

i33 Swims Upstream



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i33 communications

On online marketing: "It's all a bunch of hooey." On branding: "If you think you're going to establish your brand on the internet, you're wrong." On themselves: "We're smart enough to think we have figured this out." Just how smart is i33 communications?

eMarketer writes in its March 2002 "Online Advertising Update" published with Forbes.com, "...Online advertising can be effective both at soliciting a direct response, such as a click-through, generating leads or even a conversion to sale, but it can also stimulate awareness, recall, purchase intent and other 'soft' measures."

Would anyone beg to differ?

Note the two gentlemen from i33 communications (<http://www.i33.com>) raising their hands.

i33 started as an interactive agency, ultimately got swallowed by e-business exchange builder Commerce One and then took itself private. Now it specializes in an online marketing strategy that involves reaching out to consumers when they're in the middle of the "Stream of Commerce™." i33 CEO Drew Rayman and President David Levin elaborated on that when eMarketer paid a visit to their office.

Drew: We loved the thought of not only winning for our clients but being able to track it and prove our value so that we never had to go back to clients and beg for money. It should have been flipped around, and we wanted clients begging us, "How can we involve you guys more in our business? Put more people on the account." To do that, we had to prove value immediately. Luckily, we were a company that had the greatest tracking mechanism in the world, and that's AdMaximizeSM. It was heralded as the first only ROI [return on investment] complete tracking tool, end to end.

David: Before DoubleClick was doing it or anyone else, Jupiter wrote about us, because we launched it in 1997, and it could track the impression all the way to the sale. That put us in a unique position.

Drew: What we learned over the first three or four years of online marketing is that it doesn't work. It's all a bunch of hooey. I don't care if you're doing banners or rich media. This is three or four years later, and we're sitting around saying, "Let's ask ourselves what works online in terms of advertising."

eMarketer: You're saying it doesn't work, but I read 100 different newsletters a day that are saying otherwise.

Drew: You'll get both sides of the story. I would challenge you to find examples that really work without data manipulation. We know honest numbers. I know banners work. I can tell you I know that. If a 0.001% banner pickup is successful for you, then they're going to tell you, "It was a very successful campaign."

We don't care about any of that because we're willing to risk our compensation on our ideas. We can't afford to invest in media that is fluff and not going to deliver results. So we have to be brutally honest with you, with our clients, with ourselves, because frankly if we do the wrong thing, we're not going to make any money.

David: Our clients are paying us for leads or they're paying us for sales at the end of the day. That's it.

Drew: It's a true pay-for-performance model.

eMarketer: Do they pay anything up front?

Drew: Well, it depends on how much technology they have. Let's say they can't track their own stuff, and you'd be surprised how many companies are still learning all that, they'll have to pay us to set up the systems, but for the actual sales, no.



Drew Rayman

David: At this point, we have charged no client other than for the sale. There are clients who do other services with us like consulting on technology or web development.

Some clients are putting a new content management system in place and want us to consult, but our business, when it comes to pay-for-performance, we have had no additional fees paid to us for those services.

Drew: Everyone else can talk the game. We're drinking the Kool-Aid. We believe in this. We're smart enough to think we have figured this out. We believe television is very passive. You take a look at it, you watch it, there's no interaction. A commercial could come by and blow right by you. The difference is we look to be in an environment like the internet where you're involved, you're choosing where you go. We know where to

message these people to make it work. That's called Stream of Commerce™.

David: It's not that we don't like television. At the end of the day, it's the old [John] Wanamaker quote, "Half the advertising is wasted. You never know which half." The way we look at it is in this medium, everyone's trying to make the internet work like television. At the end of the day, the consumer is transacting on a website. If you interrupt the transaction, you better have a good reason to do so, and it can't just be a flashy ad. It has to be a relevant, compelling offer.

