



"We subscribed to the reports because we were developing an e-commerce business plan, and needed to be able to reference an unbiased, assessment of one-to-one best practices on the web by a reputable firm. The research and analysis provided enabled us to justify and project specific results in our business plan. We intend to continue our subscription as part of our ongoing competitive intelligence gathering."

Angus Laird, President and CEO, Market Makers Inc., Carson City, NV

Overview Brief

With e-business developing at a staggering rate, Customer Relationship Management (CRM) and one-to-one marketing are the keys that separate winners from losers online.

As undisputed leaders in CRM and one-to-one marketing, Pepper and Rogers Group's latest report, The State of One to One Online version 1.2:

- Offers an objective evaluation of the latest one-to-one practices on the Web
- Identifies and analyzes the 25 best sites
- Describes 30 key capabilities that comprise a one-to-one Web site
- Enables you to benchmark of your site against your industry's leading sites, using Peppers and Rogers Group's unique methodology

The State of One to One Online version 1.2 outlines our methodology within eight industry segments: books, music and video, community/content, consumer business services, consumer goods, financial services, information technology, portals/media, and travel/hospitality. The report then details the requirements for successful Customer Relationship Management. It also shows a growing gap among industries in overall scores, and reports on performance changes.

This Overview Brief contains:

- Table of Contents
- Chart of 30 one-to-one requirements within our IDIC assessment methodology
- "Best of Breed" Identify assessment sample
- "Advance" Differentiate assessment sample
- "Basic" Customize assessment sample
- "Top 25" site with key one-to-one capabilities and recommendations

Join the many executives who use The State of One to One Online as a valuable research tool to gather competitive intelligence in a fast changing world. Subscribe to The State of One to One Online version 1.2 today. An annual subscription of three issues is \$2,000. A single copy is \$895. Group discounts available.

About Peppers and Rogers Group

Peppers and Rogers Group is a preeminent management consulting firm specializing in CRM issues. Founded in 1993 by Don Peppers and Martha Rogers, Ph.D., Peppers and Rogers Group has helped companies around the globe by providing thought leadership, keynote presentations, executive education, consulting, research, executive search, custom publishing and numerous publications.





"The information in State of One to One Online is very concise and reduced search time in the field. Having information aggregated in one place is invaluable."

Allison Tucker, e-commerce Consultant, New York, NY

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- What makes a leading Web site and why



For more information please call 1-800-626-8121 x:3245.

METHODOLOGY

We continually update our methodology so that we can capture advances made in one-to-one marketing on the Web. We have continued to use Peppers and Rogers Group's IDIC framework in this edition. This framework is based on the concepts of 1) Identifying your customers; then 2) Differentiating them by value or needs; 3) Interacting with them in user-friendly, personalized ways; and 4) Customizing any interactions (not just transactions), so as to tailor them to user preferences and needs. In this edition, we have built upon the 26 capabilities used in *State of One to One Online, 1.1*, all falling within the four IDIC categories. We have now identified 30 capabilities used by the best one-to-one web sites.

LEVEL	IDENTIFY	DIFFERENTIATE	INTERACT	CUSTOMIZE
Best of Breed	<ul style="list-style-type: none"> Group (company/family) linkages 	<ul style="list-style-type: none"> Use of matching engine Detailed customer profiling Differentiated levels of customer service 	<ul style="list-style-type: none"> Alternative means of Push communications Non-web payment option 	<ul style="list-style-type: none"> Automatic Replenishment Online product configuration Integration of online and offline stores (Clicks and Mortar) Personalized product recommendation
Advanced	<ul style="list-style-type: none"> 3rd Party Privacy Protections 	<ul style="list-style-type: none"> Online/Off-line data integration Pre-filling of data 	<ul style="list-style-type: none"> Drip Irrigation questioning Effective E-services Online order tracking One-click ordering 	<ul style="list-style-type: none"> Integration with Partners Personalized Information Personalized wish lists
Basic	<ul style="list-style-type: none"> Registration enticements Strong privacy statements Recognize returning customers 	<ul style="list-style-type: none"> Customer preference collection Site organization by need 	<ul style="list-style-type: none"> Offer customer service support online Search engine functionality 	<ul style="list-style-type: none"> Customizable web experience Multiple billing/shipping options Order History

