

Your online business is moving seven times faster than your offline business.

Are you keeping up?

By Greg Meyers, President PineMountain Marketing

Almost two decades ago, a few of us early, scruffy web programmers began posting our offerings online mostly as experiments and nerdy self gratification. We had grand visions of the future but not even us cyber pioneers would have guessed that the Internet would change so many things about world commerce and business in general. Over the years there have been far too many new buzz words and buzz applications to mention as creative individuals sought for that ever elusive, end-all, “killer-app”. What we didn’t realize then was that the medium itself was the ultimate Killer-app. With as much energy, money and creative juices that have been poured into the online space, it is rather surprising that it took nearly 15 years for the industry at large to identify the strengths of the Internet. Today we are now calling that strength Web 2.0 technology. The truth is, Web 2.0 isn’t really a new technology as it is a new look and application of existing technology. Web 2.0 is a new way to apply and harness the strength of the Internet and a new way to deliver it to an information-hungry public. Regardless of the technology employed or the strategy designed, one rule is ever-present and should ever be understood by the C-suite, web strategists, programmers and marketers alike. And that is, *the web moves 7 times faster than traditional or offline business*. At first blush, we are tempted to respond to such a statement with glossed eyes and a short “so what!”, but the implications of this web-proverb are paramount and the level of understanding of this simple yet often overlooked footnote will be the difference between winning and losing big both online and in business in general.

Implications of business running at 7X, a case study

My initial meeting with InvestUs (not the actual name of the company in this true story), was a whirlwind of burning hot ideas and contagious enthusiasm. My note taking quickly turned into schematic diagrams and arrows pointing every which way in a dizzy scribble. These guys had a vision and a Pentecostal determination to succeed. I was hired as a consultant in mid 2001 to take their idea, make it work on paper, and then program and maintain it. As is the case with a lot of lucrative online properties, the actual technology employed to create the site was rather basic. The magic came from the brilliant application of the technology (much like Web 2.0 today) and the marketing. Within 30 days of the launch, InvestUs had tripled their offline membership numbers and profits were seven times what they were previously (there’s that 7X thing again).

InvestUS was heavily involved in email marketing, data integration and dissemination. They were able to communicate with their partners and customers and have accurate information back in their database within 4-8 hours. Being a marketer from the old days, information of this type would have taken at least a month to collect through focus groups, surveys and other such archaic means. InvestUS was then able to take that information and deliver new business offerings, incentives, and support products within days. The rapid sow and reap cycle of InvestUS increased their membership and profits exponentially.

On that late summer day in 2001, InvestUS was a new cyber startup and had less than a few hundred members, making less than a few thousand dollars a month gross. A year later, they had a worldwide marketing base of over 25 million, became the leader in their industry, and over 10,000 active, Pentecostal partners. InvestUS outpaced industry moguls that had been in the business over 10 years.

The InvestUS story wasn't all roses. They encountered numerous speed bumps along the way but they were dealt with in cyber fashion. For example, when a misaimed marketing message was sent to the customers, the feedback loop was such that a remedy could be crafted and shot back out within hours, thereby saving sales and gaining new ones at the same time. In the traditional business world, a misaimed marketing message might not even be detected to say nothing of correcting the problem in a timely fashion.

I've worked with so-called "traditional businesses" in creating new business offerings that took years to plan, design and produce and then even longer still to debug. InvestUS was able to deliver a new offering or service within months of conception. Customers were able to request services and enjoy them before their next billing cycle. What InvestUS accomplished in 1 year, would have taken at least 7 years to accomplish in the old traditional business world. Before InvestUS stumbled around the 3 year mark, they were enjoying a monthly net profit from their online business of over 2 million a month and an overhead of only around 4%! It was a dream come true and the spoils of the business were a boon for us all (I was smart enough at the outset to take a 7% non-voting, equity interest in the company). Dot Com was alive and well but, the 7X rule that allowed success to come so quickly was a double-edged sword. Along came a little bit of legislation called CAN-SPAM.

The new legislation in and of itself was not a big show stopper for InvestUS and their competitors. What was the killer for InvestUS was that they failed to respect the 7X rule. Before the CAN-SPAM act became law, the industry at large had a sufficient grace period to get their businesses in order. For InvestUS, that grace period was spent unwisely and feelings of over confidence in both their marketing base and their partners fooled them into thinking that somehow, everything would work out or that somehow they had more time than they actually had to get things in order. But that wasn't the real reason for company's demise.

CAN-SPAM became a law on January 1, 2004 and InvestUS still hadn't done much by way of changing their email procedures and complying with the new law (I must add, despite my insistence). Emails continued to blast out at the rate of millions a week and the 7X rule proved to be just as powerful in the negative as it was in the positive. Within weeks of January 1st, InvestUS was over their head in complaints both from within their partner network and their marketing base. Lawsuit threats also

poured through the door and suddenly, settlement was the only option. Before the snow melted in 2004, InvestUS was only a memory, yet two of their competitors adjusted and weathered the storm well.

Seven Lessons Learned

- Lesson One** Business online comes at you fast. Decisions need to be made faster, seven times faster than in traditional business.
- Lesson Two** The results of your decisions will affect your business seven times faster than traditional business; both positively and negatively.
- Lesson Three** Your online customers will expect faster responses to their needs, at least seven times faster than traditional business.
- Lesson Four** The wait time of your online customers is also subject to the 7X rule. If they have to wait a month for delivery, it's like a traditional customer having to wait 7 months.
- Lesson Five** Achieving financial successes can happen seven times faster than in traditional business (Yahoo broke 500 million in sales faster than any business in recent history).
- Lesson Six** Be careful who you trust your online business to. You need seasoned professionals who are accustomed to running seven times faster than the rest of the world and making good decisions while the world passes by in a blur.
- Lesson Seven** Growth and profits can soar seven times faster but not your overhead. In most cases, if done correctly, your online venture can out pace your offline business by a factor of seven. Seven times the profit and a negative seven times the overhead.
- What?** You're not online yet? Whatever you guess you might be losing in terms of profits and opportunity, times it by seven!

About the author

Greg Meyers is a veteran online marketer and business developer with his thumbprint on hundreds of online properties. He has been a principal of several online marketing firms and has consulted for such clients as Hewlett Packard, Novell, General Motors, Volkswagen, Audi, Plantronics, and Microsoft to name a few. He is currently the president of PineMountain Marketing (www.pinemountain.com). Forward comments and questions to gmeyers@pinemountain.com.