IDEA GROUP PUBLISHING

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Modeling Back Office Operations at Greenfield Online's Digital Consumer Store

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EXECUTIVE SUMMARY

Greenfield Online, the first online market research company, is an example of an e-business that has continued to be successful despite recent retrenchments in the Internet sector. Their core business involves developing and implementing customized market research studies. At the time of this case, they also sold "off-the-shelf" reports related to online shopping trends for specific groups of products. This case describes operations at Greenfield Online's "Digital Consumer Store" using three modeling techniques—process mapping, data flow diagramming, and entity-relationship diagramming. The simultaneous use of these techniques illustrates how they relate to each other, and demonstrates their applicability within an e-business environment. After the descriptive models set the stage, the economics of manually-performed back office processes are evaluated through a present value analysis of labor costs. The organization is left with open questions regarding how to improve the Digital Consumer Store's back office operations.

BACKGROUND

While the benefits of gathering market data over the Internet may seem obvious today, the practice was quite novel in 1993. The idea came to Greenfield Online founder Hugh Davis

when he was a sophomore studying economics at Fairfield University in Fairfield, Connecticut. As a student paying his way through college, Hugh responded to a campus ad offering students $10/hour to call people to recruit them for marketing studies being conducted by the Greenfield Consulting Group. For one study requiring input from college students, Hugh sent an e-mail message to about 15 of his friends, asking them to respond and then forward the survey to others. The next morning he had over 100 responses. When Hugh reported this to Andy Greenfield, Andy wanted to know how Hugh had accomplished the data collection so quickly. Once Hugh explained what e-mail was and how much it cost (i.e., nothing), its potential was clear to Mr. Greenfield.

Andy Greenfield then began providing financial support for Hugh Davis to develop the concept of online market research data collection. Hugh started working full-time while continuing his college studies. When he graduated in 1995, Hugh and teammates Steve Cook and Paul Jacobson were well beyond proof-of-concept. Greenfield's online market research had proven to be very profitable, and by 1996 the company had grown to 14 people.

To continue to fuel this tremendous growth, Andy Greenfield invested several million dollars of his own money, and outside funding was also attracted. Rudy Nadilo was brought in as CEO, and the company grew to 48 people by mid-1999. At that point, with $20 million in venture capital funding, the seven-person management team bought the company from Hugh Davis, Andy Greenfield and Rudy Nadilo. Michael Dell of Dell Computers, Compaq Computer and other sources then invested additional capital. In the early part of the year 2000, Greenfield Online filed to go public, but withdrew the proposed IPO later that year when it was clear that stock-market conditions were unfavorable.

Through the early part of 2001, Greenfield Online continued to experience rapid growth. Staff members had developed and conducted studies for more than 500 clients, including many Fortune 100 firms. A key to their business model was the acquisition and development of people to participate in their studies. This participation took the form of an "online community" where members called "panelists" were invited by email and paid an incentive to participate in targeted marketing studies. As of February 2001, over 2.2 million people had volunteered to join Greenfield's online panel.

Panelists enjoy a variety of perks for being members and participating in surveys. Members provide detailed demographic and lifestyle profiles, filling in a total of more than 70 fields of information. Greenfield zealously guards their privacy, providing only aggregated information to clients. A key component to Greenfield's success is the efficient way they manage the online community. Greenfield tailors each individual email invitation, and they track and record the email messages that each member receives.

With its large, diverse set of panelists responding from home, Greenfield has capabilities that cannot be matched by firms using traditional, off-line methods. For example, a survey for a cold remedy product can be conducted using a large sample of people who are currently home sick with a cold. Online focus groups can also be conducted, with at-home privacy enabling franker and richer responses. Products, websites and video clips can be shown to participants online, and data is available to clients immediately at the end of a focus group session. On-line data gathering dramatically reduces the time and cost of conducting a market research study. Using Greenfield's "QuickTake" system, customers could develop and implement a survey themselves in a day for as little as $1000. Most customers elect for full service, however. The typical study conducted by Greenfield Online, including questionnaire development and results analysis services, cost a client approximately $35,000 in early 2001.