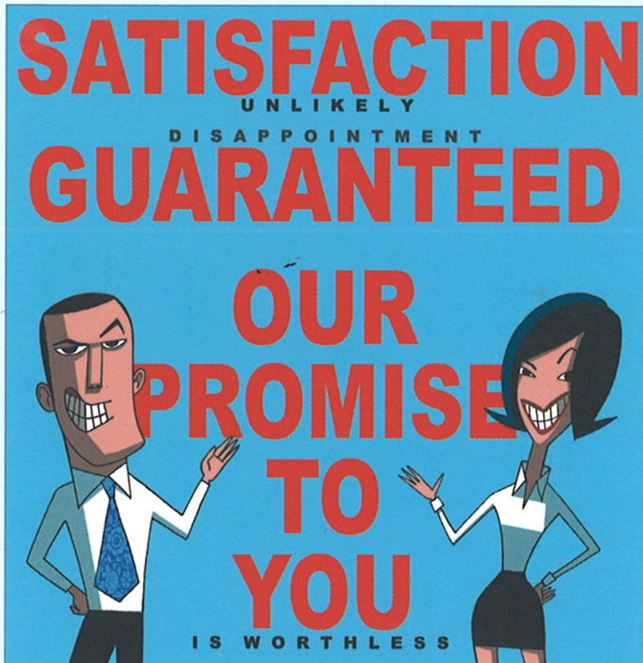
ISSUE NUMBER 30 AUTUMN 2005

Market Leader

NEW THINKING, DIFFERENT PERSPECTIVES



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Market Leader
THE JOURNAL OF THE MARKETING SOCIETY
Published by World Advertising Research Center Ltd
Farm Road, Henley-on-Thames, Oxon RG9 1EJ, UK
Tel: +44 (0)1491 411000 Web: www.warc.com
Issue 30, Autumn 2005

After 50 Years of the Bubonic Plague, Things Can Only Get Better

As every advertising person under the age of 65 knows, television is advertising and advertising is television. And since there's nobody in advertising over 43, that means everybody. So when people discover that I worked in advertising before the arrival of commercial television, the response is incredulity. If television is advertising, how can there have been advertising before there was television? Let's move on to something more interesting.

The 50th anniversary of the first commercially funded television broadcast (Thursday, 22 September 1955) has been recently and relentlessly covered: even by those rival media who long ago campaigned so energetically against it.

We've been reminded of the hostility to the 1954 Television Bill that was expressed in both Houses of Parliament. Here are a few choice comments.

Lord Reith, founding Director General of the BBC:

> 'Somebody introduced smallpox, bubonic plague and the Black Death. Somebody is now minded to introduce sponsored broadcasting into this country.'

Lord Hailsham:

> 'A Caliban emerging from his slimy cavern.'

Lord Esher:

> 'A planned and premeditated orgy of vulgarity.'

And the Labour party committed itself to repealing the act should it win the next general election, due no later than 1956.

Those who continue to believe that nothing worthy of the phrase 'creative advertising' preceded the birth of commercial television must have been bewildered to learn that the British advertising community of 1954-55 was far from thrilled by its imminent arrival. One distinguished agency head openly opposed it, and on interesting grounds. He believed that this shameless new medium, shouldering its way uninvited into people's living rooms, would force them to recognise the ugliness of advertising in general – and thus jeopardise the entire industry, including the existing established media, and put thousands out of work. Most agencies thought commercial television likely to be no more than an experiment destined to failure. Even as they recruited a few token specialists to cope with its introduction, they were making discreet plans for future withdrawal.

Nor did it seem, for the first few years, that the doom-mongers were wrong. The early investors (the 'contractors') lost millions – and Associated Newspapers, having bled copiously, cut its holding from 40% to 10% just before the pioneer companies finally crept into profit.

All this and much more we've recently been reminded of; and can look back upon now with lofty amusement. But at least as interesting, and much less familiar, is how the advertising business saw television advertising 20 years ago, 30 years after its introduction; and luckily there's an excellent source. In 1986, Century Benham Ltd, under the auspices of The History of Advertising Trust, published *British Television Advertising: the first 30 years*. Much of the above is stolen from its pages.

It was edited by Brian Henry and contains a year-by-year account, 1955-85, of the development of the medium: political, geographical and financial. It also contains chapters by, among others, David Bernstein and James Garrett, which concentrate more on the development of the television commercial itself. They make fascinating reading.

The identification of advertising with television was (and to some extent, still is) a big fmcg, big agency, London-centric misconception. As early as 1967, three advertisers (Unilever, Procter & Gamble and Beecham's) between them accounted for over a quarter of ITV's total revenue. The surging supermarkets, whose spread and power matched that of ITV, began to demand a commitment to a significant television presence before allocating shelf space to any new product: surely the first instance of an advertising medium demonstrating its value well before any actual advertisements had been bought, written or run.

Outside London, and away from the big national advertisers, sanity and some sense of proportion were maintained; but the overwhelming fame of television – and television commercials – infected everybody. And the people most infected were agency creative people.

Over the last few years, it's true, even the largest agencies have belatedly recognised that other effective media exist and need to be mastered. But as recently as last year, I heard one creative director, having obediently claimed to be in thrall to ambient, buzz, online and viral, devote 90% of his presentation time to what he chose to call 'the best fucking reel in London'. He showed no print, no radio and no outdoor.

For about 40 years now, young creative people have been joining the bigger agencies with the single-minded aim of making cool telly ads; and whatever their contribution to commercials may have been, they've done little or nothing for all the other media.

In his chapter on the television commercial, written presumably in 1985, David Bernstein recounts agencies' early struggles to understand the new medium. I remember them well myself. The average art director was even more baffled than the average copywriter. Agency producers existed, though if they knew anything at all (and few did) it was to do with the mechanics of production. No producer knew anything about advertising.

Although (as we kept telling ourselves) television was a visual medium, it was also a narrative medium; and so it was that the writer prevailed over the art director and the words prevailed over the pictures. Most early commercials were explicit, repetitive, assertive and wordy. But by 1985, Bernstein noted, things had changed dramatically. 'Whereas the press copywriter had communicated by what he physically wrote, the new breed of writer realised that the commercial communicated far more than what was written. Pictures lead. Words become comments. Information moved from the right hand side of the script (audio) to the left (video). The "how" was saying as much as the "what".'

As the concept of the brand became more widely understood, and as the range and quality of production values soared (colour, lighting, casting, music, editing, post-production wizardry), so it became apparent that the television commercial was not merely a means of communicating benefits and values but could also, of itself, become a significant contributor to that brand's personality.

All true; and by and large, good. But even in 1985, David Bernstein was voicing early concern:

'Advertising was not simply a means of highlighting the difference between brands. It became itself the difference. Where will this lead? If products are distinguished only by the advertising, then technique will overcome ideas. Production gloss and technical accomplishment can easily fool us into thinking we have an advertising idea.'

Nor, according to Bernstein, was this dangerous delusion confined to the television medium. 'Television has changed advertising. The press advertisement is less verbal. It killed a whole school of copywriting. When television became the lead medium – and the most fashionable – the art of copywriting fell into decline. The power of television is undeniable, but it can blind agency people to alternative solutions to a client problem.'

In his chapter on commercial production, also written in 1985, James Garrett raised similar concerns. 'At this time, we are struggling in the slipstream of technology's remorseless advance. We are using the new toys expensively and a little aimlessly. Creative work is being injected with electronic devices, often as a sleight-of-hand alternative to advertising purpose.'

In the course of the 20 years that have followed, the foreboding of Bernstein and Garrett seems to have been broadly justified. There are some wonderful exceptions: simple, compelling advertising ideas; great storytelling; elegant and economical direction; engaging, rewarding persuasion: exactly the kind of commercials that we'll all need to survive in the hostile new world of PVRs and all those other devilish devices.

But a depressing proportion of television commercials today seem to have abandoned the search for an advertising idea, for inspired brand positioning. Twenty years ago, agencies were found guilty of abdicating their first responsibility – the invention of relevant advertising ideas – and, instead, subcontracting production companies to provide them with some superficial, brand-irrelevant stylishness. Today, the delegation has gone yet another link down the supply chain: first from agency to production house – and now from production house to post-production facility. Commercial after commercial, in the absence of an advertising idea and in the search for some kind of spurious distinction, uses its client's money to buy what James Garrett called 'sleight-of-hand alternatives to advertising purpose'. To expose such commercials for what they are is easily done. Simply ignore the visual wizardry and the computerised creations of the otherwise impossible and just listen. The words, if there are any, will be banal beyond belief; and vast sums of money will have been devoted to disguising this truth.

From its uncertain start in 1955, the television commercial took on all existing advertising media (yes, Timmy, there were some) and proved its worth. It then enjoyed some years of dangerously unchallenged primacy: chosen thoughtlessly and often made and used indulgently. Over the next ten years, for all those reasons that need no rehearsal, the television commercial will need to prove itself all over again.

For those who love the medium, this is excellent news. Forced to return to certain timeless disciplines, its new strength will spring not from its associate membership of the celebrity culture but from a trim and muscular ability to do its job beautifully. Advertising people will welcome it back.

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Issue 30, Autumn 2005

Marketers Need to Get Out and Get Under Their Business Models

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London Business School

After a false start when dotcom success was measured by the cash burn rate, reality has resumed and genuine web marketing success stories are starting to roll in.

Google, for example, is brilliant. It will advise you on the most productive keywords for your business, and tell you how many clicks to expect and the conversion rates. Three days later your ad can be up and running. Three hours from then, Google can say how successful it is.

On a smaller scale, Commedia, a small German firm with around 100 employees, persuaded about 5,000 surfers to download music and then used viral marketing to generate 100,000 licences for that music. A 20x amplification is music in the cash box.

ACTION

My theme is not a sudden conversion to e-marketing but a salute to those who are doing old things in new ways. The accent here is on the word 'doing'.

Many large companies have become obsessed with talking about what they might do or what they have done, rather than actually doing anything. Approvals and accountability rule the day, and much of the evenings. Plans, meetings, reports and measurement stretch from dawn to dusk, week to week, month to month: 'I'm sorry Trevor Jones cannot take your call. He's in meetings all day, all week and he's on holiday next week.'

These companies continue to market themselves somehow but their marketers certainly are not doing it.