Drew: You have to have a great reason. And a great reason is not, "Look at this new movie coming out." It's not going to work. It works on TV. We don't hate other forms of media. I think what we're good at is recognizing the internet for what it is - the fastest direct medium in the world. It's like sending out BRCs, business reply cards, except it happens in real-time.

David: We're looking at a number of techniques that we use and applying them to other media as well. There are other media where transactions are happening. You can just manage it better, faster and truly get the data in the online medium.



David Levin

eMarketer: Let's get into Stream of Commerce™.

Drew: Here's an example of Stream of Commerce™. You go to a website, and you want people to sign up for a newsletter, and it costs \$21 a year. When they get to that signup page, we know that most of those people don't sign up. If they did sign up, you'd have one hell of a business. That is the Stream of Commerce™ -- going to a website because you're interested in it, signing up and paying for it. You've benefited because you're going to get that newsletter, and the website benefits because they're going to get your money.

What we're saying is if you're going to message somebody, if you're going to advertise or whatever you want to call this new medium, the best time to do it is right in that Stream of Commerce™. So you go to that site to sign up. It's \$21 a year. That's a great time to say, when their wallet is now open, "How would you like that for free?" No one's going to say, "No, I don't want that free." What they'll say is, "What do I have to do?" You may have to sign up for long distance. There's a million different things for which maybe somebody's willing to pay to have you as a customer at that very moment. What happens then is you win because you get it for free or subsidized, our clients win because they get new customers, and we win because they pay us. That's the best time to message people, and we know it works to

the tune of tens of thousands of transactions a month in revenue.

eMarketer: Do you have any guarantees for how long the customer has to stay with the client?

David: It depends. You're asking about the retention piece. What's really great about the program is you can use it for acquisition because you're leveraging that existing Stream of Commerce™, but at the same time, if it's an ongoing service, it could be subsidized on a monthly basis as long as you remain an active customer of the other client. So basically they're paying for two services at the same time. One helps to subsidize the other. Basically, it can be an acquisition and retention offer in that regard.

Drew: Traditional agencies are like the Andersen Consultings of yesterday because they are excellent at logging billable hours, they're excellent at finding research projects for non-actionable items. We can't spend the time doing that because if we do that, we're not making money. If our clients aren't making sales, we're going broke, and we won't be in business. It's a whole different model, and I think eventually they're all going to be found out. That's what's going to happen. You're going to have to increase somebody's sales or show them that you're making a difference, or you're not going to have their business. That's it.

eMarketer: So there's no place for branding on the internet?

David: For us, branding is the gravy to the transaction. You're going to get a certain number of transactions, and everybody else is maybe going to get a little bit of branding from it, but it's a transactional medium, so focus on the transaction.

Drew: You better go into this medium with your branding down pat. If you don't have that part of the business, you shouldn't be spending a dollar on the internet. If you think you're going to establish your brand on the internet, you're wrong. You're not going to do it, guaranteed. That's not the place to build your brand. Radio, television, that's great -- build your brand that way. That way, when people come to your site, they'll probably believe that you're more real and will transact with you. It's all about the transaction.

eMarketer: What about leveraging your brand, if you're Coca-Cola or some established brand?

Drew: I'd be hard pressed to know why Coca-Cola should be making a big website, but okay.

David: We're looking at a transactional program for packaged goods marketers that involves leveraging the web to better interact and build loyal customers. It's a

promotion where all the activity would be tracked and happen online, and it's an ongoing, multi-year promotion.

Drew: We'd have to be able to prove something.

David: There will be obvious interactions. There will be purchasing going on. All that good stuff -- building involvement with their brand. They can also make money out of the promotion itself.

eMarketer: Where does the purchasing come in for some kind of consumer packaged goods (CPG) company, when the intended purchase is bottles of Coke?

