

January 2008

Lessons from 2007: Change is Underway

The first signs of fundamental change are rarely obvious to industry practitioners so caught up in their day-to-day activities. Headlines may blurt out warnings that change is underway, but there is little time to delve into an in-depth analysis that would differentiate structural change from trends and turn insight into foresight.

The quietude of the recent holidays gave me time to reflect on changes occurring in the field of marketing and what these changes mean to marketing professionals and the role of marketing in leading sustainable business success. Here are some of the lessons from 2007 that I feel to be most relevant:

Message Clutter

This has become the bane of the marketing industry. There are simply too many messages bombarding people and messages are everywhere – from sponsor logos on clothing to the floors of the aisles in supermarkets. An Advertising Age story in April last year says the average consumer receives up to 5,000 commercial messages each day. No one knows for sure what the true number is, but it is certainly a high figure and undoubtedly getting higher.

Unless you are out enjoying Mother Nature, chances are you cannot look around any environment and not see a handful of product logos or marketing messages.

This problem will be exacerbated in 2008 by additional marketing and media messages surrounding the UEFA Cup Championships in Europe, the Beijing Olympics in August and the U.S. election campaign that culminates in early November.

Research from Yankelovich a few years ago reported that consumers are actively looking for ways to control marketing message. Frankly, I think one of these ways is simply to tune out messages that are not relevant to them. This is why a 2005 study by Forrester Research shows that 65% of surveyed consumers agree that they “currently use or would be interested in using a device or service that would allow me to skip television ads.” In the same study, only 14% of those surveyed felt that “companies generally tell the truth in ads.”

I disagree with those who state people are far less interested in advertising than they used to be. *People are interested in relevant advertising* and the true challenge is how to deliver relevant messages to those who are interested and receptive. A study from the Keller Fay Group reports that the average American mentions *specific brands* in ordinary discussions 56 times per week.

Powerful communications will, of course, rise above this clutter. And consistent brand communications will overcome the noise level created by all the other messages being broadcast and sent into the market.

Remember: *an advertising campaign should be timely. A branding campaign should be timeless.*

The Power of Communications

The old quote *the pen is mightier than the sword* is truer today than ever before, though the analogy could use some digital updating.

SONY is one firm last year that was a bit slow in learning how quickly information travels online. The company agreed to pay US\$1.5 million to settle spyware charges in California and Texas resulting from surreptitiously loading anti-piracy software onto its music CDs that also sent information back to SONY. News of this software spread like wildfire across the net, as did simple to follow instructions by consumers on how to disable the software.

SONY also got burned when the video of the exploding Dell Computer quickly circulated across the Internet and SONY had to recall thousands of computer batteries.

And speaking of Dell, many will recall the damage blogger Jeff Jarvis did to this computer manufacturer when he wrote about his “Dell Hell” experiences, which soon were virally transmitted widely around the world through other bloggers.

Unfortunately, SONY showed itself to be a slow learner. The company was also blasted for its flog (fake blog) called “All I Want for Christmas is a PSP.” Wal-Mart and McDonald’s also got burned by fake blogs. What these companies also learned is that journalists have already tapped into major social networking sites as a source for news stories, resulting in viral communications spreading rapidly in traditional print media.

“Dirty Tricks” marketing will always eventually backfire, whether it’s a car dealer advertising a super low-price model that’s not available, just to get you into their showroom, or a fake viral marketing campaign. Such tactics treat customers with disrespect and that is what is earned in return. As one person on YouTube commented, “sorry SONY, we’re not that stupid.”

How to Communicate is Changing

Mass communications still works, but to a lesser extent than before. This is mostly because population masses are larger and hence the cost of reaching a mass audience effectively is prohibitively expensive. And it is also due to the waning influence of mass media to drive change, combined with an increase in media fragmentation driven by technology and new media options.

More important than where to communicate however is how to communicate.

The following no longer works or works less efficiently than other methods:

- monologue advertising
- believing in passive consumers
- mass marketing
- products and services that are rigid and non-flexible
- a single positioning for all audiences
- a focus on media buying that maximizes only reach and frequency
- communications that interrupt

More effective communications strategies will apply:

- dialogue advertising that engages the recipient
- understanding of active and involved consumers
- direct marketing with relevant messages
- products and services that are flexible, customizable, changeable
- specific positioning platforms for specific audiences
- media buys that enhance depth and duration of communications
- communications that engage and promote interaction

Increasing Importance of CSR

If you do not know what CSR stands for, you are in a huge hole. Corporate Social Responsibility is a topic dominating board rooms around the globe.

Survey after survey shows clearly that customers care about the impact that their product and service providers are making on society, the planet and humanity.