DYNAMIC MARKETING CAPABILITIES: TIME AND SKILLS

Plans, meetings, reports and measurement take only as much time as real marketers wish to give them.

At London Business School, Nirmalya Kumar and I are developing research into 'Dynamic Marketing Capabilities'. Marketing uses three types of resource: cash, marketer time and marketer skills. The first, cash, has been getting too much attention, and time and skills too little. Small firms become great not because they have plenty of money, but because they have skills and deploy them well in the time available.

Large companies decline because they have plenty of money, about which they fixate, but give too little space for their marketers to roam. Like Scrooge, they sit in counting houses while the world passes them by. On average, British boards give only 10% of their time wondering where their

money comes from or how to get more of it.

Obvious as it may seem, marketers should get out and market, and not stay indoors playing budgets-and-bureaucrats. Marketing happens in markets. Delegation to a range of agencies is no substitute if it produces more meetings and more confusion. A firm using agencies to deliver the complete marketing mix can dispense with its marketing department.

Yes, some elements of the mix should be delegated. Advertising, PR and promotions need special skills, but for many minor items marketers should just do it. Maybe an agency could have done it better but the administrative on-cost would have delivered a net negative.

Our formal research into Dynamic Marketing Capabilities is just beginning. Our thesis is that better-organised, more skilful marketer teams make more money from the same budget, more bang from the same bucks,than most large-company marketing departments.

'JUST DO IT'

At a marketing seminar in Munich in July, I was struck by the stream of successes coming from intuition-fuelled initiatives: no budget, no approval, they just did it. A similar event in Dublin earlier in the year repeatedly told the same story. These initiatives were, at first, small scale. The money had been stolen from other budgets and they would not have harmed their companies much if they had failed.

How feasible is this 'just do it' approach? A large company would disintegrate if everyone started enacting their own ideas without approval or controls. At the same time, it will coagulate if enough people do not get out and do things. And they need to be skilful people.

One of the problems with bureaucratic approval systems is that really creative ideas are the first for the guillotine. Put them down in black type on white paper, and they will indeed be put down. We need a 'Keep Paper White' campaign. PowerPoint is little better. Great creative ideas are obvious only after the event.

Top management should decide who has the skills, what freedom they need to deploy them and how high the stake has to be before approval is needed. Growing Dynamic Marketing Capabilities develops skills and market time, empathising with customers and studying competitors.

UNDERSTANDING THE BUSINESS MODEL

Getting out is the big step but it is not enough. Marketers have to get under their firm's business model, and see what is working and what needs fixing. Any fool can measure the marketing mix, i.e. the budget, and the cash that turns up in the bank account by the end of the year. Any fool can measure ROI, and many do (see 'ROI is dead; now bury it', *Admap*, September 2004). The difficult part is understanding what connects mix to cash flow. That is what a business model is for. What links marketing actions to changing customer behaviour? These are the moving parts that need to be measured to quantify brand equity.

Some of this can indeed be done in the office. Databases can be mined and old research reports interrogated to discover what metrics predicted what change in profits. The rest of the understanding has to be gained in the market itself. Office-bound marketers should set themselves a target of one field day for every office day as a start. If agencies want to meet, they can buy breakfast before the field trip starts or join the tour.

Unrealistic? Maybe. But not as unrealistic as spending time on the same old plans, meetings, reports and measurement, and expecting results to be different. That's Einstein's definition of insanity.

Money does not matter all that much in marketing; what you do with it does.

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Whitbread Turns Occasional Experiences into Lasting Impressions

Paula Vennells
Whitbread
Jonathan Turner
Oxford Strategic Marketing

Service-sector branding is a delicate art, akin to theatrical scriptwriting. Overscript, and you risk dehumanisation and audience alienation. Underscript and you risk anarchy and irrelevance.

At Whitbread, the 'Winning Brands' programme successfully addressed this scripting challenge over a sustained three-year period, and continues today. By adopting a 'tight-loose' marketing approach, we are building an organisation that is capable not just of consistent brand differentiation, but also of delivering highly personalised experiences – keeping brands as diverse as Premier Travel Inn, TGI Friday's, Beefeater, Costa Coffee and Marriott (no longer part of Whitbread) vibrant, prominent and up to date.

THE WHITBREAD CHALLENGE

On one hand, all service companies need to ensure consistency of brand experience across multiple channels. But tighten your control of brand experience too far, and you may switch off critical customer segments and reduce your licence to innovate. The danger of market misalignment and the consequent reputation risk increases.

On the other hand, service companies also need to make every experience as unique and personal as possible, allowing front-line staff to flex and innovate at will. They also need to be able to capture the customer insights and process improvement suggestions that can only ever come from the front-line. Lock down delivery too tightly and imagination and dialogue vanish.

Achieving this tight-loose marketing balance requires a structured approach, that not only addresses all the customer touchpoints, but also engages all the organisational functions. It's about back-office, just as much as front-office. It requires not just a series of programmes, but also building a set of capabilities.

Back in 2002, Whitbread had a growth challenge – to build and sustain growth by developing preferred brands in each sector it operated in.

The company was operationally strong, but brand-based decision-making was largely absent. Nonetheless, the CEO set a challenge to have the number one brand in each of our customer segments. To achieve this, Whitbread needed to become a true customer-learning organisation (1).

'Winning Brands' was a three-year programme intended to catalyse an entire company towards branding excellence, led from the top down. The approach was led by marketing, but harnessed the capabilities of all departments: customer services, HR, finance, legal, systems, operations and

estates.

The programme, developed and delivered with Oxford Strategic Marketing, won the 2004 Marketing Society award for Best Marketing Capability Programme.

AIMS

We aimed to make 'consistent branded experiences' a guiding decision criterion for investment in training, infrastructure and marketing promotion.

We wanted to create an organisation that keeps up with changing customer trends and moods, and that is capable of self-improvement. We needed the skills, knowledge and tools to fulfil customers' desires, and keep fulfilling them, as they evolve.

The challenges we set all our brands were:

- to be clearly differentiated
- to elicit strong consumer preference
- to be built on consumer insight
- to be managed by talented, imaginative and rigorous leaders.

With 40,000 team members and 1,600 outlets our approach to growth had to be both pervasive and persuasive. Whitbread had to become a true brand delivery organisation.

We had to generate fresh insights and design each brand experience consistently around that insight, then inspire and motivate staff to deliver that experience, day after day. This would bring the brand to life at every touchpoint.

A marketing training programme was not an option. A consulting intervention was not an option. We needed a change programme that fused the best of both approaches: consulting – to ensure that input from around the organisation was framed and guided towards key business objectives; and capability – to ensure that the new direction gets actioned and stays embedded in the culture. To build a tight-loose marketing organisation, our own approach needed to embrace this paradox.

WHAT WE DID

Working together, Whitbread and OxfordSM fused the two requirements. We created a series of closely directed masterclasses that would coach and guide cross-functional teams to create a new customer-led brand strategy. A strategy that each team would own, but created according to a common formula.

In each case, participants were equipped with tools to enable them to refresh and repeat the approach themselves, and they also populated templates that enabled the work to be shared across the organisation, right to the front line. Finally, between masterclasses, they generated new insights and ideas to kick-start future sessions.

The masterclass outputs moved from high-level brand principles to detailed operational metrics and experience guidelines, ensuring front-line relevance and giving everyone access to the same brand principles and implementation guidelines and metrics. The first masterclass guided brand teams to agree the core customer occasion that each brand is serving, and liberated the customer insight that

defines the brand positioning. The brand proposition or 'brand house' we created at this stage provided the 'tight' component of our service strategy.

The second masterclass templated the way that the occasional experience should be brought to life at the 20 to 30 key touchpoints.

At the touchpoints, we translate the brand house, creating strategic and executional benchmarks, which are written from the perspective of the customer. We focus on what the customer should feel, but give individual operators the flexibility to deliver that feeling within the scope of their role.

Finally, a third masterclass was used to redesign key performance indicators around these new 'perfect state, world class' touchpoint experiences. All three outputs were then incorporated into a single three-part 'brand template' that encapsulated the brand aspiration for the executive, and drove the briefing process for all elements of delivery, including service specification and training routines for front-line staff.

The brand template was a critical and enduring 'bible' for the business, capturing the core and subsidiary occasions that the brand is serving, the expression of the brand at all touch-points in response to these occasions, and the metrics that evaluate successful brand delivery at these touch-points, on these occasions.

Thus our tight strategy is deployed within a looser operational environment, by specialists who may include property buyers, interior designers, fitters, communications agencies, back-office and front-line staff. Everyone is clearly aware of what the customer objective is at 20 to 30 key interactions, and is thus empowered to make their contribution and suggestions as how to deliver it consistently and with increased memorability for the customer.

This same inclusive approach was then used to drive forward the 'Winning Brands' programme over a three-year period. In Year One we focused on differentiated positioning, in Year Two, brand development, and finally, in Year Three, integration, creating a programme of continuous improvement and learning.

For example, in Year Two: we conducted 'brand staircase' planning to move from establishing a consistent experience, to providing real stand-out differentiation at the front line. We also extended the process into employer branding, designed to create stand-out employee experiences and improve retention and productivity.

In Year Three we focused the same tools and techniques on corporate branding, agreeing what Whitbread could deliver for stakeholders, our people, suppliers, communities and the city.

WHAT WE ACHIEVED

The improvements delivered by the winning brands programme brought clear financial improvements, significantly outweighing the investment in the first two years.

But the intangible benefits have been just as important. At Premier Travel Inn customer compliments are up 60% and staff turnover is down 16%. The outcomes are clearly interrelated.

And the benefits extend far more widely. In *Marketing*'s 2004 survey, Whitbread was voted the number three marketing employer, just behind P&G.

Whitbread is achieving lasting progress towards embedded marketing excellence, by embedding tight-loose marketing capabilities into every corner of our commercial planning.

Interestingly, Accenture's recent study of high-performance marketing validates the critical value-creating role of marketing capabilities (2).

The company identified five loyalty-building capabilities of high-performance marketing organisation. Chief among these was the ability to develop the branded experience – accounting for 33% of marketing's loyalty-effect, enabled by factors such as consistent promotion, focusing on high-value segments, cross-functional alignment and front-line training. However, the ability to harness talent and technology, and to translate insight into marketing productivity, also accounted for around 27% of loyalty value between them.

