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Andy Hobsbawm is European Chairman of **Agency.com**. He is a respected public speaker and has written extensively about internet marketing. Andy has been named one of the Top 50 Internet Professionals in the UK by Internet Business Magazine and UK 'New Media Entrepreneur of the Year' by Campaign Magazine.

Do you think most marketers still perceive the internet as a response channel, rather than a brand channel?

Most marketers now understand that the Internet is, among other things, a marketing channel with a range of uses and characteristics. We like to remind our clients that branding is meant to get a response as well - it's just further along the funnel!

One side-effect of measuring sales response is that when marketers do use the Internet for branding, they hold the medium to a higher level of direct accountability than their other channels. We're always trying to move beyond, say, Reach and Frequency, with impact studies to quantify returns later in the sales cycle, whether that be overall brand engagement or specific interactions like forwarding an email.

A marketer's ultimate goal is linking everything together to work out the most effective media mix from first touch through to ongoing relationship. But it's not easy to create comparable measures across channels and understand their true relative value as well as how they work together best

The most pronounced change we see is the emphasis on integrating all channels with the Internet increasingly serving as the priority rather than an afterthought, and the hub around which other channels revolve. For example, Unilever recently launched Dove Night with almost a pure internet launch supported by limited TV and print.

Paid-search might account for half of the average online marketing budget by the end of 2006. Is this a positive or a worrying trend?

Depends on your perspective -- for search engines it's pretty positive! The market is actually flattening out in terms of incremental ad revenue growth. For instance the annual percentage increase of paid search spending in the US dropped from 174.3% in 2003 to 33.2% in 2004. (Although by most business standards this is still phenomenal and one would naturally expect rates of growth to slow as the overall market expands).

There seems to be a shift in focus to refining the model/marketplace with an eye on click fraud, improving ability to analyse true search ROI, and optimising existing programs while testing new search products (local, vertical, etc).

But the best search engines will continue to evolve and provide better, more diversified and personal search solutions which will create more growth in consumer search volume and ultimately more value to advertisers.

Are display ads being unfairly compared against paid-search ads (by marketers / ROI analysts)? It isn't exactly apples vs apples, is it?

If they are being measured against the same objective and metric, you can understand why people compare them from a media allocation standpoint - but no, it's still not apples to apples.

The problem is that on a Direct Response campaign, paid search will always deliver a more efficient post-click ROI but display ads deliver ongoing value like Post Impression responses and brand impact which is harder to measure. Is the display ad creating preference which helps to deliver a response on paid search? What is the right percentage attribution for Post Impression responses?

Ideally marketers should look at a combination of activities to understand how things work together to deliver the best overall return, instead of limiting analysis to individual, short-term tactics.

Rich media ads were supposed to appeal to brand marketers, yet we mainly see rich media used to power floating overlays, which are the same as pop-ups as far as users are concerned. Why are marketers still interrupting the user experience to generate clicks?

Bad advertising. I don't know any marketers who have the objective of annoying customers.

It's mainly a question of targeting and context. For instance, in an entertainment space users might be more receptive to engaging rich media advertising than when they're checking their stock portfolio or reading the news. Also, richer experiences can work better when initiated by a user. The best rule of thumb is to use rich media only when it makes sense for both concept/execution and target/context. Unless those two rules apply, don't overlay.

Do you think pop-ups damage advertiser and publisher brands? Or are users so apathetic that it doesn't much matter.?

Yes. Not many publishers accept them directly anymore so it's typically being generated from some adware on the user's machine. They're also becoming less effective because of consumer annoyance, poor serving options, browser pop-up blockers, etc

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All the focus tends to be on customer acquisition, yet surely the web is a perfect channel for customer retention? What are the main opportunities in this area?

Yes, a website should be an engine for customer relationships. First they need to get the right customers (quality not quantity), then treat them right and grow their relationship.

Creating a superior customer experience is a universal business imperative these days and interactive communication technology offers powerful tools and infrastructure to do it better: more efficiency for businesses and more valuable, relevant offers and experiences for customers.

There's also an opportunity to test ad-serving as part of an ongoing relationship marketing program, but the goal must be to create more intelligent ongoing dialogue with consumers, not to invade their personal space.

Customer churn is a big problem in a number of big-spending web sectors, such as

gambling, financial services and telecoms. Shouldn't companies operating in these sectors start focusing on improving the customer experience, rather than hunting for new customers?

Absolutely, without a valuable customer experience you ultimately won't have a competitive business. I actually think the best business opportunities overall are for intangible products and services in these kinds of categories.

For instance, travel, financial services, gambling and utilities companies (energy, telecommunications, etc) are selling virtual goods to begin with, so it's actually easier for customers to consume information about and engage with them in an interactive medium. Travellers can't physically inspect a holiday before buying it even if they wanted to.

It's also easier for firms in these industries to service and cross-sell to their customers and build ongoing relationships with them online.

Airlines, for instance, are no different to financial services firms in the sense that it's more convenient and cheaper to process and fulfil the actual transactions purely digitally (e-ticketing and online check-ins, loan applications and fund transfers, managing frequent flyer miles or bank statements, etc). And, wherever possible, to 'channel shift' lower-value, higher-volume customers (the infamous 80% that contribute just 20% of the profits) into servicing themselves online. And of course handing more control over to customers with self-service tools also creates a better brand experience.

What are the fundamentals that underpin a sensational brand experience online?

