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PERSPECTIVES

A monthly look at what's happening in the ever-changing digital world and beyond.

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From the Editor

Greetings, dear reader, and welcome to the March issue of *Perspectives*. Our theme this month: Where are they now? Trends that were once hot, are now not, and why. Though some common themes do appear – stay relevant, innovate, develop a niche – it is obvious from the varying recommendations represented that there isn't a magic bullet when it comes to making your brand successful in the long run. In this issue you'll find some of our best thinking around why some brands fizzled out before their time.

We are available to discuss or delve deeper into any of the topics presented here. What you will read in this one-page format is just a taste of the thought leadership going on at RTC Relationship Marketing. To engage us, you can join the conversation online on our website's Sparkblog and on SlideShare (contact info listed below), or send me an email letting me know your thoughts. Additionally, custom briefings are available on any topic in this edition. If you're a client, just contact your Project Manager or Account Manager; otherwise, contact me and we'll work something out. For an ongoing conversation with loads of personality, visit *Treffpunkt*—RTC Relationship Marketing's Digital Integration and Innovations team blog—at http://rtctreffpunkt.blogspot.com/.

Best regards,

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Photos courtesy of Flickr Creative Commons: *Fail Road* by Dagny Scott, 2007

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Lessons from Aggressive Inline Skating

Summary: The quick rise and even quicker fall of the aggressive inline skating movement sparks insight into how today's brands live and die by their ability to differentiate what they offer, unite behind a vision and bring that vision to life through a clear ambassador.

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Key Information

It's 1996, and Arlo Eisenberg, one of the biggest aggressive inline skating figures at the time, is about to drop into "the pipe" at the Summer Extreme Games in Rhode Island. He drops in and wows the audience with flips, twists and "big air." His stunning performance draws a standing ovation from the crowd. Ten years later, his performance is a mere memory, as ESPN has removed aggressive inline skating from the X Games.

Aggressive inline skating (also known as "blading") was founded and cultivated by many of the competitors at the Extreme Games (later renamed the X Games) during the 1990s. People like Chris Edwards and Arlo Eisenberg took the idea of inline skating (designed and developed by two Minnesota hockey players) to a whole new level. Launching off ramps, sliding down rails and dropping down steep quarter pipes were all part of aggressive inline skating. The sport's popularity coincided with a cultural movement toward extreme sports, culminating in ESPN's creation of the Extreme Games in 1995.

The extreme sports movement is constantly evolving. This, coupled with the decline in popularity of inline skating in general (usage dropped nearly 50% between 2000 and 2008, according to the Sporting Goods Manufacturing Association), spelled disaster for aggressive inline skating. Skateboarding, BMX and Motocross have had much longer and more storied histories. Aggressive inline skating was the new kid on the block who suddenly didn't fit in.

A recent article in *ONE* magazine (an aggressive inline skating magazine) claimed that aggressive inline skating is poised for "breakout," but all evidence suggests otherwise. Aggressive inline skating didn't significantly differentiate itself from the other extreme sports of the time – its methods and tricks, while unique in the eyes of fellow bladers, weren't to the general public. The participants in aggressive inline skating also never followed a strong direction, leading to the sport's lack of advancement. Finally, aggressive inline skating never had (and to this day still doesn't have) a true Tony Hawk or Shaun White to represent the sport. While the picture seems bleak, aggressive inline skating does have potential, but this can only be unlocked by a standing ovation–worthy effort by a new class of giants in the sport who could get the world excited about blading once again.

Implications and Action Items

The story of aggressive inline skating presents many parallels to brands in the marketplace – how fast they can rise, and how they can fall even faster.

- **Differentiation:** Aggressive inline skating never led the conversation. The result was a sport that wasn't different enough from other extreme sports to merit continued attention.
    - Great brands always find a way to innovate and be different. Nike has been a remarkable innovator in shoe technology and emotion behind what they make. The feeling of achieving, whether in sport or style, is special in a pair of Nikes.
- **United vision:** The participants in aggressive inline skating never established a united vision for their sport.
    - Great brands clearly state their vision in everything they do. The NFL has established a clear vision that participants and spectators connect to throughout their lives.
- **A strong ambassador:** Aggressive inline skating didn't have a clear or strong ambassador. The result was a sport without a figure for participants and spectators to rally behind.
    - Great brands recognize champions of their vision. For Subway, it was Jared's inspiring weight-loss story that solidified the restaurant's position as a place for healthy alternatives to fast food.