The Accenture report demonstrates that the highest performance businesses score conspicuously well on these apparently secondary areas, which are heavily people-dependent. Scoring highly on marketing talent management is the single best predictor of overall high commercial performance.

WHAT WE LEARNED

All organisations face similar tensions.

> *How do I get front-line staff to buy in to 'brand' thinking?*
>
> *How do I give them a genuine 'licence to serve', but still ensure that the way they do it is brand consistent?*
>
> *How do I turn customer insight into lasting change?*

For any service organisation these questions never go away, but the approach we took to fuse consulting and capability development approaches helped us to feel more confident of answering them, both now and in the future. In the process, we agreed five core principles of service branding.

1 Service Brands should Focus on the Core Occasion

Service marketers face an ongoing challenge. As generic service expectations increase, how do they differentiate? Is getting 'better' actually delivering any benefit?

There is actually abundant evidence that meeting generic service expectations cannot, of itself, create customer delight and loyalty (3). It may generate 'satisfaction', but the financial return on satisfaction is very low indeed. However, setting up and then meeting a differentiated brand expectation, can create a virtuous cycle of brand reinforcement in even the most subtle experiences.

There is, for example, a distinctively different expectation, and hence brand experience, in being presented with an airline meal on a Virgin airplane – one expects it to be up to date with leading food trends, one expects it to be presented stylishly, and one expects the service to be sympathetic, individual and with a touch of humour. These expectations are generated by the brand's distinctive personality and values, and they are generally met.

Even attempting service innovation creates risks. Brand owners who seek random service improvements to drive customer satisfaction, which add nothing to the customer's value, move none of them to 'very satisfied' and simply dilute the brand.

Alternatively some push highly 'overscripted' service experiences, which can become alien and out of place for the customer context – the US-style 'have a nice day' service experience.

Both approaches are effectively forms of brand slippage and, over time, will alienate customers.

Both hint at a failure to focus on the customer, and a failure to monitor the core product.

Our aspiration for Whitbread brands was to steadfastly avoid robotic, insincere service, and strive towards authentic, brand-relevant behaviours, individually interpreted.

The start point of our solution was to focus very hard on the core occasion – the dominant motivation that drives customers to seek you out – and to build a brand experience around that core occasion.

The core occasion for TGI Friday's, for example, is 'celebration'. Making that occasion special is at the core of our service. By doing so, we have been able to create a service experience quite unlike any other restaurant, and we continue to innovate, based on making that core occasion the best it can be.

Going forward, understanding the importance of the core occasion means that additional activities (or new support occasions) can be evaluated to see how they build the overall brand proposition by being consistent with but complementary to the core. If they are not, the approach gives the organisation the confidence and focus to 'say no' to damaging brand stretch.

2 The Core Occasion Fuels the Customer Insight for the Brand as a Whole

The insight generated for TGI Friday's is 'I'm looking for that feeling and experience I got at parties I was given as a child.' For example, workshop participants commented:

> *'I used to look forward to my birthday party for days'*
>
> *'Mum threw away the rule book for these few hours. We ate what we liked.'*
>
> *'I just loved being the centre of attention.'*
>
> *'It was just one magical thing after another – the presents, the games, the cake, the song.'*

Once a key customer insight is established for the core occasion, this can be applied and adapted to 'support occasions', such as easy dining. For TGI Friday's, for example, every occasion generates some opportunities for different realisation of 'specialness'.

3 Brand Touchpoints should be Consistent but Flexible

Brand touchpoints should be always consistent with core positioning, but flexible across occasions. They must move with the times.

Once the desired feeling of a brand experience and its 'occasional' context are established, a creative exercise is needed to bring that experience alive.

Sometimes, though, the process of defining occasions can throw up quite startling revelations.

The realisation that 'looking good' is a critical support occasion for David Lloyd leisure centres led us to re-evaluate how our traditional 'training for sport' experience needed to be adjusted to respond to this growing customer motivation.

This realisation in turn enabled us to map and manage a distinctive set of touchpoints for the 'looking good' occasion, enabling us to create a distinctive 'tight' David Lloyd experience, but also enables our people to understand that these need to differ from those required by our sport fanatics and so

flex the overall David Lloyd service delivery.

4 Support the Processes that Support the Experience

Designing experiences is still only half the story, though. The value of all this hard work will dissipate over time if the back-end processes are not adjusted to reinforce the change and measure its effectiveness.

This largely invisible work is the essence of hard marketing, and is often dismissed in favour of the glamour of above-the-line promotions.

Take Beefeater, for example:

- mystery guest visits are now focused on 'occasions', not generic service – 'togetherness', 'family reconnection' and 'easy dining'
- guest satisfaction questionnaires have been entirely rewritten around touchpoints
- buildings themselves have been redesigned to reflect the core and non-core occasions, for example, offering different lighting in booths versus open areas

The role of the back office lies at the heart of the customer experience. One of the eureka moments in the Premier Travel Inn programme was realisation of the critical role of back of house staff in delivering the brand experience.

If the support staff don't get the cleaning and room preparation process just right, the customer contact process is irrelevant.

5 Brand Strategy should Drive People Strategy

Great processes do not run themselves of course. In a hospitality business, people *are* the experience, therefore the brand strategy must also drive the people strategy.

At TGI Friday's, for example, we designed the ideal guest experience for the three principal occasions and built touchpoint profiles for each. We then designed an employer branding programme that embraced the most critical components of people management: recruitment and joining, talent management, reward and motivation, and business transformation.

In recruitment and joining, TGI Friday's looks for staff personality, behaviour and attitude that enable our guests to experience our brand promise and 'escape the ordinary'. We are now starting to specify the nature of these psychographic profiles for three key employee segments, and then flex the profile according to store location, typical guest profile and relative weighting of occasions.

When it comes to reward and motivation, our TGI Friday's 'Talent Matters' initiative will turn the delivery of occasion-driven brand promise and touchpoint fulfilment into key personnel evaluation criteria.

These core people-management processes of recruitment and performance management cannot occur in a vacuum though. Our internal branding and internal communications must reflect and drive the behaviours we are looking for, creating a truly immersive brand culture.

One early internal branding realisation from our 'Know What We Know' initiative was that local store cultures were overly dominating the desired TGI-wide brand culture. In response, we are

overhauling the recognition and incentives programme to incentivise branded delivery, and revitalising those elements that TGI Friday's is known for – language, uniform, icons, myths and legends.

Finally, in internal communications, we are sweeping away the spaghetti communications that have previously prevailed and linked every piece of communication to our key business objectives. Furthermore all communication will be visually and tonally consistent. It's bold, authoritative and overtly American in style, using a clear set of symbols and a primary colourpalette.

STAYING TIGHT-LOOSE

Managing the tension between brand consistency and service flair is never going to be easy. It's an evolutionary process.

However, having brand principles that extend to every facet of the customer's experience goes a long way to enabling this balance.

The two magic ingredients, though, lie in developing a culture that recognises 'occasions' as the key driver of customer expectations (the brand house), and then building the capability to recognise and respond in brand-true ways to these occasions with individual commitment and flair (brand touchpoint mapping).

Achieving that shift to pervasive brand intuition requires a culture in which everyone feels like a brand marketer, and in which learning is continually refreshed, from the top down and the bottom up; it remains, by its very nature, a work in progress.

(1) The term Brand Learning Organisation, was coined by Chris Macrae in *The Brand Chartering Handbook: How brand organisations learn living scripts*, EIU, 1996.
(2) 'Capitalizing the M in Marketing: How high performance businesses are transforming marketing to enhance customer management for the 21st century', www.accenture.com.
(3) 'Human Sigma', *Harvard Business Review*, July 2005.

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Issue 30, Autumn 2005

The Charmed Generation becomes Generation Broke

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Pensions are a bit like root canal fillings: not something you want to think about unless absolutely necessary. That time has come. Who pays for pensions and who receives them affects the level and profile of consumer expenditure. And that's something which marketers cannot ignore.

The issues impacting pensions are simple and obvious. We are living longer, having fewer children and not saving enough. It doesn't take a genius to deduce that fewer people working will have to support increasing numbers of older people. The term 'support' doesn't just mean paying pensions; it also includes providing health and residential care. This situation is not good, but it is only the start of the bad news.

Today's pension position is pretty grim, with 50% of older people having such low incomes that they are entitled to additional hand-outs from the state. If we look forward to 10 years' time then today's pensioners will appear wealthy. The picture in 30-40 years' time is too horrible to consider.

There are no easy choices. It either means working longer, saving more money, starting to save money at an earlier age, paying more tax or, most likely, a combination of all four remedies. The *Financial Times*, not known for hyperbole, said: 'The traditional British penchant for muddling through has bequeathed a system that is incomprehensible, inequitable and inadequate.'

THE CHARMED GENERATION

In the UK, part of the group of people who are retired and who will retire in the next five to ten years have a level of wealth and income that is unlikely to be repeated in future generations. They are the Charmed Generation and represent a business opportunity that, once gone, is unlikely to be repeated.

The reason for their good fortune is explained by the 4Ps: pensions, property, parents and prudence. Not to be confused with marketing's 4Ps!

Pensions

Many people of this generation receive, or will receive, a defined benefit pension. This scheme pays the highest level of guaranteed income, relative to the person's salary of any type of pension. It is unaffected by changes to the stock, bond, currency or any other market. Its recipients receive a guaranteed level of income for the rest of their lives.

In the UK's commercial sector, the number of active members of these schemes has fallen by 60% since 1995, by 50% since 2000, and could fall by a further 10-20% in the future. This generous form of pension provision is fast disappearing.

So, unless there is a drastic change in pension law, the era of receiving a guaranteed level of pension from an employer is over.

Government employees are the only group of employees who are guaranteed a defined benefit pension. The cost of meeting pension commitments for civil servants, teachers, NHS employees and the emergency services has risen so quickly that it now dwarfs the level of public-sector debt. The unfunded public-sector pension liabilities reached £690 billion in March 2005. The size of this figure is staggering, as is the problem it presents to the government.

If you don't work for the state then you could be required to spend a sizeable amount of money – maybe as much as 25% – on funding not only your pension but those of older people and public-sector employees.

Money that is funding a pension is not being used for consumer spending.

Property

In the UK, the proportion of people under 45 years old owning their own property has declined since 2001. If you are 30 or younger you are less likely to own a property now than people of the same age group 20 years ago.

