A strange strategy

As the presidential campaign enters its final weeks, the "spin doctors" are feverishly working to best present their candidates' views. To this end, political consultants employ techniques, such as focus groups and other consumer marketing, that traditionally have been used by mass retailers. We are seeing the same activity in transportation e-commerce.

Within the transportation and logistics industries, many traditional companies seek to develop a product that will translate into commercial success. Several B2B companies, however, do the opposite. They work to establish their identities before they have developed their products.

Companies employing high-priced public relations firms see themselves in print more often than their competitors. The absurdity of this situation was recently demonstrated in one company's press release printed in a transportation industry publication announcing coverage they received in yet another magazine.

The Gartner Group, a leading e-commerce consultant, has come up with an Internet business model it calls "the hype cycle." This tracks an innovation from its emergence as a "technology trigger" when it first gains investor and media attention. As financial expectations rise, additional providers enter that niche. Ultimately, the market becomes saturated and the hype disappears — along with many unsuccessful market entrants. Finally, the innovation may — or may not — reach market viability.

The meltdown in Internet stocks last April reflected this trend. As the market became impatient with companies not delivering financial results, remaining companies sought to gain first-mover advantage and keep competitors at bay. This is an application of Medall's Law that stipulates that the value of a network increases with the number of users. Economists call this erecting barriers to market entry.

These rules certainly apply to transportation exchanges. Many of these exchanges, seeking to build up their perceived market advantage, make claims of wild success. The Internet term for this is "gaining traction" and "sucking the oxygen out of the room" but, as most people know, a lack of oxygen leads to a state of mind similar to dementia.

Industry leaders suspect that many exchanges have completely misrepresented both their levels of product capability and customer use and acceptance. This is not surprising. Transportation is a closed world and outsiders (especially those espousing new ideas) are mistrusted. It is the rare senior transportation executive who has not been burned by information technology providers who promised products that they couldn't deliver on time or on budget.

Meanwhile, many aspiring B2B providers fear that sticking to a higher code of conduct is, in fact, unilateral disarmament in the face of their competitors' tactics. The previous success of misrepresentation in the business-to-consumer marketplace makes it even harder to resist selling mere vaporware. I think this sales dilemma is representative of a cultural chasm. On one side exist the new economy technology providers, whose credo goes something like "promise anything and deliver sometime — if you can." On the other side of this gap resides the transportation industry, operating under a completely different set of values based loosely on a philosophy to "under-promise and over-deliver."

Successful Internet companies have learned not to overpay for customers. Mass media campaigns waged by many B2C startups have been entertaining, but evidently not too successful. (Why spend $100 to capture a customer who will spend only $10 a year?) Still, many Internet transportation companies have spent lavishly on media campaigns but remain unable to explain the service their product performs — or demonstrate a product that really works.

These companies will likely disappear as industry consolidation picks up. Sadly, many of these companies fail to realize that the media campaigns actually increase their likelihood of failure; by drawing unnecessary attention to themselves, they become an easy target for competitors and naysayers who depict them as deceptive and incapable.

Throwing good money after bad in pursuit of customers isn't limited to advertising. New software tools allow companies to easily create a web-enabled world from scratch. However, creating a new system is much easier than retrofitting a legacy system to the Internet. New technology companies are being forced to cope with old economy systems and ways of doing business. Some have figured out how to do this. But many proposed B2B transportation providers have found this retrofitting to be too daunting.

Transportation will ultimately join the new economy. But the process itself is historic and the transition tells us volumes about which practices of our industry merit survival and which may be best left behind.

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