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The Apple Newton

Summary: When Apple introduced its Newton tablet in 1993, the product was considered a revolution in personal computing. However, after five years of product bugs, customer complaints and disappointing sales, Apple discontinued it. Key takeaways for other companies include incorporating usability into product design and creating marketing campaigns that adequately describe the product.

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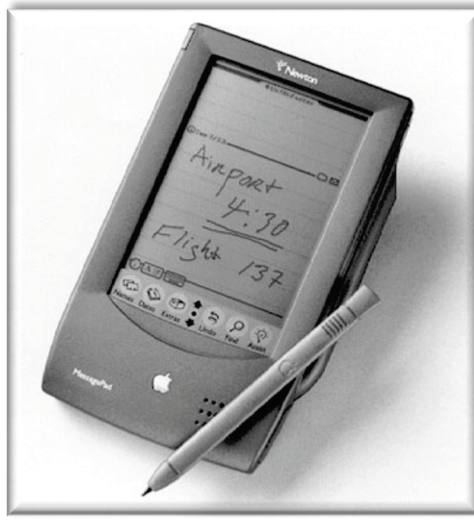
Floridian Hoya. Enhancing communication btwn companies and people thru social media, online communities, and cupcakes. Lots of cupcakes. @michellefares

Key Information



Once upon a time, a company named Apple introduced a device that promised to change the face of personal computing forever. Portable, user friendly and technologically advanced, this tablet used touch-screen technology for an intuitive user experience. But if you were thinking of the iPad, you would be wrong. The year was 1993, and the product was the Apple Newton.

The Apple Newton pioneered the term "PDA" when it debuted in 1993, and boasted music streaming, Web and email access, and handwriting recognition capabilities. It had a large screen, easy-to-use interface, and up to 2MB of memory – a lot by 1993 standards. However, despite these features, the Newton was not as successful as Apple had hoped. Unit sales were disappointing, and Apple discontinued the product in 1998.

Though the Newton was ahead of its time, some flaws kept it from finding success:

- **Portability:** The Newton's low battery life, large size and heavy weight made it inconvenient to use on the go.
- **Price points:** The price range of $700 to $1,200 was higher than what most consumers were willing to pay.
- **Function:** Reduced flash memory and a multi-tasking function greatly slowed down processing speed.
- **Timing:** Because the Newton was demo'ed almost two years before it shipped, Apple was forced to rush the product into stores before it was really ready. Also, marketing efforts behind the Newton were minimal.
- **Bleeding edge:** Since the Newton was not similar to any product existing on the market, customers weren't sure whether to use it as a toy, substitute it for a computer, or take it along when travelling.

Incidentally, despite its flaws, the Apple Newton is not yet extinct. Hardcore fans still use and maintain their Newtons and trade tech fixes and tricks online.

Implications and Action Items

Although the Newton paved the way for popular devices like the Palm Pilot, smartphone and tablet, in many ways it was simply ahead of its time. In 2010, Apple's iPad product sold close to 15 million units in its first year, proving that the company has learned from its missteps.[1] Key takeaways for other companies introducing new products or services include:

- **Product functionality:** A product's technology should support its basic functions. Customers won't be interested in sophisticated tools if the product does not quickly deliver on basic tasks. Although the iPad is often criticized for not having multi-tasking functionality, it works well and quickly and has been embraced by customers.
- **Marketing efforts:** When introducing a revolutionary product or service, companies must educate consumers on what it is for and how to use it. Prior to the iPad release, Apple ran a series of ads that demonstrated people using the iPad so that customers could see for themselves how it worked and what it offered.
- **Timing:** Product developers should ensure that all bugs have been worked out and marketing efforts have time to adequately support the product before it becomes available to consumers.

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[1] "Liveblog: Apple's March 2 iPad Event," *ARS Technica*, http://tiny.cc/v4omm

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Whatever Happened to LiveJournal?

Summary: Before Facebook and Twitter there was MySpace, and before that there was also Friendster. But that whole time, another website offered a place to connect with friends and meet people with similar interests. LiveJournal.com was one of the original community and personal blogging platforms. In our "status update" culture, it's hard to believe that a site like LiveJournal ever held our interest – and still does for many. Unlike the "status update" sites, LiveJournal is a place where people took the time to share what was going on in their lives – without

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Key Information

LiveJournal, a personal blogging and community website, launched in 1999 to help one group of friends stay in touch. At this time the idea of the "social Web" was just beginning to hit the mainstream. Message boards had been around since the beginning of the Internet in one form or another, but the idea of the Web as a place to have a true community was far from a mainstream idea when LiveJournal came on the scene. LiveJournal offered a way for friends to keep in touch virtually, but unlike Facebook it was more than just quick status updates. On LiveJournal, people wrote long (especially by today's standards) open letters to friends who would then respond and engage in a dialogue with the original writer and each other. Simply put, it was personal blogging before most people really thought of blogging as normal. In addition to keeping in touch with friends, LiveJournal also provided ways to connect with affinity groups online and exchange ideas. Again, today this is perfectly normal, but even five years ago this was new to many people.