The barrier to becoming a home owner is the relatively high cost of property. If you were buying a house between 1960 and 1970 it would cost you three times your annual earnings. Today it is exactly six times.

In 1994, three in every five first-time buyers came from the 18-30 age group. In the last 10 years property prices have trebled and now only two in every five first-time buyers are of this age.

These facts mean that much of the UK's property assets are owned by people over 45 and that the financial barriers for future generations to join the ranks of property owners will keep rising. Saving for a deposit and paying the mortgage consumes a large chunk of household's income.

Like paying for pensions, every pound spent on housing debt is not spent on consumption.

Parents

Another repercussion of the rapid rise in property prices is inherited wealth that the over-50s are receiving on the death of their parents. Few older people have used the equity in their property to fund their retirement, which means that most of the property value is passed on to their children as an inheritance.

Today's 50 year olds need to fund, on average, 20 to 30 years of post-retirement life. Releasing equity (wealth) from the value of the home, will become an important way this is achieved.

Already a fifth of people, moving between owned properties on which there is no mortgage, say they want a cheaper house. This is a euphemism for saying they want to release some of their property value into cash.

Nearly 40% of people in the UK, aged between 51 and 60, who have a pension, believe the equity in their home will be part of their retirement assets.

The outcome of the over-50s' dependence on property wealth has a worrying implication for their sons and daughters. Property wealth spent on funding mum and dad's retirement, will not be

inherited. We have witnessed the birth of the SKI phenomenon – spending the kids' inheritance.

In truth, nobody knows how much of retired people's housing equity will find its way back to their children or be consumed in funding retirement; what effect the reduction in the number of young people will have on housing prices, or what will happen when interest rates rise.

Where there is little doubt, however, is that converting the equity held in property into income will be a central issue in the pensions funding process.

Prudence

The UK's level of debts on credit cards, mortgages and loans has reached the gigantic figure of £1,004,290 million.

Very little of this vast mountain of debt resides with today's retired generation; they come from the pre-credit card era, when debt was something to avoid at all costs.

Things are different for younger people and those close to retirement. As the Director General of Age Concern said: 'Older people have historically been reluctant to get into debt but some of the next generation of pensioners appear to have quite different attitudes.' It appears that many 50 year olds are spending rather than saving. This change in behaviour is likely to affect intergenerational transfers of wealth as older people have to use their property value to repay debt.

The Charmed Generation benfefited from good pensions, rocketing property assets and low debt. Furthermore they grew up during a period when the state paid for higher education, and when all but the very wealthy went to state-funded schools and used the free health service. Now the burden of paying for education and health is increasingly transferring from the state to the individual.

It is not surprising when you look at the wealth profile of the UK that so much of it is concentrated with those 50-plus. The children and grandchildren of this group are very unlikely to accumulate the same level of wealth.

The 50-plus cohort in a decade's time will almost certainly have a very different wealth profile. It will still contain its very rich and very poor but the group of people who benefited from the unique combinations of the 4Ps will be missing.

GENERATION BROKE

The Charmed Generation has a mirror image. It is called 'Generation Broke'.

The name for this generation was coined by Demos, the New York public-policy group, which sees a future where: 'Younger Americans (18-34) face a “perfect storm” of debt, massive student loans, slow wage growth, underemployment and rising costs. People in this demographic, coveted by advertisers and marketers, are slipping into a downward debt spiral that is unmatched in modern history'.

Generation Broke is not just a US phenomenon. It is estimated that the average student in England and Wales now leaves higher education owing around £12,000, and this keeps increasing.

According to the Demos report, young adults, aged 25 to 34, are experiencing record levels of debt burden. The statistics are frightening. These young adults' average credit card debt increased by 55% between 1992 and 2001. Households in this age group, with credit card debt, spend nearly 24% of their income on debt repayments.

The 18-34-year-old age group has suffered from a combination of factors that results in its precarious financial position. Many of the costs associated with young adulthood have increased dramatically during the past 10 years. Housing costs have risen by a significant amount when compared to salaries. Education costs that were once free are now an expensive entry into adulthood. Salary levels have been suppressed and many permanent jobs have been replaced with short-term contract employment.

To make matters worse, this generation has experienced the full might of credit card and retail store companies' marketing machines. There has never been an era when buying on credit has been so simple.

With all of these financial commitments it is not surprising that the one thing this age group is not doing is contributing enough to securing its pensions. In the UK, between 2002 and 2003, the number of under-35 year olds saving for pensions declined. This wasn't a tiny little drop but a huge fall: 13% of men and 12% of women in this age group dropped out of saving for a pension in a single year! During the same period the percentage of 45 to 64 year olds paying into a pension increased by around 7%.

Since 1997 an additional 1.7 million people have entered the UK work-force. But, during the same period, the number of people both working and contributing to a pension has not increased by one person.

It is plain that this situation cannot continue. Either through higher tax or enforced saving the 18-35s are going to have to pay a large chunk of their income into a pension.

This is bad news for marketing's favourite age segment. Every penny paid into a pension scheme or tax is a penny not spent on consumption.

Financial life is going to get bleaker for the 18-35-year-old cohort. They are going to have to fund their own retirement plus that of their mums, dads and grandparents. Marketers had better get used to the idea that this age group is going to get relatively poorer as it is forced to stop spending and start saving.

The marked difference in financial outlook of the two generations is shown in Table 1.

A SIMPLE BUT PROFOUND MESSAGE FOR MARKETERS

There are five key insights for marketers to consider.

1. The concurrence of the 4Ps that created the Charmed Generation is not likely to be repeated for the foreseeable future. Future generations will contain such people but never so many as there are today. This group represent a 'one-time' opportunity for marketers.

2. The conclusion from analysing the 18-35-year-old age group is that their future is littered with financial commitments that will constrain their ability to consume.

3. These woes will not affect all members of this generation and there will remain an attractive sub-group worthy of marketing attention. But, at an aggregate level. you have to conclude that this age group's relative marketing attractiveness is declining.

4. The importance of translating property wealth into income is central to how many people will fund their retirement. During the next decade their will be a bonanza in the financial and support services associated with property equity release.

5. Finally, the way companies collect customer information must reflect the difference between the pre-retirement affluent, those with wealth derived from work income and the post-retirement affluent, those with income from pensions and property. In many cases the two groups will be the same, but this will not always be the case. Some customers' income will plunge when income stops and inadequate pensions start.

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NOTES & EXHIBITS

TABLE 1: FACTORS AFFECTING THE SPENDING POWER OF THE CHARMED GENERATION AND GENERATION BROKE

Charmed Generation	Generation Broke
✔ Pension income	✘ Paying to fund pension
✔ Property equity	✘ Low growth in wages
✔ Low debt (beginning to change)	✘ Debt from funding education
✔ Accumulated savings/investments	✘ High housing debt repayments
✔ No need to fund long period of retirement	✘ Lower inter-generational wealth transfer
✔ Inter-generational transfer	✘ Likely tax increases to fund ageing population

Market Leader
THE JOURNAL OF THE MARKETING SOCIETY

Published by World Advertising Research Center Ltd
Farm Road, Henley-on-Thames, Oxon RG9 1EJ, UK
Tel: +44 (0)1491 411000 Web: www.warc.com

Issue 30, Autumn 2005

Service with a Snarl

Simon Silvester
Y&R EMEA

'No one packs my bags at the supermarket any more.'

'Is anyone going to let me check out of this hotel today?'

'What do you mean you want the table back at 9pm?'

In affluent countries across the world, the complaint is the same. Banks, airlines, supermarkets, restaurants and hotels just don't offer the service they used to.

Ratios of cabin service staff to passengers have fallen at most major airlines; full-service petrol stations, once common in Europe, have all but disappeared.

WHY SERVICE GETS WORSE

There is a long-term, fundamental reason for these declines in service levels. In advanced countries, most people work in service industries. They also spend most of their disposable income on the services those industries provide. Each year the wages people earn rise faster than the prices they pay for goods and services. (That's why our standard of living keeps going up.)

Most of the cost of providing services is the cost of the people who perform them. So as wages rise, the profitability of services is squeezed. And so the management of those services have little option but to cut the number of people performing the service, or hire cheaper, less committed people. As a result, each year the quality of the service goes down.

This Happens Fast

In a country with wages rising 3% a year faster than prices, each year the wage bill of a service company goes up 3% more than the price it can charge its customers for that service. That 3% a year builds up over time. Over five years, the wage bill rises by 16%; over a decade by almost 35%. Very rapidly, every service either becomes unprofitable or has to cut its service offer. And if you cut your service offer, customers don't take long to notice.

There's Not Much Anyone Can Do About It

In modern service economies, dentists would like more attention from their hair-dressers; hairdressers would like more attention from the waiting staff at their local café; and the waiting staff at the café would like more flexible appointments and more attention from their dentists. But in a society where all these people expect to earn more in real terms every year for the services they provide, but expect to pay no more in real terms for the services they consume, it's not going to happen.

Everyone wants better service; everyone ends up with worse service. It's a fact of life in a modern service economy.

What About Increasing Productivity?

Sure, employees have become more productive over the last few decades: flight attendants have learned to serve 70 meals an hour rather than 30; call centre operatives have learned to cut their customers off the moment they have made their sale.

But all this has happened at a price. As the number of customers dealt with per hour has gone up, the time allocated for smiles and customer care has gone down.

WHAT IT MEANS FOR MANAGEMENT

The end result is that managing a service is about managing declining service standards:

Q Can you bring a drink up to my room?

A Can't you use the mini bar?

Q Can I have a wake-up call?

A There's an alarm clock by your bed.

Q Is my rental car ready?

A Please just wait in line sir.

Q Can I have a newspaper?

A You should have taken one from the rack before you boarded the flight.

The Critical Issue is Marketing

The real problem doesn't lie in the management of services. As far as managers are concerned, customer dissatisfaction is a day-today issue, and one they can cope with. The critical issue is the marketing of service brands, because if you look at the marketing plan of any bank, airline or hotel chain in the world, you will find at its centre a promise of excellent customer service – a promise they break year in year out. And a promise that is slowly destroying their brands.

THE DAMAGE DONE BY BROKEN PROMISES OF SERVICE

Marketing a brand means making a promise to customers. Keep that promise over time and you end up with a strong brand. But break that promise repeatedly, and customer loyalty, satisfaction and your brand all crumble.

