these traditional strengths have been bolstered by bold forays into the new media space by many pioneering firms like Agency.com. The new media industry in New York is a collection of more than 5000 companies, mainly small entrepreneurial firms that developed and marketed Internet sites, multimedia software, on-line entertainment and other digital offerings. Together, these firms now employ more workers in the city than traditional media industries like television, book publishing or newspapers.

The new media industry has also flourished in New York because of the city's ample pool of young designers, artists, writers and programmers, fluent in digital technology and thus able to take advantage of the rapid spread of personal computers and the Internet. The hub of the region's industry has been in so-called Silicon Alley, which is broadly defined as all new media firms south of 41st Street in Manhattan. Further, New York City has a number of educational institutions including New York University and Columbia University that prepares students for success in the high-tech arena. In addition, there are focused programs offered by the likes of the Parsons School of Design and Manhattan’s School of Visual Arts, which offers a concentration in digital design and computer art.

**What does Agency.com do?**

Agency.com develops and builds "end-to-end interactive solutions" that allows client companies to manage marketing relationships, by offering superior communications, customer

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service and commerce capabilities online. Agency's objective is to go beyond providing an online presence. The idea is to provide the technological solution that makes the interactive strategy work in an integrated interactive relationship management framework. Various accounts in the trade press suggest that Agency.com is an interactive advertising agency, a full service, E-commerce enabler, a management consulting firm, and an interactive marketing and a digital communication provider, among others. However, from the inside looking out, Agency.com does not see themselves as an interactive advertising agency. By deploying solutions in interactive business and marketing consulting, graphic user interface design, E-commerce, E-entity and brand management, E-media planning, buying and ad production, and systems integration, Agency.com has positioned itself as an interactive relationship-management company.

Chan Suh, Agency's founder, believes that they have become an "agency", since they are a group of agents acting on behalf of their clients. But he does not consider them to be an advertising agency. Agency.com agents are in interactive relationship management. “We are not a traditional consultancy, advertising agency or technology company.”

**Agency.com Business Services**

As opposed to traditional advertising firms, Agency.com provided a range of services. These included helping companies set up sites on the World Wide Web and placing ‘banner’ advertisements on other Web sites to bring more traffic. While the work by Agency.com included the kind of writing and design skills used in traditional advertising agencies, a lot of the work done in the ‘interactive’ agencies closely resembled the detailed computer programming typically provided by technology companies. Due to their programming excellence, one of Agency.com’s main strengths are in developing solutions and applications for all types of interactive platforms, including the Internet, Intranets, Extranets, CD-ROMs, Web-ROMs, Kiosks and iTV. Agency.com is thus in a unique position to provides e-business consulting to browser developers, such as Microsoft, by developing powerful, low-cost personalization applications.

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8 [www.agency.com](http://www.agency.com)
Partnerships and Growth

Omnicom, Agency.com’s parent company, is the second largest advertising agency holding company in the world, with stakes in four of the top fifteen interactive agencies. Financial backing from Omnicom has helped Agency.com to acquire and merge with several companies, such as Online Magic (the company’s European division), Interactive Solutions and Spiral Media. In August of 1998, Agency.com acquired Eagle River Interactive—making it the largest interactive agency in the world. According to CEO Chan Suh, the merger added additional and qualified resources to meet customer demand and geographic reach in places where they didn’t have it. Agency.com has also partnered with NetGravity, market leader in online advertising and direct marketing management solutions. The purpose of these mergers was to gain a “center for excellence” with the newly acquired specialized skills and client base network. Recently, in January of 1999 they added an Asian influence with the acquisition of Edge Consultants. Agency.com saw the importance of becoming affiliated with agencies overseas, since clients around the world had sought out their shops. Agency.com international offices included sites in England, France and Singapore.

The market for Web strategy and services is expected to grow from $4 billion today to $15 billion by 2002. A Web site price tag of $50,000 easily turns into more than $1M when including the interactive development strategies. The growth in Agency’s revenue is representative of the growth in the industry. In 1998 revenues increased to $80 million well above competitors such as iXL, Modem Media, Think New Ideas, Reinvent Communications, and organic Online.

ADVERTISING NETWORKS

In addition to reaching aggregate groups of consumers through individual online ads, marketers are also using the power of ad networks to reach a more targeted audience. Ad networks enable advertisers (like Intel, E-Trade, Nissan, etc.) to work with online publishers

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(like Yahoo, The New York Times, etc.), and deliver custom advertising based on the knowledge of the target audience. By serving as a link between traditional advertising agencies (like Ogilvy and Mather, Leo Burnett, etc.) and web publishers, ad networks like DoubleClick, 24/7 Media, Flycast, Xoom Network, etc. are able to make targeted affinity buys at multiple publisher sites for their customers. In this way, they reach a wider yet measurable audience. Publishers also stand to gain as they can outsource many key functions like the ad sales force, ad management technology, and gain access to large, branded advertisers who might have been otherwise reluctant to move online.