Table 1

Group Linkages

Most of your customers, whether they're consumers or corporations, are part of a family. A husband might make reservations for his family trip to Disneyland while his wife makes plans for the next trip to Yosemite. Recognizing family linkages not only adds a personalized touch to the Web experience but may also offer an opportunity to "pre-fill" data from one customer to another, with their consent. Linking colleagues within a business group adds great convenience and personalization to travel sites, which offer the capability, such as Biztravel.com. Business linkages of subsidiaries with a larger corporation are also applicable. Linkages might apply in pricing, for instance, where a customer who works for a subsidiary qualifies for the corporate discount.

PERCENTAGE OF SITES REVIEWED WITH CAPABILITY:

About 15% of companies reviewed offer group linkages (Q14). In our last report, only a handful of sites offered it. Consumer/business services that provide whole organizations with supplies or services (e.g., Grainger, Staples) under a blanket contract, for example, are more likely to offer this capability. Community/Content sites offer linkage to a broader group or organization, usually based on shared interests or established affiliations (e.g., Kiwanis Club of Chicago). Roughly 40% of the sites reviewed in each of these industries offer company/family linkages. All travel sites should follow Biztravel's lead. The relevance of linkage should not be lost to Consumer Goods and Books/Music/Video companies, however. Visionary sites in these industries could allow family linkages to facilitate private viewing of a relative's wish lists, or a mother's ability to change her child's preference profiles regarding clothing.

TOP INDUSTRIES WITH CAPABILITY:

1. Community/Content
2. Consumer/Business Services
3. Financial Services

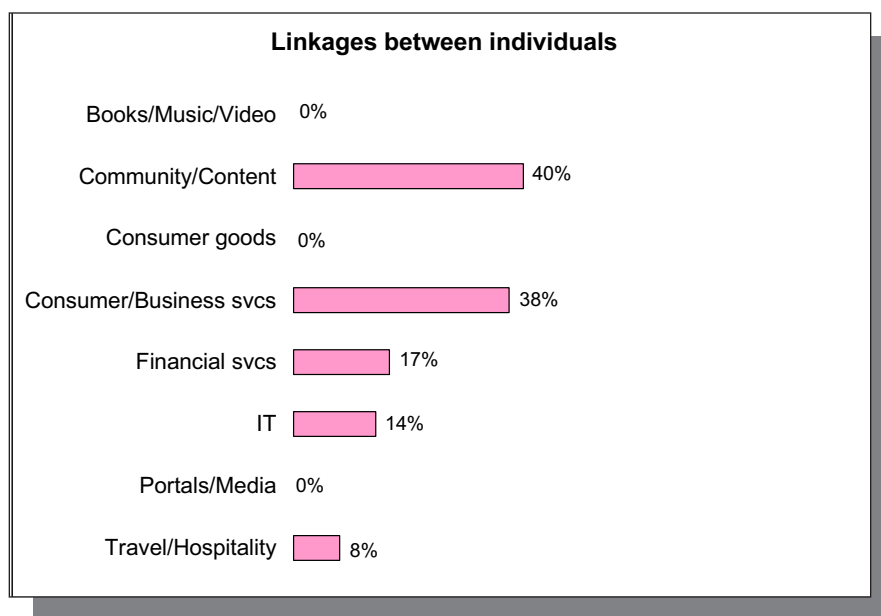


Chart 6

EXAMPLE:

Versity

At Versity, college students can download lecture notes from missed classes and join a community of like-minded fellow students from around the country. Joining an online community at Versity allows students to be notified when other community members are online. Students from the same class or from across the country can also share notes and observations about a class, major or discipline. Versity is typical of the burgeoning online Community/Content organized around a particular shared interest.