Every year, as a service chips away at what it offers, it breaks the promise of excellent customer service it has made. The result is a weak service brand.

The Evidence

In general, consumers feel markedly less positive about service brands than they do about consumer goods brands. The prime measures of a brand are its levels of differentiation, relevance, esteem and

knowledge amongst the public. We have looked in the US at these measures for 1407 product-based brands from juices to motor oils, and compared them with 300 service-based brands (see Figure 1). Services are weaker on all four measures, but are particularly weak on differentiation. (see Table 1)

This is crucial; a high level of differentiation is the vital first step to building a strong brand. Without it, brands cannot signal to their prospects that they offer something different from the status quo and attract new custom.

But My Service Brand is Strong

Of course, many service companies may question the idea that their brand is weak. If so, they ought to consider the following.

1. Do you have a Brand – or Just a Site?

Many service companies have research saying they have loyal customers who keep coming back. From this they infer that their brands are strong. But many of these services are retailers. And much of what retail research measures as loyalty comes from a retailer's local monopoly in the area close around their store. If you live two minutes' walk from a supermarket, you are loyal to that supermarket, no matter how little you feel for it as a brand.

2. Can your Customers Leave if They Want To?

Banks in many countries argue that their customers are very loyal – indeed they point out that their customers are more likely to get divorced than to move their current account. A cynic might point out that a divorce involves less paperwork.

3. When the Going Gets Tough, Your Customers Get Going

Consumer goods brands are tough – they survive crisis after crisis, decade after decade. Many of the leading consumer goods brands in America in 1923 – for example, Wrigley, Gillette and Ivory – are still leading brands today. How many service brands from that time are still strong today?

WHAT IF SERVICE BRANDS WERE STRONGER?

If service brands were stronger, many good things might happen. For instance, strong product-based brands frequently make successful line extensions into other areas. Vanilla Coke and Snickers Cruncher both owe their success to strong parent brands. Weak service brands have much greater difficulty extending themselves. For years banks have been trying to extend themselves into being financial services supermarkets, but their brands are so weak that few consumers are keen to buy the insurance and investment products they offer. If their brands were stronger, banks might find cross-selling easier.

Similarly, many retailers and other service brands suffer from razor-sharp price competition in their markets. Strong product-based brands rarely suffer from this: whether you choose a digital camera from Sony or from Nikon depends more on what you think of Sony and Nikon than on small fluctuations in their relative prices. If services had stronger brands, they might be able to trade less on price too.

So What Should Services Do?

Consumer goods brands are strong because they keep their promises every year – and more. But service brands tend to be weak because they leave a trail of broken promises behind them. Those

promises, be they about employee empowerment, standards of customer care or responsiveness are basically promises about service by people.

Perhaps they should therefore simply stop making them.

SERVICE PROMISES THAT WORK

Probe into a service long enough and there are always quite a number of other promises it can make.

1 Promises Made on What Computers Do

While employees get more expensive every year, computers keep on getting cheaper and more powerful – and are likely to continue to do so for the next two decades. Promises based on what computers do can therefore be sustainable promises for any service – and therefore the basis of strong service brands.

Marketers of services shouldn't be embarrassed to make such promises.

- Service that comes from machines can be more consistent than service from people. Many younger people prefer to do their banking online because it's easier to see their financial situation than from a garbled conversation with an employee.

- Service from computers can also be more comprehensive than service from people. Ask for an obscure book in a bookshop, and it'll take a long time for an assistant to track it down. It takes seconds on Amazon.

- Service from computers can also be more friendly than service from people. Financial services computers never try aggressively to cross-sell you unwanted insurance policies. Financial services customer care staff do it all the time.

Of course, we're not saying that any form of computerisation is a benefit. Send your customers into a voicemail maze rather than to a nice receptionist and they will quite rightly hate you for it. But do bank customers need to visit their branch to find out whether their monthly salary has been paid into their account? Most are happy with an automated SMS alert. Services should look at the benefits that their computers offer for a branded point of difference.

- Twenty years ago, frequent-flyer schemes were just dumb cards for people who had bought a lot of tickets. Today, the airline system recognises frequent flyers at check-in, gives them the seats they prefer, gives them special meals, warns the cabin staff to be extra nice to them, ensures they never get bumped and looks after them if the flight is delayed.

  Most airlines regard their frequent-flyer scheme as completely separate to their main brand. But frequent flyer schemes, intelligently run by empowered computers, are a much more sustainable promise for an airline than smiley flight attendants. Perhaps they should now become central to airline brands.

- When banks talk about customer relationship management, they are thinking of the relationship between their customers and their staff. Perhaps it's time they cut their people out of the loop, and started talking about building trust and relationships with their computers.

2 Promises Based on Tangible Things

Over the past ten years, mobile telecoms service providers have suffered from weak brands

compared with the brands of handset makers Nokia, Motorola and Ericsson.

The two international service providers that have broken out of this low-strength ghetto – and two of the most valuable telecoms brands in the world today – are Vodafone and Orange, who just happen to be the two operators who insisted on putting their logos on their handsets.

Vodafone and Orange understood what the others did not: that consumers have difficulty relating to things they can't see and touch – and that if you want a strong branded business, you have to offer consumers something tangible.

If every service encapsulated its qualities in a tangible item, they would strengthen their brands massively.

- The most emotional and memorable time of most people's year is their vacation, but do package holiday companies give you anything to remember it by? No – and so most people go out and buy an unbranded third-party souvenir instead.

- Similarly, frequent long-haul business travellers delight in leaving their free vanity kits in piles in their bathrooms to impress visitors. Which airlines did they fly with? Who knows – because most airlines don't brand their kits. Every form of premium transport ought to leave their business guests with something to place on their desks to impress their colleagues.

- Free matchbooks had a real marketing point 30 years ago when everybody smoked, and cool people would ask you for a light. But when was the last time someone you wanted to impress asked you? Restaurants need to adopt a new item if they want this mechanism to keep spreading their name.

3 Promises of Exclusivity

The cost of providing services keeps on increasing. Over time, the service has to choose either to cut people or to put its prices up. A brand that cuts people and reduces the level of service never becomes a powerful brand. A brand that keeps increasing its price risks alienating its customers – or it could become an exclusive premium brand.

Take hairdressing. In low-price salons, the skilled professional hairdressers of the past have been replaced by cheaper school leavers and trainees. No one has ever managed to build a sustainable brand in this area. But at the top of the market, a few companies have kept their commitment to staff training and development, and have built strong, exclusive brands.

In the 1960s, Vidal Sassoon was a small trendy London hairdresser. Through maintaining quality, Sassoon built his business into a globally renowned premium brand. A couple of decades later his brand was so strong that P&G licensed it to develop its global premium hair-care range.

In services, occupying an upscale niche can be a powerful, sustainable marketing strategy.

- What's the first thing people tell you about their country club? The length of the waiting list. Keeping people out can be free advertising.

- Exclusivity need not be driven purely by price. London health club The Sanctuary has built up a strong brand, but has done so by excluding men from its premises. Will they pamper you? The exclusion of men implies it perfectly.

- Similarly, Caribbean resort chain Sandals has built its brand on excluding everyone except couples. It doesn't need to tell you it'll be romantic; it's in the positioning. How many other

Caribbean resort chains can you name?

4 Promise *Not* to do Something

How would you feel if you walked into a restaurant and there were no waiters present, there was no cutlery or tablecloths on any of the tables, and the management expected you to clear up after yourself? Or if you booked a flight and they didn't give you a ticket, wouldn't give you a seat reservation and offered no food and drink on board?

Well, the restaurant is called McDonald's, and it gets some of the highest scores for good service in the food industry. And the airline is a low-cost airline called Ryanair, and its customers love it.

Nowadays, fast-food restaurants are so engrained in the human psyche that no one would expect to find knives and forks there. Ryanair is a new brand on the way up. And its trick is to state clearly in its marketing what it doesn't offer and how it passes the savings thus generated on to its customers. So every time its customers don't get a complimentary drink, they are happy – because they can see the savings.

What you don't offer can be a powerful point of difference – and because the cost of not doing something doesn't rise, it is likely to be massively sustainable too. Mass-market services should consider how to promote what their brand doesn't offer.

- Taking service away needn't mean cheap or downscale. In Japan, downscale blue-collar diners eat 100-yen dishes served on conveyor belts to save staff. Western marketers have grabbed the idea and turned it into city-centre fashion eateries.

- Younger people are much more accepting of new concepts with reduced human service than people aged 35+. Don't try to please everybody.

- Most restaurants promise ambience. American automat chain Horn and Hardart promised no ambience, with the claim: 'You can't eat atmosphere.'

5 Talk About Your Philosophy

The Body Shop has always offered excellent customer service. But when it comes to promotion, it has focused on issues:

- While the rest of the cosmetics industry shied away from the animal testing issue, the Body Shop were champions of animal-free testing.

- While the fashion industry promoted the anorexic waif, the Body Shop celebrated the curves of the average woman.

- While its competitors developed ever more complex packages for their creams and lotions, the Body Shop campaigned around recyclable packaging.

The end result was a retail formula that created a stir, and thereby gained customers wherever it went in Europe, North America and Asia.

Many other services could benefit from defining their philosophy more precisely.

- Most sports clothing shops offer quality, value, range and low prices. It's not much of a philosophy. And so the customers with the money go to Niketown, which offers them the 'soul

of an athlete'.

- Many people were worried that Club Med's hippy, anti-materialist philosophy wouldn't work beyond the 1960s. Not so. It still offers exactly what many people want out of a holiday, and keeps Club Med a powerful brand in a commodity market.

- Most fashion and home stores in Sweden are perceived by shoppers as pretty much the same. Not so Indiska, a chain that uses the Indian theme of its wares and Indian philosophy to project a distinctive, laid-back atmosphere.