II. NETPERCEPTIONS: PERSONALIZING THE ONLINE EXPERIENCE

One of the major opportunities facing online marketers is the ability to personalize users online experiences through technology. One of the prime examples of personalization has been the use of product recommendations, made popular by the likes of Amazon.com. In fact, it is Netperceptions’ collaborative filtering technology that drives Amazon.com's product recommendation capabilities. NetPerceptions is a first mover in knowledge management for online retailers, and others interested in real-time business-to-customer potential sales prediction and recommendation technologies. NetPerceptions’ provides powerful solutions for capturing both explicit and tacit knowledge gained from online consumers’ interaction and browsing activities, which can then be put to good use in marketing efforts. NetPerceptions provides its services based on the premise that conventional knowledge management is not enough.

Company Background

NetPerceptions began as a research project at the University of Minnesota in 1992 with the objective of helping people to cope with the enormous amount of information available on Usenet Internet discussion groups. The core idea was to sort the information according to each individual’s interests. The underlying technology was known as collaborative filtering, which identifies communities of like-minded people, then it taps each communities’ collective
experience to recommend information that would be relevant to the individuals within those communities.¹¹

NetPerceptions was founded in 1996 to bring this collaborative filtering technology to market. Its founders included the original members of the research project, as well as software engineers from Cray Research. In 1998, NetPerceptions developed the first Real-time Recommendation Platform, which today is incorporated in all NetPerceptions solutions. This platform seamlessly integrates the latest enhancements of collaborative filtering technology, with associative filtering, fuzzy logic, and genetic algorithm technologies, so the optimum technology can be applied to whatever real-time recommendation task is at hand.¹² This technology produces a high level of predictive accuracy and solutions. Thus, real-time recommendation technology predicts an individual's preferences and makes specific recommendations accordingly. These recommendations include cross-selling, up-selling, and they even go as far as recommending web site content and how a company should advertise. The company handles these tasks by observing the behavior of consumers. It looks at the amount of click-throughs, recalls past behavior, purchasing histories, as well as a rating system that customers fill out. The technology used draws upon this knowledge to make recommendations with high predictive accuracy. Because this acts in real-time, the technology learns more and gets smarter with every transaction.

**Products and Services**

NetPerceptions offers a competitive array of products and services. The company claims that during the first year following installation, a suggestive selling strategy based on the collaborative filtering technology can conservatively contribute 34% of total Web site sales revenue by:

1. increasing the conversion of browsers to buyers by 2% each month,
2. increasing order size by 4% beginning at $35 per average order, and
3. growing the percentage of orders from repeat customers from 30% to 35%.

¹¹ [www.redherring.com/companyprofile/netperceptions.htm](http://www.redherring.com/companyprofile/netperceptions.htm)
NetPerceptions E-Commerce 5.0

NetPerceptions’ real-time personalization technology called *E-commerce 5.0* is the software product that interacts with online customers capturing their preferences in real-time. The e-business can then get recommendations from this software based on the knowledge it acquires after pooling this information together with relevant information about different products and services offered, past customer preferences and other customer trends. The company also offers other eCommerce products with similar objectives. NetPerceptions’ Personal Shopper, and NetPerceptions Smart Merchant are two examples. These products consolidate multiple data sets to develop cross-sell strategies, move overstocked items, promote new products, and strategically classify customers and track items that take off unexpectedly as well as items that lag in sales (i.e. "hot sellers" and "dogs").

NetPerceptions for Call Centers 2.0

NetPerceptions for Call Centers 2.0 helps companies to cross sell and up-sell during a call and also provide incentives to get the customer to come back. By using the same real-time recommendation engine used by Internet marketers and bringing it into call centers, the technology becomes powerful because it takes previously untapped information customer bases and turns them a powerful knowledge base. The Call Center suggests cross-sell recommendations based on the customer’s preferences and past history in real-time. This is one step better than traditional data-mining and statistical analysis, given the real-time recommendation and learning capabilities of the product.

NetPerceptions for Ad Targeting

NetPerceptions for Ad Targeting is software that targets advertisements to individual tastes and interests of the customer at hand. The end result is higher click-through rates, which enhances the ability for a site to increase advertising revenue. The company claims that NetPerceptions for Ad Targeting can show measurable improvements in targeting in less than 24

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12 www.netperceptions.com/company/history
hours and that no other real-time ad targeting solution can be deployed so quickly and enjoy measurable results.

**NetPerceptions for Marketing Campaigns 2.0**

NetPerceptions for Marketing Campaigns 2.0 is the latest release of software designed to personalize email. This enables marketers to use customer based knowledge obtained in real-time and customize email messages and solicitations. By allowing individual marketers to design, deploy and continuously evaluate any number of concurrent campaigns, including ongoing campaigns that are automatically triggered by marketer-defined events such as a customer placing an order, this package focuses on streamlining marketing campaign management. All campaigns deliver content that is personally relevant to each customer and is driven by the marketer’s acquisition, interaction, and retention goals. None have to wait for help from chronically backlogged system administrators of external service bureaus.”