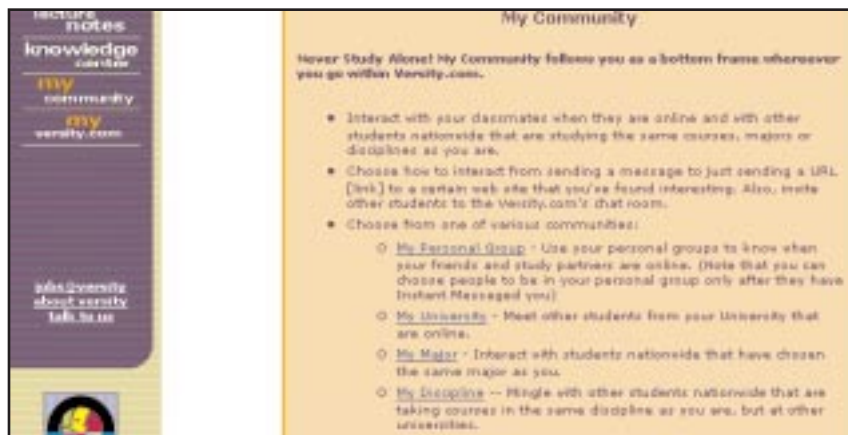


Figure 8

Staples

Staples represents another common reason for supporting group linkages. As a provider of business supplies and services, Staples allows customers to set up group accounts for companies with up to 100 employees. Approval for each purchase is forwarded to a designated purchasing manager before completion of the order. This allows employees to order their own supplies and services at group discounts, while providing the necessary cost control and accountability most companies want.



Figure 9

Pre-filling Data

You have a discrepancy on your credit-card bill. You are prompted by the automatic call system to enter your 16-digit account number. You struggle to punch in all the numbers correctly, and then are given a long set of options to choose from which don't match your need. So you choose to speak to a representative, and the first thing they ask you is your account number! It happens all the time.

At a basic level, most Web sites pre-fill some data. They have differentiated you enough to connect your shipping and billing data to any order you place. They may not keep a link to your credit-card information for security reasons, but more sites are heading toward this as well. Travel sites go much further. Having collected an extensive profile for you, they pre-fill preferences when you book a trip, saving you time and effort. But few other industries pre-fill data to this extent. Is the capability industry-specific? *State of One to One Online* doesn't think so. We believe that this capability could be used by many industries to become even "Best of Breed".

Imagine you have purchased a suit at a clothing Web site. The next time you look for similar apparel at the site, all you're asked is to confirm your preferences regarding chest and waist size, trouser length, and pleat and cuff preferences. This is a Web site that has taken the place of the neighborhood store whose shop assistant who already knows all about you. Why would you go anywhere else to shop, once this site knows you so well? You'd have to start from scratch even if the other site had the same capability.

This capability is a pre-requisite for others, such as "one-click ordering," and automatic replenishment. Used with vision, it can also be a powerful personalizing tool for sites in more industries than apply it today.

PERCENTAGE OF SITES REVIEWED WITH CAPABILITY:

Only 18% of the sites we reviewed offer extensive data pre-filling. This is a capability that was not tracked in the last report. Every Travel/Hospitality site uses it, but few others.

EXAMPLE:

Expedia

Expedia, a travel Web site, is typical of most good sites in the Travel/Hospitality industry for pre-filling data. It offers the “option” of registering travel preferences from airline seating to car rental size. This information is then “pre-filled” when making reservations. Unless you can get a better price somewhere else, once you’ve profiled yourself at one travel site, the pre-filling tool makes you want to keep coming back to the first one.

Figure 15

ChemConnect

Even at a few professional or business-to-business sites like ChemConnect, where buyers and sellers of chemicals come together to trade, users get their registration data like billing information pre-filled upon completion of a transaction. While ChemConnect may only pre-fill a small amount of data, it makes the customer shopping experience more pleasant and efficient.