When it comes to marketing and communicating your organization's CSR efforts and activities, one word dominates: **authenticity**.

Being authentic and genuine in your CSR activities is paramount. Michael Kiely, a well-known marketer and marketing writing in Australia probably said it best when he wrote:

“Authenticity is the mother lode of good fortune for a brand. Consumers stick like crazy to authentic brands because they resonate deep inside where the inner child sits waiting for the warm feeling of security it gets when it believes it can trust in someone.”

Customers demand authenticity. And as shown above in the examples of SONY, Wal-Mart and McDonald's, customers act vociferously when authenticity is missing. There's already a word coined for fake or pretended green marketing activities: greenwashing. This is one of the last things you want your organization to be accused of.

Perceptions of corporate social responsibility, environment care, ethical employees and business practices, and being seen to care about the society in which you conduct business are all becoming the most influential aspects of corporate brand values.

Authentic corporate social responsibility is a strategic way for a company to enhance its brand image. Customers remember and value corporate brands that stand for something.

Apologies from the Top

While this was mostly an American trend in the past year, we have seen it in other markets as well. The public admission of making a mistake and apologizing for it by the company CEO has become a favorite tool of the PR fraternity.

The list of CEO's making public apologies throughout the year was long and featured Home Depot's Frank Blake, JetBlue's David Neeleman and the CEOs at Uym Brands and ConAgra. The JetBlue CEO not only apologized profusely when employee actions and decisions during a snowstorm trapped passengers in planes for up to 10 hours, he responded with a "Passenger Bill of Rights" and pledged refunds and travel vouchers to affected passengers.

According to brand consultant and author Jack Trout, these high-level apologies "are a trend acknowledging the transparency of the Internet and American's weariness of the Bush Administration's refusal to admit mistakes or to admit them evasively.

"The ultimate person who has to give the apology is the CEO," states Trout. "I think Americans are looking at public apologies in a different kind of way, especially after the Administration's non-apologies, which sets the tone. Americans are looking for people to step up and say 'I screwed up.' And if you don't step up, people will write about it because silence grants the point."

The key lesson: be prepared to be honest, transparent and sincerely apologetic if your organization screws up big time. Unlike the newspaper archives of old that were difficult to research (picture microfiche machines!), information on the Internet is stored forever in easy accessible files and web pages (thanks Google!).

Critical Return of Corporate Image Management

The two immediately prior lessons, combined with more informed and judicious customers, have created the need for senior organizational leaders to return to a focus on managing the corporate brand image.

The underlining principle of my marketing philosophy is "*if it touches the customer, it's a marketing issue.*"TM

Nothing touches the customer more than how he or she perceives your corporate image. This fundamental perception is the major factor that determines whether the customer will decide to conduct business with you and, more importantly, enter into a long-term and mutually rewarding relationship with your organization.

There may be no greater marketing issue than corporate image management in today's increasingly competitive markets.

We live in a world of change. As a matter of fact, the rate of change today is faster, and affects a larger portion of the earth's population, than at any other time in history.

Yet, despite all this change, there is still one constant. And this is that marketing excellence and a strong corporate image are firmly linked. You cannot have one without the other. At least not for very long.

Because, at the end of the day, your competitors can mimic and better your product offer. They can create stronger distribution systems than yours. They can outspend you in advertising and promotions. And, of course, they can always beat you up on price.

But the one thing a competitor cannot mimic or copy is a well-defined corporate personality.

Products and services are becoming increasingly commoditized and readily available through non-traditional distribution channels. The three key ways to distinguish and differentiate your products and services are through your **corporate brand, the service culture of your organization, and through the relationships you build with your customers.** All three of these are critical aspects of your corporate image and need to be strategically managed and led by the upper echelons of senior management.

The corporate image is an organization's most valuable commodity and deserves to be treated as such. The perception of an organization's corporate image by its many constituents is the key to winning the marketing battle.

Empowered Customers & Customer Engagement

Leading-edge marketers understand the importance and significance of implementing customer-centric marketing programs.

Doing so signals that the organization realizes the increasing power of customers and the magnitude of each of the numerous touch points where customers come into contact and communication with the organization.

Customer engagement is more than cutting through the message clutter to get noticed or attract attention to your marketing message. Customer engagement means getting your customers active and involved in your message and in your brand.

It's the difference between "click throughs" and "view throughs" on the Internet. Clicking on a banner ad or a web link is one thing, stopping to actually view an enticing video clip or participate in an interactive element on the site is totally different and engaging.

Customer engagement marketing builds and deepens customer relationships that increase a commitment to the brand or the organization. Such engagement

marketing must motivate customers to participate with the organization or brand in ways that drive increased purchases and loyalty.