LiveJournal is still around and active, but most everyone I know has migrated to Facebook and/or Twitter – or so I thought. LiveJournal never captured the popular imagination like MySpace did or Facebook has. Unlike MySpace, which went from "hot to not," LiveJournal has maintained a very steady level of activity over the years. There have been peaks and valleys, but nothing like the meteoric rises and falls that other popular social networks, like Friendster, Vox, and MySpace, have experienced. LiveJournal seems to have captured the attention and dedication of a niche group of people, and maintained it over time.

Implications and Action Items

LiveJournal is the story of the tortoise and the hare. While LiveJournal never had the incredible success of MySpace or Facebook, it also has not seen the same failure. LiveJournal is a community site that supports personal blogs and interest groups. Unlike MySpace, it has never tried to directly compete with Facebook. It has innovated over the years, for example adding social gaming in February 2011.[1] With 21 million reported members and 8 million monthly unique visitors,[2] LiveJournal seems still to have a role to play for many people. Here are some lessons I've learned from revisiting LiveJournal:

- **Identity:** Know who you are and what you do, and don't try to be all things to all people.
- **Experiment and innovate:** Stay true to your core, but also be willing to experiment – especially if you see your customers are finding ways to use your product in ways you never expected.
- **Find a niche:** There's nothing wrong with being a niche offering. The trick is ensuring that you have a steady income stream and appropriate spending levels.

[1] Games.com, "LiveJournal launches social games channel with…four games." February 8, 2011: http://tiny.cc/kj579
[2] LiveJournal sales report page: http://tiny.cc/vemk5

The Slow Demise of RSS Feeds

Summary: RSS feeds were once considered a critical component of any Web 2.0 strategy. Many believed that adding RSS to a website would result in content being distributed all over the Web and, as a result, drive traffic back to a site. In reality, RSS feeds never gained widespread use for several reasons – they required the use of another technology (RSS readers), didn't fulfill the promise to make reading content easier for users and were quickly eclipsed by other technologies such as Facebook and Twitter, which are more intuitive and therefore widely adopted.

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Key Information

First, a quick primer on what RSS is. RSS (Really Simple Syndication) was developed in 1999. It offers Web publishers (blogs, websites, video, audio, etc.) a way to publish frequently updated content in a feed format. Users subscribe to a feed and then read the feed's content via an RSS reader.

In its heyday (circa 2005/2006), RSS was seen as an essential and easy way to distribute content, build traffic for a site and improve SEO performance. Websites were quick to add RSS feeds, leading to the RSS feed icon's virtually ubiquitous presence on the Web. However, Web properties overestimated user adoption of RSS readers. In 2008, a Forrester Research study revealed 11% of the online U.S. adult population used an RSS feed on a monthly basis. One year later, the number dropped to 9%.[1] Recent research indicates that RSS usage continues its stagnation and decline.

The demise of RSS offers an important case study of how a product fails to take off and, as a result, becomes obsolete. RSS's decline can be traced to the following factors: 1) it wasn't easy to use, 2) other technologies did the same thing as RSS but better, 3) it failed to evolve. Furthermore:

- The Achilles' heel of RSS feeds is that they need an RSS reader in order to be usable. If the success of a product relies on the widespread adoption of another product over which it has no control, it increases the likelihood of failure. The success of RSS feeds was severely limited by the failure of RSS readers to gain traction with users.
- Although RSS was supposed to be "really simple," it never was. Users didn't understand that they needed to first find an RSS reader, download and install it, then set up their subscriptions to RSS feeds within the reader. For many users, it's easier to check their favorite websites and blogs as frequently (or infrequently) as they choose. Plus, checking websites doesn't result in an overloaded inbox on an RSS reader that a user must then manage.
- Twitter and Facebook offer the same real-time updates as an RSS feed, and they are services with which users are already familiar and that they use on a daily basis. Not to mention the user base for RSS readers pales in comparison to Twitter and Facebook. In addition, Twitter and Facebook incorporate the opinions and recommendations of friends, family and peers, which facilitates an informal curating of content and information.
- RSS is no longer required to power the newest generation of feed reader apps such as Flipboard. Furthermore, Flipboard presents content in a visually compelling, easy-to-use interface that makes reading content enjoyable compared to the circa-1995 design of many traditional RSS readers.