Figure 16

Multiple Billing/Shipping Options

Most customers who do business with you regularly will have more than one shipping address. This is true for gifts in particular. Customers may also have different billing information depending on the purpose of their purchase (e.g., business vs. pleasure). Offering multiple stored billing and shipping information helps expedite the order process for the customer, and creates an additional incentive to return to your site to do business. Most importantly, supporting multiple billing/shipping data shows customers that you recognize their different needs, depending on the purchase occasion. It is a form of differentiation within customers.

PERCENTAGE OF SITES REVIEWED WITH CAPABILITY:

Only e-commerce sites need to carry this capability, and most do in some degree. Financial Services sites, while they carry on e-commerce, are probably exempt from the need for allowing multiple shipping/billing options. All relevant sites allow multiple options for how customers can be billed. Most e-commerce sites allow multiple shipping methods, and multiple shipping addresses are supported by about half of relevant sites. Strangely, Consumer Goods sites again lag in allowing the basic capability of selecting a shipping method or supporting alternate addresses. Fewer than half of the reviewed Consumer Goods sites support multiple methods, and only half support different addresses. BMV sites imitate one another in making sure that these options exist.

TOP INDUSTRIES WITH CAPABILITY:

1. Travel/Hospitality
2. Book/Music/Video
3. IT

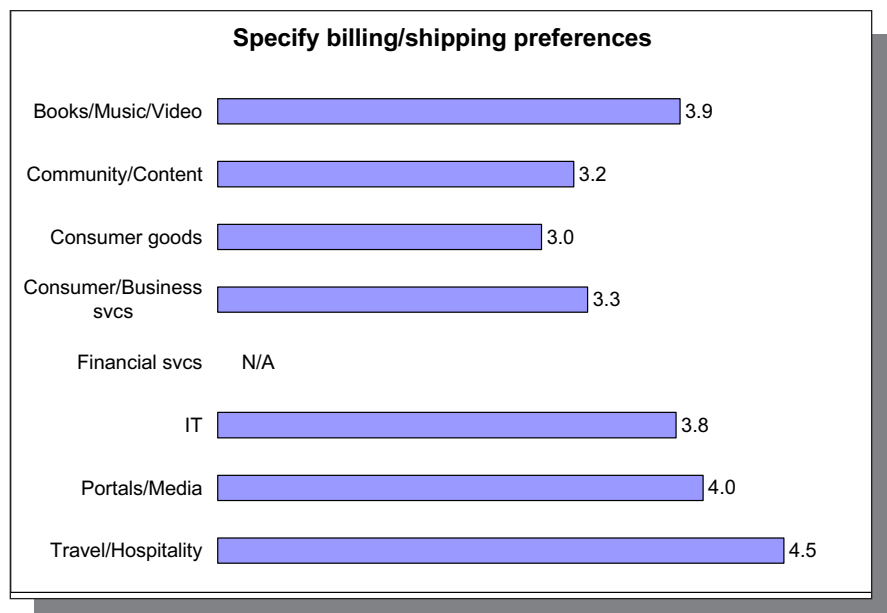


Chart 18

EXAMPLE:

CDW

CDW, or Computer Discount Warehouse, offers its customers 12 shipping options depending on urgency and price sensitivity. In addition, the site supports multiple stored shipping addresses and four billing methods, including 30 day net billing on approved credit. This kind of flexibility and customization of the payment and delivery process is a great way to add value beyond the product or service.