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NOTES & EXHIBITS

FIGURE 1: CONSUMER GOODS BRANDS TEND TO BE STRONG, SERVICE BRANDS TEND TO BE WEAK

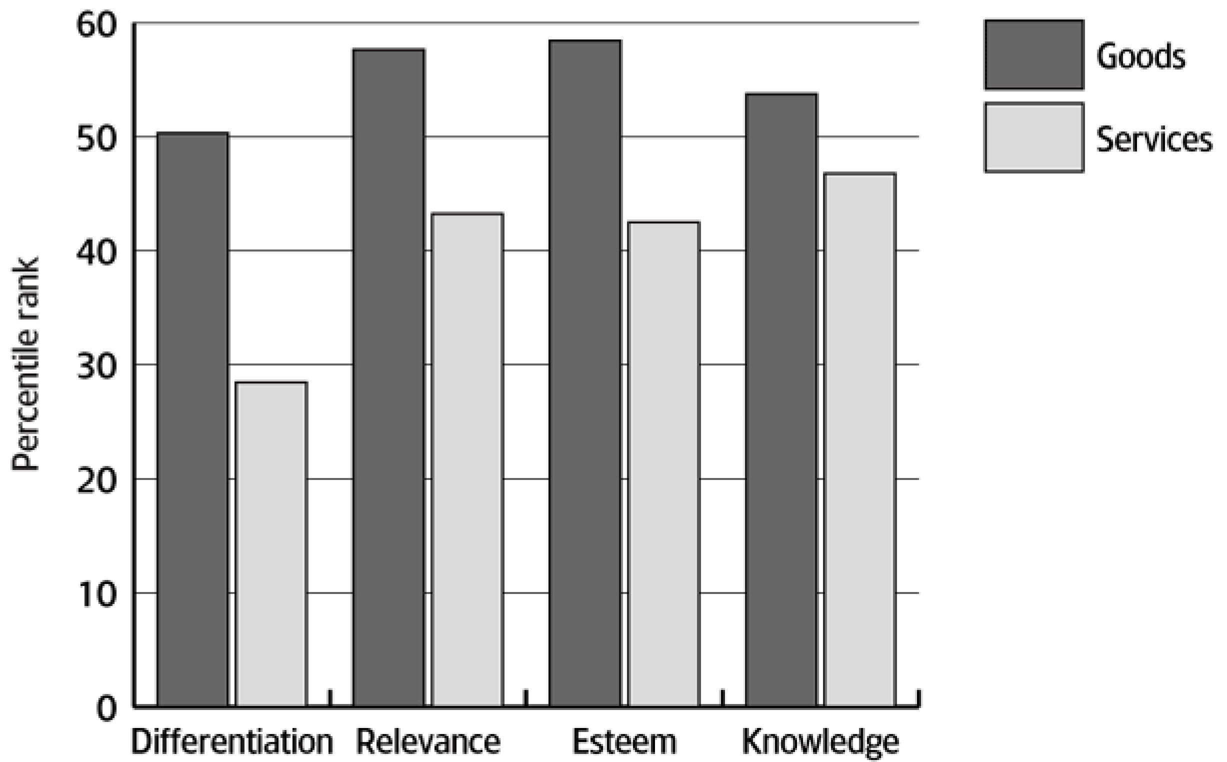

TABLE 1

WHEN YOU'RE BUYING A SERVICE YOU'RE BUYING PEOPLE . . .

Percentage of the cost of providing a service that goes on people

Restaurant	65
Hairdresser	70
Accountancy firm	69
Petrol station	45

Source: IMIU, 2003

. . . AND PEOPLE KEEP GETTING MORE EXPENSIVE

Percentage increase in labour costs per hour across whole economy 2001 vs 1998

Ireland	24.0
Portugal	17.9
UK	13.7
Netherlands	12.7
France	11.4
Sweden	10.0

Source: Figures based on European Industrial Relations

Market Leader
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Published by World Advertising Research Center Ltd
Farm Road, Henley-on-Thames, Oxon RG9 1EJ, UK
Tel: +44 (0)1491 411000 Web: www.warc.com

Issue 30, Autumn 2005

Are you Prepared for the Power of the Blogosphere?

Alan Moore
SMLXL, A Marketing Specialist Firm

Thirty years ago US anchorman, Walter Cronkite, would end his hourly news broadcast to the nation by saying, 'and that's the way it is'. Cronkite was the daily voice of gospel truth, and America was duly grateful. How very different it is today.

Where and how we get and consume information is in stark contrast. We no longer live in a linear command-and-control society. For all businesses the implications are significant because financial scandal, political spin-doctoring and the erosion of our faith in institutions has led us to scrutinise the motive behind the message.

And as choice explodes and differences between products erode, how have we now learned to shop? We've learned to search online and speak to our peers first.

Research by Cap Gemini Ernst & Young in October 2003 found that 17% of car buyers say they were influenced by television ads, while 71% claim to be influenced by word of mouth. And a Nokia Monitor research project in 2004 found that 49% of mobile buyers said they were influenced by word of mouth and, crucially, the decision-making has reduced from six weeks to six days. The effects of television advertising are constantly debated; the strong influence of word of mouth is indisputable.

And if our friends don't know the answers, the increasing penetration of the internet, coupled with increasingly cheap bandwidth, has become our means to search for more credible, authoritative sources of information. Consumers have learned to be more discerning and less trusting, and not surprisingly we actively seek sources of information we trust. That is why 27% of Americans now read blogs and 77% of Americans seek their primary news online.

THE INTERNET AS A SOCIAL PHENOMENON: THE RISE OF THE BLOG

In many ways the internet is not so much a technology as a social phenomenon. For example, recent years have seen the rise of community rating sites such as Epinions, where you can read marks out of 10 for everything from well-being medicines to the latest movies; or the creation of 'folksonomies' such as flickr.com, with its social tags system; or travelpost.com, a community site for those travelling the world, with '174,238+ unbiased hotel reviews, travel journals, photos and itineraries'. These sites offer co-created, unfiltered, authentic – and therefore more credible – information.

And like *World of Warcraft* or *Desert Combat* (massive multiplayer online role-player games), all these sites have connectivity of one to one and many to many. They are constantly updated or modified with new content. They have built an interested and passionate community and are also successful commercial models.

The social phenomenon of the internet goes further. For example, last year blogging toppled leading media icons like CBS anchorman Dan Rather. Another casualty Jason Eason, Chief News Director of CNN, was forced to resign by blogger over remarks made at Davos.

On the plus side, blogging showcases how enlightened companies have embraced the social phenomenon of the internet. Bob Lutz, Vice Chairman at GM, blogs on the GM Fast Lane Blog. Jonathan Schwartz, COO of Sun Microsystems and himself a blogger, believes that the 1000 bloggers at Sun have done more for his company than a billion-dollar advertising campaign ever could.

Staying in the corporate world, the Boeing Design Team, with 120,000 members, is another example of how a corporation has harnessed the collective intellect of many people – in this case those who are seriously interested in aircraft and aviation. These people are spread across the globe and are constantly in touch with Boeing, sharing and discussing information about the future development of its aircraft. The maxim that 'nobody is as clever as everybody' is never truer than here.

A more home-grown example is Jamie Oliver's school dinner crusade, the tale of one man's passionate belief that we should stop feeding our children junk food in schools. The campaign translated into the social phenomenon termed a 'community of interest'. The television programme *Jamie's School Dinners* motivated people to respond in a number of ways: 230,000 signatures delivered in a petition to 10 Downing Street; the creation of worldwide online forums via Jamie's blogsite; an ongoing debate globally about what we feed our children.

Adriana Cronin-Lucas, co-founder of the Big Blog Company, says that the internet is not a channel itself, but is causing other channels to leak and bleed 'content'. This will become more profound as the internet increasingly converges with mobile devices.

THE THREAT TO COMPANIES FROM THE REVOLUTION IN MEDIA CONSUMPTION

The internet, combined with broadband, essentially changes everything. It changes the way customers can access information and changes the way they use it. It changes the way businesses can communicate with their customers and how they get to market. It changes the channels that link businesses, customers, suppliers and employees. It offers opportunity and it offers your once helpless competitors the chance to radically rethink their business strategies and attack vital parts of your business model.

Professor Anthony Hopwood of the Säid Business School in Oxford believes that there has been a fundamental structural change in the way we consume information and content. Rupert Murdoch, speaking to the American Society of Newspaper Editors in April 2005, reinforced the point:

> 'What is happening right before us is, in short, a revolution in the way young people are accessing news. They don't want to rely on the morning paper for their up-to-date information. They don't want to rely on a God-like figure from above to tell them what's important. And to carry the religion analogy a bit further, they certainly don't want news presented as gospel.'

Murdoch states that where four out of every five Americans in 1964 read a paper every day, today only half do. For younger readers the figures are even worse.

So what has happened to 18-24 year olds' usage of traditional media like television and newspapers? The answer is they are early adopters of new media. New media includes the internet, picture phones, instant messaging, blogging, cell phones, MP3 players, satellite radio, text messaging, TiVo/Replay and broadband TV, and web radio.

But it's not only the news industry that is feeling the pre-tremors of the volcanic eruption that technology is about to unleash. In a Royal Television Society Flemming Memorial Lecture in 2004, Ofcom chairman Lord Currie predicted that over the next 10 years audiences will move away from the linear, scheduled world where a relatively limited number of distributors push their content at the viewer: 'We will instead enter a world where content is increasingly delivered through internet-protocol-based networks that are non-linear, on-demand and entirely self-scheduled. In that world, the viewer – not the broadcaster – will decide what is consumed and how.'

BT's announcement in July 2005 that it is to launch an iPTV channel in conjunction with Microsoft demonstrates exactly what Lord Currie means as technology goes up through the gears. iPTV aggregates and amplifies this fundamental change in how we collect, edit and consume information, and share it with our friends.

MORE PEOPLE TALKING TO EACH OTHER MORE OFTEN: CONNECTED COMMUNITIES

Howard Rheingold, author of *Smartmobs*, believes that the mobile phone amplifies people's talents for co-operation. The internet amplifies human interaction. That is why MTV has recently launched two broadband channels while AOL has created a partnered multimedia production company that will accelerate its live entertainment events online, as well as for TV, cell phones and other media platforms.

Internet and broadband has put the 'me' into media, and Jeff Jarvis at Buzzmachine resurrects the McLuhan distinction between hot and cold media. Traditional mass-media one-way channels are cold media, whereas community sites like Wikipedia, blogs and commercial online enterprises like eBay, Amazon, and so on, are hot media – vital, emergent and social, with two-way flows of communication.