Marketers need to understand the essences of the customer experiences with their products and brands. Engaging means connecting with customers on a spiritual, physical, emotional and/or mental level; a connection that can only be made when the touch points with your organization are understood from the customer's perspective.

Customer engagement is at the root of social and network marketing. And in most cases, it is the customers who are in control of these activities, not the marketers. Marketers are currently on the outside looking in and wondering how to tap into the social communities that have sprung up around their products or services.

Customer engagement is not fad, though aspects of how it is currently being implemented are undoubtedly short-term concepts with a life expectancy of a firefly. It's a bold, new world and such experimentation should be encouraged. You never know – you and your customers just might like getting engaged!

The Women's Market

Marketers have long underestimated the financial clout of the women's market. This has started to change, as research has shown that:

- consumer spending accounts for up to two-thirds of the economy, and women make 85% of all consumer buying decisions
- the majority of corporate purchasing agents and managers are women
- women entrepreneurs account for 70% of all new business start-ups
- 30% of women in the USA out earn their husbands
- single women head 27% of all households in the USA
- 57% of college degrees in the USA go to women
- 50% of law school graduates and 40% of MBA graduates in the USA are women
- in East Asia, for every 100 male workers there are 87 females in the labor force – the highest ratio in the world
- women now account for over 40% of all travelers in Asia, making over 64 million trips per annum
- in Australia women comprise 56% of the short-term overseas holiday destination travelers

The women's market is not a niche market. It is not a specialty market nor is it an add-on market. Quite simply, for many marketers the *women's market is their biggest market potential*.

To be successful in marketing to women, marketers must understand the differences between how men and women evaluate and purchase products and services. These differences are real and are important for how your brand promise is communicated to each.

The women's market offers vast potential to marketers who understand gender differences are important.

Baby Boomer Inheritances

The Baby Boomer Generation (those born between 1946 and 1964) are starting to inherit the largest transfer of wealth in history.

On average, Baby Boomer women tend to be widowed at age 67 and outlive their husbands by 15 to 18 years. Boomer women are likely to be active and vociferous spenders of their inherited wealth, particularly on travel with friends and on entertainment with family and friends. This makes Boomer Women a very important subsegment of the women's market.

Some of this inherited wealth will no doubt be put to use paying down the tremendous debt load that baby boomers seem comfortable in carrying. Most, however, is going to be spent and invested (boomers are by far the largest group of investors around).

For marketers, the key question should be *how do we tap into the aging baby boomer market?* Just think, baby boomers are going to want:

- to want to spoil their grandchildren
- products that improve their health and longevity
- products that help them maintain an active lifestyle
- products that make them more comfortable
- products and services that are convenient (and can be purchased online)
- products packaged for “empty nesters” and “boomer singles”

The baby boomer market is not for everyone. But for many organizations, understanding the wants, needs and desires of this market – and tailoring or customizing your products and services to meet these wants, needs and desires – will be one of the smartest segmentation strategies undertaken.

Returning to Marketing Basics

Procter & Gamble CMO Jim Stengel told an audience at the American Association of Advertising Agencies conference in 2004 that “today's marketing model is broken. We're applying antiquated thinking and work systems to a new world of possibilities.”

If he was referring to his own company's penchant for price cutting, poor brand line extensions and gimmicky consumer promotions that detract from brand values, I would agree wholeheartedly. And I would apply his quote to those who continue to try and buy customer loyalty through reward discount schemes and loyalty points programs.

However, *the true marketing model* is not broken. It has merely been misused in recent years by inexperienced neophytes who think naming a product is equal to branding and by senior managers more focused on quarterly profit statements than brand positioning statements that open up vast marketing opportunities unseen and untapped by competitors.

The "blue ocean" strategy currently popular with business leaders is basically a new way of understanding and applying the concepts that Jack Trout and Al Reis expounded in their breakthrough book *Positioning: The Battle for Your Mind* in 1981.

The marketing model of product, price, promotion, place, and positioning strategies combined with a focus on customer wants, needs, desires, likes, dislikes and an understanding of customer perceptions of the product and corporate brands that results in **a compelling value proposition to customers** is not broken. It never has been.

Unfortunately, this model has been discarded by those who confuse marketing with advertising and PR and by those who believe marketing can be done by anyone with a background in customer service, sales, PR or marketing communications. *Anyone can cook, but few are true chefs. Likewise, anyone can execute basic marketing communications activities, but it takes a deep knowledge of marketing fundamentals to be a true marketing professional.*

There is a list on our web site (at <http://www.howard-marketing.com/resources.php?mid=6&id=51>) of classic marketing books you should read if you have never done so – or re-read if you haven't viewed these in years. All have lessons applicable to today. That's what makes them classics!