Implications and Action Items

Companies and organizations can protect their products or services from obsolescence and avoid the same fate as RSS:

- **Understand the ecosystem:** Does the product rely on another product or service in order to be functional? If so, it's critical to understand the outlook and adoption of the partner product, because its success or failure directly impacts the primary product's ability to become a winner.
- **Be relevant:** For many users, simple behaviors meet their needs, such as periodically checking a website throughout the day for updates rather than using an RSS feed and reader. A product must be relevant to users' actual needs, not the needs that a company or organization thinks they should have.
- **Target a niche:** RSS feeds and readers are better suited for "power users" – people who consume a large volume of content on a daily basis. RSS might have found more success if it had focused on the power users who would appreciate and understand its functionality and convenience.

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[1] ZDNet, "RSS: A good idea at the time, but there are better ways now." August 25, 2009

Survival of the Fittest: Online Delivery Services

Summary: In the mid- to-late 1990s, Internet access and usage were rapidly spreading across the U.S., creating new opportunities for businesses to create innovative business models that met consumer needs and demands. One industry that saw a multitude of start-ups was online delivery services. These companies believed that they could provide a valuable, timing-saving alternative to a trip to the store. While some of these companies were a huge success and are now the giants of the dot-com world (e.g. Amazon, Netflix, etc.), there were also epic failures whose missteps and demises went down in Internet history.

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Key Information

Probably the two most well-known online delivery service flops are the California-based Webvan and the New York–based Kozmo.com. Kozmo[1] allowed customers in urban locations to order a wide variety of products (including but not limited to groceries) and have them delivered to their door for free within an hour. While an intriguing and potentially viable service, Kozmo couldn't make enough money from delivering small objects (e.g. videos, candy, ice cream, coffee, etc.) given the products' razor-thin margins. Even after initiating a $10 delivery charge and partnering with Starbucks,[2] Kozmo went bust in April 2001.

Webvan was an online grocery business that delivered groceries to customers within a 30-minute window in 10 U.S. markets.[3] While Webvan, like many of the dot-coms, generated huge amounts of private investment, its downfall was building an enormous infrastructure from the ground up and expanding to 22 markets before building a dependable customer base.

Rising out of the dot-com boom and bust, Peapod.com is the country's leading online grocer and delivery service. Relying significantly on established grocery store chains, Peapod offers customers a robust product selection, an intuitive online supermarket shopping experience and delivery options that meet customers' schedules.

Implications and Action Items

- **Strong business model and value add:** Be sure your business model breaks even or, better yet, turns a profit and factors in the market's pricing threshold for your service. Kozmo's downfall was based on sheer mathematics: the cost of staffing their delivery force simply couldn't be met without charging users a delivery fee. When they started charging a $10 delivery fee, customers opted to either get what they needed for themselves or to do without.
- **Grow slow, go local and establish loyalt**y: Webvan learned the hard way that not all growth is good growth. Before expanding delivery service routes and building costly infrastructure, focus on gaining a strong and reliable customer base. Make their happiness your number-one priority. These customers will be the bread and butter of the business and, if very pleased, will serve as the ultimate marketers and growth sources for a business.
- **Be resourceful, build on existing assets:** The main reason Peapod is still around is its strategic decision to limit start-up and shipping costs by utilizing local area supermarkets and focusing their delivery routes around these stores. With gas prices skyrocketing over the last 18 months,[4] keeping delivery costs consistent and manageable will be extremely important if online delivery services are to remain a viable and profitable industry.
- **Keep up with consumers:** Food trends and innovations are a constant moving target. Online grocers need to be able to quickly change and update their product offerings and suppliers to meet these ever-changing customer demands.
- **Plan for competitors:** In 2009, juggernaut Amazon unveiled AmazonFresh,[5] an online grocery delivery service in the Seattle area. AmazonFresh uses Amazon.com's data and systems to power a simple online shopping experience and promote related Amazon.com products. Whole Foods has even started its own online store in a limited number of stores[6] and gives customers the choice to pick up or have their products delivered.

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[1] Wiki article on Kozmo: http://tiny.cc/o2kn2
[2] Cnet, "Kozmo.com sees more sales in Starbucks deal." February 14, 2000: http://tiny.cc/lutsu
[3] Wiki article on Webvan: http://tiny.cc/vd02w
[4] Gas Bubby, 18-month average retail price chart: http://tiny.cc/7b4x7
[5] AmazonFresh homepage: http://tiny.cc/cafp4
[6] Whole Foods online store homepage: http://tiny.cc/80rlj

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The Rise and Demise of Pets.com

Summary: Pets.com lived fast and died young. It was created in 1998, went public in 1999 and went out of business in 2000. At the time of its IPO, Pets.com seemed to have all the potential in the world, but it took almost no time for the company to fold alongside many other dot-com start-up firms. Thanks to the crowded and unstable e-commerce environment, misaligned product offerings and business model and an out-of-control attempt at growth, all that remains of the company is its mascot.

