

# Net Worth, Net Gain, Net Net: Emerging Trends in Infomediation

By DAVID J. WALLACE

The fast-moving Internet economy has entered its third phase in less than four years, with opportunities for "infomediaries" or companies that provide unique value to consumers by working on their behalf with vendors on the World Wide Web. Today, consumers want to maximize their purchasing power using web research but may be leery of disclosing personal details, says John Hagel III, who directs the e-commerce practice at McKinsey & Co. That creates an opening for a trusted third-party company to serve the online audience, he says.

Hagel, co-author of two popular books about electronic commerce—*Net Gain* and *Net Worth*—spoke at Wharton on September 14 as part of a series of lectures on electronic commerce organized with help from McKinsey & Co. One example of an effective infomediary, Hagel says, is Autobytel, which has a 65% market share of Internet auto sales leads in only its third year despite no previous experience in the auto industry.

At its outset, the web needed original content, spawning companies such as The Motley Fool. A second wave followed as gateways or portals sought to aggregate web traffic. Now, even experienced web shoppers are seeking greater purchasing power on the web and seeking out best-of-breed sites for pre-purchase advice, transactions and greater security. "At the end of the day, e-commerce is not just about doing things faster, but about doing things differently," he says. "We're moving from a generation of just building traffic to building and leveraging the customer profile."

In brick-and-mortar stores, shelf space is expensive and companies must earn a return on every physical asset. In the Internet clickstream, shelf space is limitless and, perhaps for the first time, merchants can easily track comparison-shopping patterns of consumers and identify not only which products they buy but also which ones they reject. Instead of data from a store's sales records, Hagel adds, the consumer himself serves up the data with every mouse click.

Consequently consumers will seek to protect their data and entrust it only to infomediaries who release pertinent details to merchants in return for added value. For many online consumers, time—not money—is the constraint. If a company offers time savings in making a purchase, the buyer might divulge more information or devote more minutes to exploring a website. Hagel calls this new measurement for sellers "return on attention."

"In this new electronic environment, we may be, for the first time, creating a tool kit for customers to capture information about themselves and then to use it to bargain with the vendors they deal with. Customers may be able to extract even greater value from vendors in the process," Hagel says. "At the end of the day, each of us has only 24 hours in that day. How we choose to allocate those 24 hours

in terms of attention will determine who wins and who loses. More and more options compete for that attention all the time."

Revenue models for infomediaries can include services as an agent for transactions, as a resource for advertising and target marketing or as a provider of market research to vendors, says Carolyn Groobey, a McKinsey partner. Because web use and web users are changing rapidly, it is difficult to predict whether gateways to the Internet, such as portals or service providers, will gain an edge over merchant sites such as Amazon.com or Intuit. Intuit not only sells its financial management software online, but also provides links to lenders, advice on personal finance or credit concerns. Content comes from users themselves, through questions or message board postings.

Merchants have realized that they need to aggregate information about their customers at the same time as they attract users to a website with useful transactional data. Finding out what consumers want is a trial-and-error process, but one that moves far more quickly online than in other marketing channels. "In the online world, rapid takes on a whole new meaning," Groobey says. "If you're direct marketing something like credit cards, a direct-mail campaign could take three months to play out before you have results about what worked and what didn't. Then you can reinvigorate the campaign to try again. In the online world this can happen in an hour with the right amount of scale. America Online, with its pop-ups, can literally tell in an hour what works and what doesn't. This allows you to take down what doesn't work and see what works better."

Groobey believes that a single infomediary may not possess the customer trust, the deep database of transactions and the technology needed to win online. So alliances of companies may develop as merchants, market research providers, transaction processors and other companies work together to pursue online opportunities. And strategies will enable companies as in the physical marketplace to create barriers that prevent customers from changing online vendors or identify the trigger points when consumers stop visiting a particular website, she adds.

Hagel cautions that the battle over who controls information about customers may spur a consumer fury similar to the outcry over e-mail spam. Improper use of sensitive data could lead to demands for governmental intervention in the U.S., because so much public information is available compared to European nations, for example. "There is a huge risk of privacy backlash and economic pressure on companies to use that information to gain short-term sales and short-term profitability," he adds.