The list includes:

Competitive Strategy by Michael Porter

Corporate Image Strategy: A Marketing Discipline for the 21st Century by Steven Howard

Defining the Business by Derek Abell

Driving Brand Value by Tom Duncan and Sandra Moriarty

Marketing Corporate Image: The Company as Your Number One Product by James R. Gregory

Managing Brand Equity by David Aaker

The Marketing Imagination by Theodore Levitt

UP Your Service! by Ron Kaufman

Most marketing today that is not effective is a result of the core basics of marketing being overlooked.

Too many corporate leaders associate “marketing” with simply being marketing communications, attempts at brand recognition, or shallow efforts at customer loyalty programs based on a points or rewards scheme.

It is time to ensure the core fundamentals of good marketing are encapsulated in your marketing programs. Your limited marketing budgets will suddenly become much more effective.

Customer Retention Strategies Required

Customer loyalty has a direct impact on corporate profitability. As one often-cited report in the *Harvard Business Review* showed, a decrease of just five percentage points in customer attrition can increase bottom-line profitability by 25% to 80% across a wide range of industries.

Early attempts at building customer relationships and customer loyalty have often gone wrong, for the simple reason that the global CRM movement convinced senior executives that customer relationships could be *managed*. No customer that I have ever spoken with wants to have their relationship with a selling organization managed.

The whole concept of taking an economic view of customers that measures the profitability of each individual customer and then attempting to manage (i.e. grow) those relationships that the organization finds to be profitable is, at best, one-sided and valid for short durations only.

In the past, being customer-oriented has meant operating in order to meet the needs of the *typical* customer, or the average customer.

Fewer and fewer businesses today can afford to focus on the average customer. Your future growth, and future profitability, comes from satisfying the needs of your most valuable customers.

To treat your most valuable customers not as average customers, but as *your most valued customers*, requires that they be treated as individuals — with individual needs, wants, desires, likes, and dislikes.

This is the true essence behind the concept I call *the art of keeping good customers*TM.

Entering 2008

These are all structural changes with direct impact on how marketing needs to be done.

There is no need for the large majority of organizations to jump on the bandwagon of flash-in-the-pan programs like Customer Generated Content – just to impress your bosses that you are “employing leading-edge marketing thinking.”

The best leading-edge marketing thinking comes from understanding what the above lessons mean to your organization and how to have your basic, fundamental marketing practices in place and your customer focused marketing strategies designed and implemented. Only then will your marketing department live up to the expectations and desires of your senior management.

Doing so will require thought, analysis, and agility.

It will also require listening – more than telling – and engaging your customers in two-way dialogues about their wants, needs, desires, likes and dislikes. Please note this is not about your products and services – current, planned or otherwise. This is not a focus group discussion revolving around how to create products or services that you can sell to them. No, this is an on-going dialogue meant to help you understand your customers better.

Marketers have gotten lazy during the recent economic boom times, especially in Asia where the size and economic prowess of the middle class market is escalating. However, 2008 is commencing beneath the clouds of gyrating stock markets, the fall-out from the subprime lending marketing, and recessionary forecasts across major markets (especially the USA which still accounts for 20% to 25% of global GDP).

The key lesson therefore, from the past year, is that those marketers who have not been lazy, **and who are best prepared to adopt their marketing strategies in line with the above lessons**, are the ones who are preeminently positioned to continue growing sustainable businesses and increasing customer loyalty even if any economic softness or downturn is experienced this year.

* * * * *

©2008 Steven Howard

The Author

Steven Howard is a Melbourne-based marketing consultant, author, and conference speaker. Visit his web site, www.howard-marketing.com for valuable information and links on marketing, customer retention, branding, and corporate image management or to sign up for his free weekly newsletter The Monday Morning Marketing Memo and his marketing blog.

He is a positioning specialist, whose 28-year marketing and sales career in Asia and Australia has covered a wide variety of fields, ranging from consumer electronics to publishing and from a national airline to personal financial products.

He is President of Howard Marketing Services, which provides consultancy and project management services in the areas of Marketing Management, Product Development, Positioning Strategies, Customer Retention Strategies, New Product Launches, Event Management and Brand Management.

He consults on a regular basis to companies in the financial services, industrial products, consumer products, restaurants, petroleum, publishing and hospitality fields.

Contact details:

Phone: (61-3) 5428-1388

Fax: (61-3) 5428-1399

E-mail: steven@howard-marketing.com

Website: <http://www.howard-marketing.com>

Blog: <http://www.howard-marketing.com/marketingblog>

Free Newsletter: Receive Steven Howard's free weekly marketing newsletter, the **Monday Morning Marking Memo**, by subscribing at www.howard-marketing.com.