I think the building blocks of such an experience can be considered as a Maslowian hierarchy of user needs. First, *Serviceability*: a product or service must fulfil a core need and perform a basic function - everything else is irrelevant. Next, *Usability*: being easy to access, interact and do business with. Finally, *Desirability*: the sizzle as well as the steak.

Desire is the way a brand builds over time in people's imagination, what it begins to mean to them (beyond function and use) and how it inspires them to make a product or service part of their lives. And the degree of attachment consumers have to a brand, the emotional connection they make, increases dramatically the better the experience gets; from simply buying a product, to telling all their friends about it.

We've been talking about the importance of user-centric business models for years, but now it seems to have acquired a new label: Web 20. What do you make of it all? Are you feeling empowered, as a web user?

Web 2.0 seems to be used to describe many things. For me we're clearly in the next wave of the Internet revolution and I think we're starting to glimpse its true, long-term impact in the phenomena of social production.

As Yale law professor Yochai Benkler points out, considering we're living in an information economy, the fact that for the first time since the industrial revolution the most important components of the core economic activities (e.g. making and communicating information, knowledge and culture) of the most advanced economies are in the hands of the population at large, is pretty significant.

The underlying significance of new technologies (railways, electricity) are always over-hyped and their true, longer range potential vastly under-estimated. In general I think, as the saying goes, *'we aint seen nothing yet'* and the next decades will bring deep societal and economic transformations we simply cannot imagine yet.

How can existing web businesses adopt Web 2.0 tools and technologies to increase user interaction, satisfaction and trust?

If Web 2.0 is about anything, it's about people. Putting people at the heart of your business, making them the hero of the story. Businesses should ask themselves how they can give customers more control. How they can help customers share and connect with each other more online. And how they can help customers create more to express themselves through their brand

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One of the central tenets of Web 2.0 is aggregation (e.g. of content, web services). What levels of protection can content owners use to maintain control of their digital assets? Or should we all grab a Creative Commons licence and allow content to be mass-distributed for free?

I think content owners need to re-think the business they're in and how best to bring their products and services to market.

For example it's pointless for the Online Publishers Association to try and fight the fact that consumers now find information through search engines or RSS feeds. Better to embrace this, as the Guardian seems to have done, understand that this is how modern content promotion works and figure out new ways to profit from it. Microsoft might not like the fact that Google gives its software away for free and makes its money from ads, but they still have to adjust to this as a business reality.

In a wider sense, the foundations of the net were built on freely exchanged ideas: Perl, sendmail, Apache, the web itself. A lot of commercial success and underlying innovation online has been based on this open philosophy of trust and reciprocity. The current view of copyright owners is out of step with this culture. Instead of openness and trust there's a fixation with control and limitation and a DRM philosophy that all consumers are guilty until technically forced to be innocent.

I worry that too much electronic protectionism will limit the tremendous possibilities and future value of this extraordinary social, cultural and commercial phenomenon, the Internet, for all concerned. It's certainly bad for business -- as Jeff Jarvis succinctly put it: "*Give us control and we will use it. Don't and you will lose us.*"

Personally I think Apple would sell even more iTunes if there was no DRM restrictions on what consumers could do with the content they supposedly own. Not that iPod sales are of particular concern to Apple at the moment, but in the long run closed systems always fail.

Industries believe they have a God-given right to exist in their current form with, in some cases, excessively high profit margins (such as CDs versus digital downloads) or protection by unreasonably long patents or copyrights. In the music industry, for instance, there's no reason why a few individuals couldn't earn less and a far greater number earn more.

The present arrangement which vastly overpays a minority does not guarantee better quality than other potential musical creative systems. Does anyone think today's footballers are better than Stanley Matthews just because they earn thousands of pounds a day?

The barriers to entry for start-ups are in some cases negligible, from a financial and technical perspective. What are the other main differences between now and the late-1990s?

You mean apart from the rush of opportunistic start-ups planning to be bought by Yahoo! replacing the rush of opportunistic start-ups planning IPOs?

After the dot-com crash there was a huge glut of bandwidth which created cheap, easily available and hence widely adopted broadband. These faster connections plus the constant increase in PC processing power also let new client-side technologies (Ajax et al) create more functionally sophisticated and richer user experiences - think desktop applications in a browser.

Add to this a billion people online -- a truly mass market and mainstream audience by anyone's standards - and the late 1990s model of attracting 'eyeballs' and then turning that into profit can actually work. This time around because the engineering costs are so much lower, the broadband experience is so much better and the online market is so much larger, services like Google or Skype can create profitable business models by converting a fraction of their huge audiences into paying customers.

Which websites have appeared on your horizon lately? (please provide examples of quality, innovation, great user experience, niches, etc)

When I remember to I bookmark randomly interesting stuff at del.icio.us/AndyHobs. For instance I loved the fact that someone worked out a way to login to Pandora using a Last.fm account so the Pandora songs you listen to get added to your Last.fm profile in real-time.

There are new blogs I now subscribe to and social sites like Flickr hack Delivr.net for greeting cards I use, but in general there aren't many particularly recent sites that have usurped my old stalwarts. I still use the BBC for news, Google for search, maps and web mail, Backpack for projects, eBay for auctions, PayPal for online cash, Skype for phone calls, iTunes for music, Wikipedia as my encyclopaedia, etc, because they're the best examples of quality, innovation and great user experience in their categories.

Andy talked shop with Chris Lake, editor (chris@e-consultancy.com).

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