To put this in context, July's tragic bombings in London demonstrated how far we have come in how we collect, share, create and disseminate information. *Newsweek* (9 July 2005) describes the most dramatic example of this:

> 'The biggest story on Thursday was Wikipedia, the online encyclopedia that internet users around the world freely add to and edit. Yesterday's entry on the London bombings was amended, edited and updated by hundreds of readers no fewer than 2,800 times throughout the day. The entry has photographs, detailed time-lines, contact numbers, a complete translated statement by the jihadist group claiming responsibility for the attacks and links to other Wikipedia entries.'

The first video pictures broadcast from CNN came from a citizen journalist, as did many images broadcast by the BBC.

The BBC, no slouch these days, has understood the implications for its organisation. It has, for example, taken a 'pioneering new approach to public access rights in the digital age' with the Creative Archive Project. The project will allow British residents to download clips of BBC factual programmes from the BBC website for non-commercial use, keep them on their computers, manipulate and share them, thereby making the BBC archives more accessible to licence-fee payers. In the next phase of the project the Creative Archive will make 100 hours of BBC content available.

To see how connected communities are generating a paradigm shift in how businesses can connect and co-create value with their audiences, we look to Korea and the online newspaper, *OhMyNews*. *OhMyNews*is the third largest newspaper in Korea, but the salient feature is that it has 26,000 citizen reporters who contribute to the newspaper. Get your story published and you receive US$20 and your name in print. Founder and Editor Oh Yeon-ho said in an interview with *Wired Magazine*:

> 'With *OhMyNews*, we wanted to say goodbye to 20th-century journalism where people only saw things through the eyes of the mainstream, conservative media. Our main concept is every citizen can be a reporter. We put everything out there and people judge the truth for themselves.'

The *Guardian* (which has its own blog) has described it as the world's most domestically powerful news site and a South Korean diplomat was quoted as saying that no policy-maker can now ignore *OhMyNews*.

INFORMATION FLOWS ARE TRANSFORMING BUSINESS MODELS

Alan Mitchell believes that eBay, Yahoo! Social Search, SMS messaging and Skype in telecoms, music file sharing, Wikipedia and *OhMyNews* all show how enabling or capturing peer-to-peer information flows can transform business models. Companies need to understand that today value lies with the consumer, not the other way round.

Mitchell is supported by Simon London, writing for the *Financial Times* (Monday 27 June 2005), who said:

> 'In business as in art, we live in a post-modern era. Old certainties are being demolished and relationships redefined. Everything you thought about business has been upended. The relationship between companies and customers is no exception. The old notion that producers produce and consumers consume is regarded as passé by management theorists.'

In its cover story entitled 'The Power of Us' (20 June 2005), *Business Week* said that community power is the biggest change business companies have faced since the Industrial Age. In context, that means bigger than the telephone, TV, credit cards, the PC and the internet. *The Economist,* in its cover story 'Crowned at Last' (2 April 2005), said:

> 'Many firms do not yet seem aware of the revolutionary implications of newly empowered consumers. Only those firms ready and able to serve these new customers will survive.'

Peer-to-peer communication is the life force of communities – the rapid emergence and convergence of the mobile phone and the internet means that we suddenly have access to our peers, our friends, our colleagues and family members. We are becoming used to living in a connected age where we naturally draw on our participation in various networks for assistance, information and support.

AN OBJECT LESSON: GOODNIGHT KRYPTONITE

Kryptonite is a global brand that produces D-locks for bikes, scooters and motorcycles, with a global reputation of being theft-proof. But in early 2004 a film was released via the internet that demonstrated how these locks could be undone using a simple Bic ballpoint pen cap. The news travelled through the blogosphere and into mainstream media. Within weeks the business was on its knees, deluged with complaints from very unhappy customers. A global recall was instigated and the company lost tens of millions of dollars.

The Kryptonite case offers a masterclass in what can and will increasingly happen to brands and businesses that do not deliver on the product or service promise, or consequently fail to engage in dialogue with their customers.

TRADITIONAL MARKETING HAS BECOME ADVERSARIAL

The problem for businesses and marketers is that, in the eyes of everyday people, traditional marketing has become adversarial. Customers have changed and adapted to this modern, continuously connected, media-fragmented world. They seek value by searching for themselves, and are not waiting for you to interrupt them with unwanted messaging. They look to their peers for voices of authority. They are in effect doing it for themselves.

Some companies are responding to consumer power simply by focusing more energy through traditional marketing channels. But one can no longer take a one-way broadcast or a monopoly approach in a consumer-empowered world, because the internet, and increasingly the mobile phone, has fundamentally changed this.

The harsh reality for all businesses today is that they need to change the way they think about marketing and marketing communication strategies. And the notion of mass media is fast becoming an oxymoron.

There is a new language to describe the behaviour of modern consumer culture. Its vocabulary includes terms such as flexibility, fluidity, portability, permeability, transparency, interactivity, immediacy and peer-to-peer networks.

So what are the implications for companies as a consequence of these developments? They need to ask themselves the following questions.

- Are our products and services the very best they can be?
- How can we support our 21st-century consumers in a real and credible way?
- How can we facilitate positive co-creation?
- Does our current operational structure allow us to support this?
- Are we engaging our audience or are we overly transmitting to them?
- Can we deliver a genuinely valuable experience across multiple platforms?
- Do we have the metrics to support such initiatives?
- How can we align everything we do to deliver enhanced customer advocacy?
- How can we become a dynamic engaging brand that is true to ourselves and true to our customers?
- Can we continue to accept mediocrity?

Although Apple has only a tiny percentage of the market, it has consistently punched above its weight and, importantly, made the Apple brand matter. Here is not the place to debate the long-term future of the company. However, its ethos is simple, and we can all draw lessons.

- Create an experience not an artefact.
- Honour context.
- Prioritise your messages.

- Institute consistency.
- Design for change.
- Do not forget the human element.

All marketing interaction should deliver an experience that actively and positively links customers, media and brand in relevant and meaningful ways. Brand experience replaces broadcasting in its broadest sense.

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Market Leader
THE JOURNAL OF THE MARKETING SOCIETY

Published by World Advertising Research Center Ltd
Farm Road, Henley-on-Thames, Oxon RG9 1EJ, UK
Tel: +44 (0)1491 411000 Web: www.warc.com

Issue 30, Autumn 2005

Get Real: The Return of the Product

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Research International's Qualitatif
Malcolm Baker
B/R/S Group

The broad history of consumer culture has been largely concerned with the evolution of goods from commodity status to the sophisticated constructs we now call brands. And in our relationships with these constructs there is often a natural tension between elements of the product and the surrounding construction of the brand.

If you had to pick one idea that underpinned the boom in branding in the last decade, 'functional equivalence' might be it. The idea that products lack meaningful performance differentiation has been widely accepted.

As a consequence marketers have turned to the emotional components of branding to give products their distinct identity. At times product performance has almost been ignored – left off the list at the branding party. Marketers often treat it as the hygiene factor – essential but hardly exciting. As Kevin Roberts, CEO of Saatchi & Saatchi Worldwide and creator of the Lovemarks concept ventured in a recent *Frontline* interview: 'I think [a] brand's role is not based on [its] product performance at all.'

Some support for the view that marketers have ignored product performance to their cost is provided by recent data from the American Customer Satisfaction Index (ASCI). In spite of the broad adoption of quality programmes such as ISO, TQM and Six Sigma, the report card on customer satisfaction for the last 10-year period is very mixed.

While scores for fast-food brands and some automotive and personal computer brands have gone up, there have been broad declines in food manufacturing, apparel, personal care categories and many service sectors. In spite of investing tens of millions of dollars over this period in associating their brands with quality and desirability, companies such as Coca-Cola (down 2.4%), Nestlé (-5.7%), Hewlett-Packard (-9.0%), PepsiCo (-3.5%), Anheuser Busch (-6.0%), Nike (-4.9%) and many others have suffered.

Whether the products of such companies have actually declined in measures of objective quality is debatable, but they have clearly failed to keep up with rising consumer expectations at a time when they face increasing pressure from low-wage countries and high price-cutting pressure from global retailers.

The recent troubles at General Motors, the world's largest automotive manufacturer, can be traced to a misplaced faith in the power of the brand at the expense of exciting and meaningful product differentiation.

Now, reporting from Research International's 10th RIO study, there is powerful evidence from key global consumer segments that a renewed focus on the product side of the equation is needed. In this study we spoke with over 1,200 people in 43 countries, capturing individuals who had a 'high

intensity' connection with at least one brand in their lives (incidence ranged from 20% to 40% depending upon the country). This sample and the descriptions provided yielded a database of over 3,000 high-intensity brand relationships.

Why the focus on 'intensity'? Because there is strong evidence that intense brand relationships are key in maximising lifetime customer value and in generating the element of 'buzz' that is increasingly important in brand diffusion.

THE VALUE OF SENSORY EXPERIENCES

In asking people to describe their brand relationships and the key drivers behind them, what did we find? Did we hear about the mystery and intimacy of the brand connection? Or the warm feelings engendered by association with the brand?

While branding elements clearly have a key role to play in building and sustaining intensity, at the heart of the majority of these relationships sat an intensified product experience, often described in polysensory terms. Touch, smell, taste, feel, appearance, sound, great design – these are the modalities that frequently drive a great brand relationship, either separately or in powerful combinations. Above all, these consumers were focused on the product experience first, the brand relationship second (see box opposite).

THE IMPORTANCE OF PRODUCT EXPERIENCE

> 'The lightness of *Nike's* shoes when you run and at the same time their solidity.'
>
> *Italy*

> '*Mercedes* . . . Like swimming on waves.'
>
> *Russia*

> 'I like the quiet and dignified sound while this whisky [*Nikka*] that glows like gold is poured into the glass.'
>
> *Japan*

> 'You put on something by *Armani*and just the feel of it is different; it envelops you in something different.'
>
> *Spain*

> 'Ah the sound when I open my *L'Oréal* Gloss. A mixture of squeak and zip. The smell! You could eat it.'
>
> *France*

> '*Le Petit Camembert*. The characteristic sound of the paper around it is authentic of a genuine camembert. Its surface is mountainous to the touch. It moves.'
>
> *France*

> 'Walking around in a *Nature and Discovery shop* gives you a strong feeling of wellness; all those perfumes, the aesthetics.'

Belgium

'Feeling the weight of my *Nikon* gives me a feeling of safety.'