Shipping	Shipping Options																										
<p>CDW operates a state-of-the-art automated warehouse and distribution center to ensure that your order is shipped quickly and accurately.</p>	<table> <tr> <th>Select a Carrier</th><th>Shipping Cost</th></tr> <tr> <td><input checked="" type="radio"/> FedEx Express Saver 2-3 day delivery</td><td>\$15.94</td></tr> <tr> <td><input type="radio"/> USPS Ground 2-5 business day delivery</td><td>\$15.94</td></tr> <tr> <td><input type="radio"/> UPS Ground 2-5 business day delivery</td><td>\$15.94</td></tr> <tr> <td><input type="radio"/> Airborne Second Day Delivery within 2 business days</td><td>\$34.34</td></tr> <tr> <td><input type="radio"/> FedEx Economy 2 Day Delivery within 2 business days</td><td>\$34.50</td></tr> <tr> <td><input type="radio"/> UPS Blue Delivery within 2 business days</td><td>\$34.50</td></tr> <tr> <td><input type="radio"/> Priority Mail US Post Office Priority Mail 5-6 day delivery</td><td>\$36.61</td></tr> <tr> <td><input type="radio"/> FedEx Standard Overnight Delivery next business afternoon</td><td>\$57.50</td></tr> <tr> <td><input type="radio"/> Express Mail US Post Office Express Mail 2-3 day delivery</td><td>\$58.01</td></tr> <tr> <td><input type="radio"/> Airborne Express Overnight Delivery next business morning</td><td>\$65.00</td></tr> <tr> <td><input type="radio"/> FedEx Priority Overnight Delivery next business morning</td><td>\$66.00</td></tr> <tr> <td><input type="radio"/> UPS Red Delivery next business morning</td><td>\$66.00</td></tr> </table>	Select a Carrier	Shipping Cost	<input checked="" type="radio"/> FedEx Express Saver 2-3 day delivery	\$15.94	<input type="radio"/> USPS Ground 2-5 business day delivery	\$15.94	<input type="radio"/> UPS Ground 2-5 business day delivery	\$15.94	<input type="radio"/> Airborne Second Day Delivery within 2 business days	\$34.34	<input type="radio"/> FedEx Economy 2 Day Delivery within 2 business days	\$34.50	<input type="radio"/> UPS Blue Delivery within 2 business days	\$34.50	<input type="radio"/> Priority Mail US Post Office Priority Mail 5-6 day delivery	\$36.61	<input type="radio"/> FedEx Standard Overnight Delivery next business afternoon	\$57.50	<input type="radio"/> Express Mail US Post Office Express Mail 2-3 day delivery	\$58.01	<input type="radio"/> Airborne Express Overnight Delivery next business morning	\$65.00	<input type="radio"/> FedEx Priority Overnight Delivery next business morning	\$66.00	<input type="radio"/> UPS Red Delivery next business morning	\$66.00
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<input type="radio"/> FedEx Priority Overnight Delivery next business morning	\$66.00																										
<input type="radio"/> UPS Red Delivery next business morning	\$66.00																										
<p>CDW is pleased to offer service to customers with APO and FPO addresses. All products are shipped via the U.S. Postal Service and must meet Postal Regulations for maximum weight, dimension, etc.</p>																											

Figure 29

Integration of Online and Offline Stores ("Clicks and Mortar")

There are essentially two types of companies doing business on the Internet: those who were born there and, therefore, have no "real world" presence of retail stores, and those who moved there from an existing retail network. For the Internet-only companies, there isn't much to offer customers in terms of hands-on shopping or after-purchase return or service centers. But for the traditional "bricks and mortar" company with an online presence, there is a great opportunity to trump their Internet-only competitors with a combination one-two punch called "Clicks and Mortar." At the most basic level, customers should be able to purchase products online and return them to their nearby retail store. This saves customers the hassle of having to repackage and send products, especially bulky items like computers, back to the company. At a more advanced level, customers of Clicks and Mortar businesses could order items online, verify that they are at the local retail store, and then pick them up. This would allow customers to forego shipping charges and quickly pick up items, instead of having to wait several days for delivery. A very advanced Clicks and Mortar system might allow the customer to act like the store manager, and order items that are not in stock at the store to be delivered from the warehouse by the regular company shipping service. The product would be held at the store for the customer. Only Clicks and Mortar companies can do these things. With this capability, customers have all the convenience of online shopping, as well as the surety of direct contact with the goods and people.

PERCENTAGE OF SITES REVIEWED WITH CAPABILITY:

Only 22% of the relevant sites reviewed allow the customer to purchase online and pick up locally, which is one example of integrating online and offline stores (Q48). Relevant sites belong to companies with physical sales outlets. Here is an overlooked opportunity for some. This was a new capability not covered in the last report.