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Project Manager with a mind for strategy. D.C. suburban for life. Recent Terp alumnus. Let's go O's and hail to the 'Skins.

Key Information

Pets.com went public in early 1999 with the ambitious task of being the first major pet-supplies retailer to operate fully online. The online B2C or "e-tailer" business model was in its infancy, but the World Wide Web was booming, so the concept seemed to be foolproof and destined for growth. Factor in a well-received ad campaign built around a loveable dog sock puppet mascot and a Super Bowl XXXIV spot, and nothing could possibly go wrong, right? Yet, alas, Pets.com would not make it past the year 2000. In November of that year, the site shut down and liquidated its assets.[1]

How does a business with a strong marketing presence and low overhead that is backed by top venture capital firms and Amazon.com go under in less than two years? Let's examine:

- **Bubble burst:** The Internet made its mainstream debut in the mid-1990s, and by the latter portion of the decade, masses of specialized B2C companies began experimenting with online storefronts. The opportunity presented a path around the high overhead costs associated with the traditional brick-and-mortar retail model. However, too much of anything is bad, especially when thousands of companies were diving head first into a new and unproven business model. The surge of investment came crashing back down to earth in the early 2000s as the Internet business realm began to mature, mostly leaving highly specialized e-tailers in the dust.[2]
- **People order pizza, not pet food:** There may be a niche segment of pet owners who favor the convenience of online shopping and potential cost savings. However, pet food and pet supplies are not the type of goods that the average consumer will order in advance and wait for 3-5 days to receive. Pets.com couldn't compete with the convenience of local pet stores and grocery stores.
- **Slow and steady wins the race:** Any business that expands rapidly ahead of its market and business model is headed for disaster. Can a company that goes public within months of its launch while banking only on a trial-and-error business model really support a Super Bowl spot that costs more than a million dollars? Pets.com had a popular ad campaign going, but the firm was in no position to leverage it. Perhaps if the Internet pet store had worked slowly to grow with its business model, Pets.com could have been an online success story.

Implications and Action Items

An online store has to do more than offer specialty products and deliver them. It didn't work 11 years ago, and it certainly would not work today. Companies such as Zappos, Netflix and Amazon — success stories in the Internet business world — have utilized the endless possibilities and ever-growing capabilities of Web technology to create a unique customer experience and competitive advantage. These lessons can easily be applied to smaller Web-based firms.

Here are some important tips to consider when operating a B2C online business model in today's market:

- **Expand** only as fast as your competencies and market allow.
- **Follow** a clearly defined business model based on real business metrics such as revenue, profits, growth and exposure to losses.
- **Research** a target market thoroughly, and be sure it is large enough to support a profitable company.

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About RTCRM

RTC Relationship Marketing (RTCRM) is a full-service direct marketing and relationship marketing agency based in Washington, D.C., in the heart of Georgetown, with an additional office in New York. RTCRM boasts more than 40 years' worth of innovative, targeted solutions that grow its clients' brands and help them forge lasting, valuable relationships with their customers. What distinguishes RTCRM is its unique ability to analyze data and research on both a rational and emotional level. RTCRM's clients include major brands in the telecom, technology, pharmaceutical and other business sectors, such as AARP, BlackRock, Eli Lilly and Novo Nordisk.

To learn more about RTCRM, please visit www.rtcrm.com or follow the Twitter feed @rtcrm.

About the Digital Integration and Innovation Team

The RTCRM Digital Integration and Innovation team is tasked with keeping track and making sense of the ever-changing digital world. It's our job to understand the nuances of how and why different types of people use technology and what that tells us about them. More importantly, it's our job to help our clients apply this knowledge to better communicate with their customers. We help clients translate business goals into marketing campaigns that build relationships with customers. In the 21st century, understanding how and why someone uses technology is as important as understanding where they live, what gender they are and how old they are. That's where we come in. From ensuring that technographics are considered in the research phase, to tactical plans that align digital, print and broadcast tactics, we work with clients and internal partners to make sure it all works.

It's not about what's cool. It's about what's smart.

Treffpunkt, Digital Integration and Innovation Team Blog: http://rtctreffpunkt.blogspot.com/

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