Finally, NetPerceptions is working on developing software for knowledge management is software. This will enable an organization to view its knowledge base. The technology recommends documents and data sources as well as frequently asked questions from other employees that can be used to help an individual to learn more about the task at hand. This concept could increase productivity by decreasing search time. It can also be used in training to help someone with a vast amount of knowledge share that knowledge with those who need it. NetPerceptions gives eBusinesses the ability to find the documents, data sources, frequently asked questions, and fellow employees that can help them make the most of any given task in real-time. This is one of the first knowledge management solutions that leverages both explicit and tacit knowledge based on each individual’s immediate informational needs. While conventional search engines have been a step in the right direction, the real-time recommendation and learning capabilities of NetPerceptions technology, combined with its unique ability to share tacit knowledge, takes everything to the next level. By giving an eTailer the tools needed to be more informed and proactive than ever before, NetPerceptions for
Knowledge Management helps optimize return on investment of knowledge capital.\textsuperscript{14} The Company also offers a variety of advertising solutions designed to maximize customer traffic.

**Partnerships**

One of the driving factors behind the company’s success is the numerous partnerships in the industry. These partnerships were formed to create effective e-commerce environments for clients. All of these partnerships have helped to forge, leverage, and enhance relationships with their clients online. Some of these partner firms include BroadVision (which provides one to one relationship management applications the business customers), DoubleClick, (a global Internet advertising solutions company), as well as technology vanguards like Microsoft and IBM. The company has aggressively built a customer base that includes many of the world’s best known brands including: Art.com, Bertelsmann, CDNOW, Egghead.com, eToys.com, fingerhut, Hudson’s Bay Company, J.C. Penney, Procter & Gamble, Tower Records, Walgreen’s and SBC Communications.

Increasing numbers of businesses are recognizing the potential of the personalization movement through call centers, e-mail, the Internet, or within their corporate Intranets. The earnings potential for NetPerceptions is attractive if they can continue to retain customers and attract new ones with their software, consulting and conference fees. “Upside Magazine’s “E-Business Winners” list\textsuperscript{15}, compiled by the leading technology business magazine after surveying 200 analysts, recognizes the 20 technology, telecommunications and biotechnology companies most likely to continue their success in the future. NetPerceptions, which ranks No. 12 on the list, was cited for its innovative software, large customer base, strong financial performance and predicted revenue growth. “The number of households shopping online could grow to 49.9 million by 2004,” the magazine said, “and technology like NetPerceptions’ could increase the cross-sell rate to those buyers by 20 to 25 percent.” These trends bode well for NetPerceptions and others firms like it, who are striving to deliver a new stream of value-added software products to facilitate electronic commerce.

\textsuperscript{14} http://www.netperceptions.com
\textsuperscript{15} http://www.upside.com/texis/mvm/ebiz/story?id =38a1fd20
CHALLENGES AND FUTURE DIRECTIONS

All the business models outlined above tap into the opportunities offered by the Internet. However, all these models are based on solid marketing foundations. These include the collection and use of marketing information, the ability to reach and target the right audience for a product or service, and finally, the ability to respond to market demands based on customer feedback.

There are several challenges to these models going forward. There are increasing demands by customer advocacy groups to protect online privacy. Some of these demands are justified, as eager marketers have jumped on the online bandwagon without heed for the fundamental ethic of protecting consumer interest. Growth in credit-card fraud and junk mail solicitations are a direct result of such exuberance. Over time, marketers will have to strike a balance between online privacy and the ability to provide more targeted campaigns and one-to-one marketing efforts. Another serious concern to such models is external: it is not clear if the current system of patents is well suited to business models based on information and software. For example, several of the patents granted in the recent past to online marketing related innovations are too broad-based, and undermine the importance of serious new innovation in this sector. It remains to be seen if a new regulatory framework is put into place to take into account the nature and scope of content based and software based innovation.\(^\text{16}\)

Further, it should be realized that the Internet fundamentally alters traditional marketing models. First, the networked model of competition dramatically increases the speed of change in every part and function of the organization, be it in building and delivering a marketing campaign, or altering product or service characteristics based on feedback. By its very nature, it leads to discontinuous innovation that can either supersede existing modes or channels of doing business. For example, several innovative marketers have abandoned traditional mass media and

used alternative and new-media based channels to create completely new brands\textsuperscript{17}. Second, the Internet gives small marketing outfits the ability to extend market reach and impact using technological excellence and know-how, and an aggressive partnering strategy. Thus, a successful business model can be scaled dramatically, and threaten existing players. Finally, the rate of innovation diffusion through the online medium is faster than through conventional channels, and thus requires firms to be acutely aware of their "time to market", and the "time to market response". In addition, many web-based businesses have discovered that wired customers make their views and opinions known, and are extremely involved with their consumption experience\textsuperscript{18}. The feedback loop between buyers and sellers is shrinking fast. Firms who seek to compete in this domain need to understand the dynamics of viral digital marketing, and the formation of extremely loyal customer communities. By constantly listening to what customers have to say, observing their purchase and consumption behavior, and interacting with them in a dynamic environment, marketers will be able to fine-tune the products or services offered. Customers are demanding convenience, participation, and anticipation\textsuperscript{19} - the firms that deliver these effectively will be tomorrow's winners.


\textsuperscript{19} Glazer, Rashi (1999), 'Winning In Smart Markets,' \textit{Sloan Management Review}, p. 59.
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