Drew: I'm very skeptical about the whole thing. I'm very skeptical that beyond couponing, this internet is not for Coke. A cool place to go? It is for a car manufacturer's website, that's a whole different type, because there's a lot of information. Quite honestly, the description of Coke is not going to fill the bill for me. I'm going to the Coke website and hearing the fizz and they're going to say, "The cola-like nuance of the subtle" -- it's not going to work. Sweepstakes -- got it. Coupons -- got it. It's a direct marketing medium.

David: And our concept is around couponing.

Drew: I have no problem with that. But branding, on the internet?

David: A lot of the reason I think companies are doing all this rich media stuff and saying, "This is the way to go, and look at how it builds your brand, and look at how it increases responses" -- it's three people responding and then it's nine people responding.

Drew: You tripled your response rate!

David: At the end of the day, they're used to the creative portfolio mindset. Agencies are creative-driven. They're going to get this amazing portfolio, and they're going to have a portfolio for TV and a portfolio for the internet, and that's their business. They can't get out of that mindset and realize it ain't about that in this medium. If they're going to be in this medium, they've got to be more like a direct response agency. They have to think more in those terms. Until they do, they're useless in this medium.

Drew: I wouldn't even mind being considered a sales channel for companies looking to leverage the internet. As unglamorous as that sounds, no problem.

David: I'd prefer that companies that hire us see us as a sales channel that uses marketing expertise to get the sales. There are a number of reasons why we think Stream of Commerce™ as a model works. One simply is that it supports the way the medium works. People are in the middle of a transaction, the middle of streams of commerce, and we support that. More than that, there's a move right now, especially with the downturn in online advertising, for companies to find alternative revenue

streams. One of the key ones is more and more companies are finally moving to premium subscription models. Jupiter in March said there are 1,700 non-adult sites that now charge for content, with new sites added every day, yet approximately two-thirds of online users feel entitled to free content and are reluctant to pay for any kind of premium service. Think about the push of those two things. We can help them by saying, "You don't have to open your wallet, but you can still get the service. All you have to do is sign up for this service as well."

Drew: When we build websites, one thing you have to think of is the user experience. What we learned is every hurdle that people had to jump over is a numerical number of fewer signups you would get. If it was a one page signup, you'd get 3%. If it was a two page signup, you'd get half of that. With a three page signup, you may get none of that. Removing hurdles is a big part of this business. What we're saying is let's remove a hurdle. Let's remove the hurdle of having to pay for it yourself. That's just one.

eMarketer: When you showed me the demo of AdMaximizeSM, there was a reference to pop-ups. What do you do with pop-ups?

David: Most of the pop-ups we're running right now are on very promotional-heavy sites to begin with, and they're still offering some sort of special offer in the middle of the Stream of Commerce™. It might be a sweepstakes site offering some sort of program.

Drew: If you know you have a sweepstakes-minded person, maybe they would be interested in mileage or points. You have to get them as they're signing up.

David: Most of our pop-ups would be considered exit pop-ups. It's when someone's leaving a promotional website. I don't want to put them on an iVillage and have consumer backlash against one of my brand clients.

Drew: It's not about the technology of the pop-up. We were doing pop-ups five years ago. If you interrupt, you better have a very compelling reason to do that.

David: Or do it in the least interruptive way possible. Sometimes we use a pop-up in the middle of a transaction and say, "While you're doing this, fill this out at the same time." It's much more to support the flow than interrupt it.

eMarketer: Is there any place at all for banners on the web?

Drew: If you can make it work. If you're a content site, banners are like barkers to us. They call you into another form of action, and maybe banners are okay for kickstarting the Stream of Commerce™ on some websites. But other than that, for our advertisers, we're

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not going to be able to prove results in a cost effective way as a sales channel.

David: Consumers are trained to ignore banners. I like the idea of kickstarting the Stream of Commerce™ because at least it's more of an in-house advertisement. You're

already in a stream and just leveraging that. If you're on the New York Times site, you're just saying, "Hey, get the *New York Times* for free." You're already there, so a banner might work. In that regard, it's really contextual. But people are so trained to ignore them so it better be something really special.

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