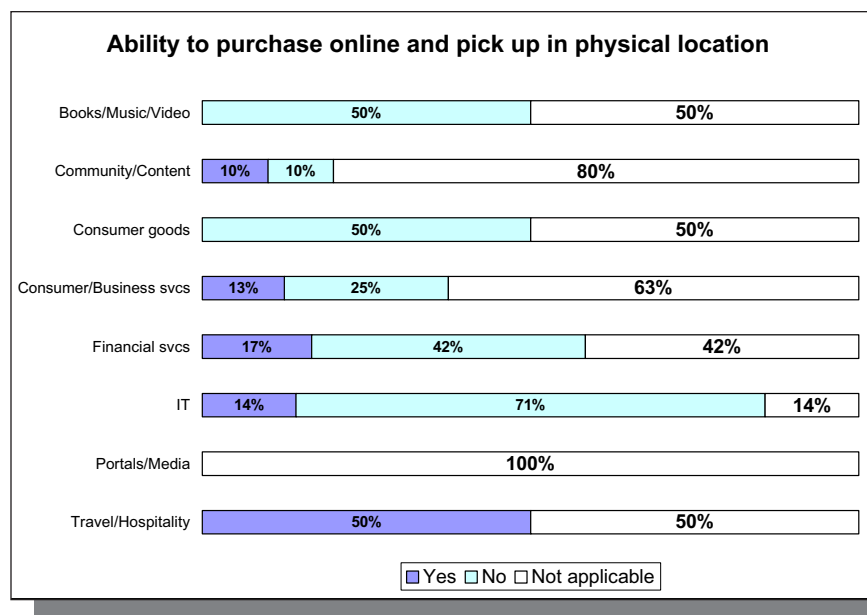


Chart 22

TOP INDUSTRIES WITH CAPABILITY:

N/A

EXAMPLE:

Grainger

Grainger, a leading maintenance, repair and operations products supplier to businesses, has 350 retail branches throughout the United States. Surprisingly, though, they are one of the few businesses we reviewed who have successfully transformed themselves from “Bricks and Mortar” to “Clicks and Mortar.” Customers who order a product online can pick it up at a retail branch of their choosing or have it shipped to them directly. Customers also benefit from the option of getting local servicing. They essentially become part of an expedited supply-chain stocking process. If they need an emergency repair item, they can see online at which area branch they can pick it up, or call the branch with the part for emergency delivery.

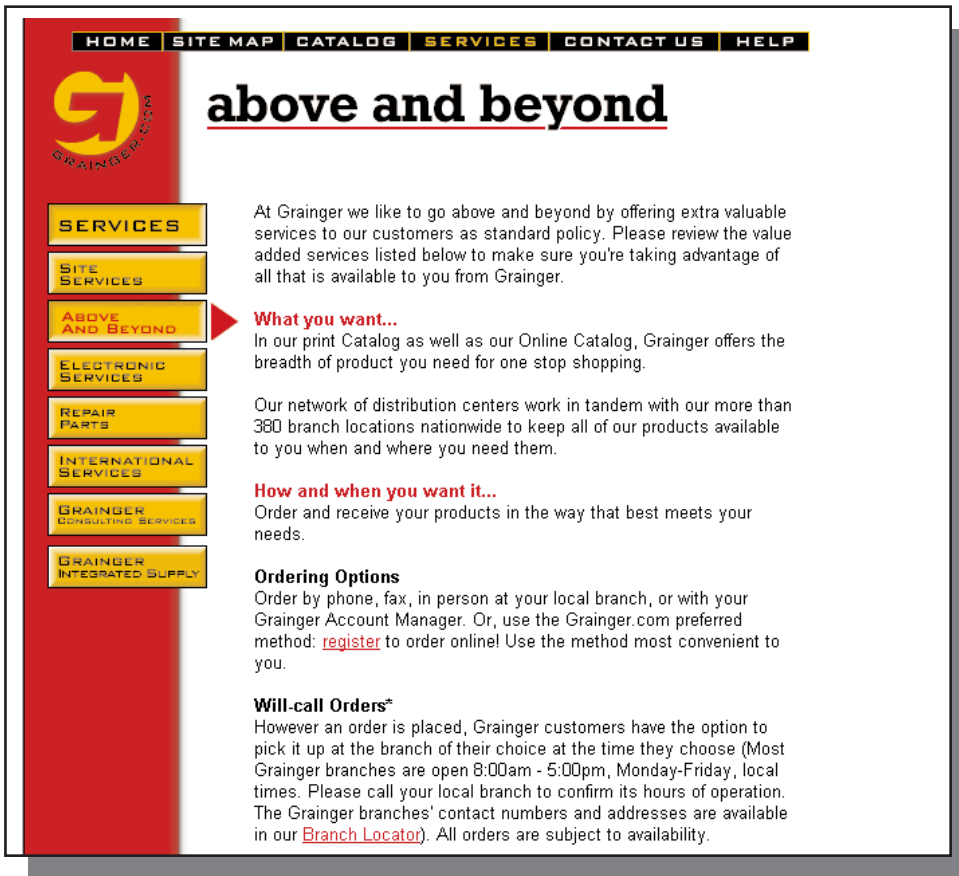


Figure 34

International Business Machines

www.ibm.com

Site Summary

Leading e-commerce site selling computers and peripherals directly to businesses and consumers online.

Key 1to1 Concepts

Personalized Information; Online Product/Service Configuration; Organized Around Customer Needs; Search Engine Functionality; Provide Differentiated Levels of Customer Service

Target Audience

Consumer and Business

E-Commerce Site

Why the Site Made Our Top 25

Appealingly presented, easy to navigate and loaded with one-to-one features, Ibm.com is a model for other business and consumer sites to emulate and improve upon. We were, for example, dazzled by IBM's online seminar for small businesses. This collection of three small e-business cases was compellingly on-point, fast-loading (over a 56k connection) and required no special software. Ibm.com itself is actually a collection of many sites, each focusing on a specific customer or service segment. Throughout, the site utilizes state-of-the-art technologies to present the visitor with a broad variety of information, technical assistance, and e-commerce services.

Key One-to-One Aspects

Users of the site get the impression that IBM is speaking directly to them. By clicking on clearly delineated customer segment or product links, the information presented is right on target. "ShopIBM" first gives customers the option to specify whether their choice of system will be based on a budget (ranges are provided) or on specific needs, and then guides them through a brief questionnaire designed to pinpoint IBM's most appropriate offerings. Following the model presented by Dell, customers have the ability to customize certain products. For example, customers can configure an Aptiva home computer to meet their exact needs. "Isource" allows customers, following a brief registration process, to choose from dozens of information points in the creation of the "Focused on You" news digest (a fully customized weekly briefing in text or HTML formats). In "PartnerWorld," IBM resellers and other affiliates can create their own home pages, as well as find the latest product updates and announcements.

Opportunities for Improvement

As good as this site is, there is always room for improvement. For example, the key areas of Ibm.com are not integrated, meaning little or no pre-filling of data between the various registrations. Also, users can occasionally get "lost:" three clicks into one small business area, there were links to two home pages, the small business home page (at the top) and the Ibm.com home page (at the bottom). Only the Ibm.com link was clearly labeled.

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- Toll Free Phone
- Email
- Fax
- Address
- Chat

Identify

- Y** Recognize Returning Customers
- N** Group Linkage
- Enticing Customers to Register
- Interest in Creating Customer Relationships

Differentiate

- N** Pre-filling Data
- Y** Providing Differentiated Levels of Customer Service
- Collecting Customer Preference Information
- Organizing Site by Needs

Interact

- Y** Drip Irrigation
- Prominence of Customer Service Area
- Response to Customer Email
- Performance of Search Engine

Customize

- Personalized for Individual Users
- Customizable Web Experience
- Online Product Configuration
- Multiple Billing/Shipping Options

Privacy/Security

- Y** Member of 3rd Party Privacy/Security Program
- Prominence of Privacy Policies
- Protection Given to Customer Data