Denmark

'My *Raybans*. A piece of art.'

Netherlands

UNDERSTANDING CUSTOMERS' EXPERIENCES

Why are sensory and polysensory excellence so vital to creating brand experiences? For one thing a sensory touchpoint can confirm the experience, make it real. For one Norwegian, 'the click from my Nikon is the sign that we have created something together'. Sensory pleasure is also often linked with the natural world by people, so for urban consumers it can turn brands into refuges from a virtual or industrialised environment.

A sensory touchpoint can act as the point of transmission for a brand's communications – one Japanese consumer praised the 'quiet and dignified' sound Nikka whisky makes as it is poured. These attributes might be part of the brand image, and sensory excellence has made them real. Finally, consumers have a tendency to attribute human qualities to brands they feel connected to, and a polysensory experience can make a product seem more rounded and alive.

Great brand relationships begin with powerful product experiences. Marketers need to set the highest priority on understanding and improving the interface between the customer and the product. Steven Jobs' obsession with this interface has led not only to the design triumphs of the iMac G5 and the increasingly iconic iPod but has also driven him to produce (to date) four different generations of iPod interface software, aimed at making a great product experience even greater.

Marketers who obsess about the customer experience, whether it be Apple, Jet Blue or Ikea, not only put the consumer at the heart of their innovation process, but also use multi-disciplinary approaches to generate insights that will provide competitive advantage.

The California-based industrial design group, Ideo, uses sociologists and anthropologists to help it drive a product design process that is characterised by a rapid sequencing of observation, prototyping and fast implementation. Its design philosophy is underpinned by what founder Bill Moggridge calls 'designing verbs not nouns'. (Brands are nouns, product experiences are verbs.)

Research International's own Super Group process relies on highly creative consumer partners to ideate and dig deeply into the product experience, using tools such as accompanied shopping and other connections borrowed from ethnography – for example, consumer journals and cross-category 'cool' hunting.

All these approaches implicitly acknowledge the limitations of traditional innovation and research processes, which have relied too heavily upon the power of conversation and have not concentrated sufficiently upon behaviour. Serendipity and the observation and understanding of what the author Fulton Suri calls 'Thoughtless Acts' (in her book of the same name) are central to this development philosophy.

THE BRAND ROLE: AMPLIFIER OF PRODUCT EXPERIENCE

But if it is the product experience that is increasingly central to branding, what role does the brand

have to play? We believe that a critical role for the brand in this new order is to act as an amplifier of the product experience.

To help understand how branding works in the experience mode, imagine two products that, though identical, generate two very different experiences – the one intense, the other mundane. The intense experience is formed because of the consumer's identification with specific aspects of the brand story that, if told right, help amplify the product experience. Lacking an appropriate brand story, or even a brand at all, the mundane experience remains, well, mundane.

In this context branding works like an amplifier. If the consumer identifies with key elements of the brand story, and these elements capture his imagination, then the net effect is for the product experience to be enriched and felt more intensely, as shown by the following examples.

> 'Especially the perfect design and form factors are outstanding. When listening to music with *Sony* products, I forget about everything outside – it's only the music and me.'
>
> *Austria*

> '*Nike* . . . powerful, confident, like an achiever . . . I felt like everyone else before.'
>
> *South Africa*

> '*Ben & Jerry's* . . . It makes the bad go away with just one bite.'
>
> *USA*

STRATEGIES FOR INTENSIFYING THE EXPERIENCE

Sensory Touchpoints

Putting the product experience at the centre of the brand promise can be achieved by developing sensory touchpoints not normally associated with a category or by taking steps to 'own' a critical performance attribute.

Apple revolutionised its image in personal computers some years ago by bringing colour and radical design to its iMac series. In the UK, Walker's crisps boasts that its new lines are the noisiest, crunchiest snacks yet. A Japanese tyre company has patented the smell of its products, just as Harley-Davidson patented the distinctive sound of its motorcycle engines. Nestlé's Nespresso and Dyson have both been successful at putting design at the heart of the consumer promise and linking that to a differentiating product experience.

A Hunger for Authenticity

Another strategy for the marketer wishing to build a more intensified and meaningful product experience is to tap into the hunger for authenticity, a key driver among young people.

Authenticity of ingredients in food, drink, clothing and cosmetics is especially salient. Think Levi's jeans, Coca-Cola, Body Shop and the extraordinary growth in many luxury and near-luxury brands over the last 10 years. And in many parts of the world authenticity is linked to origin of manufacture. In Moscow, a Heineken brewed in Holland is more welcome than one locally produced. In Indonesia, Pampers manufactured in Djakarta are less desirable than those imported from Cincinnati.

Storytelling

Storytelling can be another very effective device for amplifying and transforming a product experience. A successful brand story builds a more intimate and enduring connection by providing continuity between one product experience and another. The best stories embed themselves in the customer's imagination, where they are deepened and coloured by his or her own material.

An excellent example of an amplifying brand story is provided by Moleskine, the Italian brand of notebook, which includes this text inside every product it sells:

> *'It is two centuries now that Moleskine has been the legendary notebook of European artists and intellectuals, from Van Gogh to Henri Matisse to Ernest Hemingway . . . This long standing tradition was continued by writer-traveller Bruce Chatwin, who used to buy his Moleskines at a Paris stationery shop where he would always stock up before embarking on one of his journeys. Now the Moleskine is back again. This silent and discreet keeper of an extraordinary tradition which has been missing for years has once again set out on its journey. A witness to contemporary nomadism, it can once again pass from one pocket to another to continue the adventure . . . the sequel still waits to be written and its blank pages are ready to tell the story.'*

This communication establishes the brand's story by means of an appeal to the authority of great artists – from Van Gogh to Hemingway. It then uses a more contemporary example – Chatwin – to show the brand's ability to care for and accompany its users, and reinforces this by referencing the concept of 'silence' and 'discretion'. Then it ties this explicitly to the product experience – writing on its blank pages – and directly invites the user to share in the brand experience. The communication draws on several kinds of emotional appeal but all of them lead up to an invitation to partake in a product experience and in doing so potentially transform oneself into a nomad, a 'writer-traveller'.

This is not the only kind of brand story. Brands might celebrate the spirit and vision of their founders and transmit that in the product experience (for example, Virgin). They might articulate the philosophy and values of the company (such as the Body Shop). They might simply describe the perfect conditions or mindset with which to enjoy an amplified product experience. Coca-Cola's brand stories tend to be of this kind. Unilever's Dove soap successfully uses an ingredient story to drive its overall 'Real Beauty' positioning.

Putting the Product at the Heart of the Promise

There are powerful opportunities for brand owners to revitalise their brands by putting the product experience back at the heart of the brand promise. Doing this effectively will require the careful identification and development of performance opportunities. These opportunities may lie in the product's existing polysensory profile or in creating touchpoints that play on senses that are not usually part of the product experience – for example, Lush cosmetics in the UK, whose soap bars are often designed to look and smell like huge bars of confectionery.

An innovative process with an intensive focus on the interface between consumer and product, such as that which led to Apple's iPod, is critical as a source for insight and inspiration.

Finally, branding architects will want to explore how to tie branding messages more tightly to the product experience so that the ownership and consumption intensity can be amplified.

One industry opportunity here would be the development of agency offerings and processes that totally integrate product design with brand development.

These goals will allow marketers to more effectively align the functional and emotional components of their branding communications so that more exciting and enduring relationships can be built.

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Market Leader
THE JOURNAL OF THE MARKETING SOCIETY

Published by World Advertising Research Center Ltd
Farm Road, Henley-on-Thames, Oxon RG9 1EJ, UK
Tel: +44 (0)1491 411000 Web: www.warc.com

Issue 30, Autumn 2005

Why Everything Gets Worse Before It Gets Better

Brian Millar
Brand Tacticians Ltd

In marketing, the world is always 'new and improved'. Every day, thousands of ads run in every conceivable medium giving us new reasons to buy: the 2005 Miata is completely redesigned; Huggies are now as thin as Calvin Klein boxer shorts; airline seats are flatter, wider, softer than ever before. Since the publication of *In Search of Excellence*, managers have had 20 years of quality circles, heading ever upwards towards perfection.

It seems like a fairly safe assumption, then, that everything is getting better. But it's not. In fact, in certain key ways, most mass-produced products and services go through a long cycle of deterioration before they get better. They do this in response to consumer demand. Because, faced with a choice between convenience and performance, almost all consumers choose convenience.

When I first started researching this, I assumed that I would find exceptions. Sure, there were some slight variations. But wherever I looked, the rule held. Next, I worried that my observations were so obvious, and were such common currency among marketers, that I had never read them because they were too obvious to write down. But I've discussed this with marketers far smarter and more knowledgeable than I am. And they all make exactly the assumptions that this article challenges.

More importantly, some of the largest corporations in the world have been wrong-footed in their marketing, in their development of new products, and in the kinds of experiences they provide for their customers, precisely because they've ignored the principles that I'm about to outline. I'm talking about companies like General Motors and McDonald's, who could have seen the warning signs years ago by following the methodology I'm going to describe below.

But first, let me give you a few examples of what I mean.

RESTAURANTS AND THE HISTORY OF EATING OUT

After the French Revolution, the aristocracy with heads still connected to their bodies ended up in London. Deprived of their stately homes and chefs, they took to eating at an establishment set up by the great Escoffier. (Are you listening, France? Your cuisine was invented in England.) Clearly they were an elite, and this was not food for the masses. This tradition of grand restaurants serving extremely expensive, high-quality food has continued ever since in every capital of the developed world.

Once things had relaxed a bit in France, the 19th century saw the rise of the brasserie, serving a simplified version of haute cuisine to the new middle classes. The food was more simply prepared, the décor was a little less grand, and the formula was wildly successful.

Next came the Russian occupation of Paris in 1815. Cossack soldiers didn't mind so much about the

quality of food, they just wanted it fast. The Russian word for 'quick' is 'bistro'. Hence the rise of the restaurants of the same name, serving quick, fresh food to the hungry masses. The Russians left, but the bistros stayed. The food might not have been as fancy, but people liked the convenience.

By 1933 when George Orwell was writing *Down and Out in Paris and London*, you could sit down to one of the finest meals in history at Maxim's, and when your waiter knocked off work, he could get a *steack-frites* down the road for next to nothing.

By the 1970s the restaurant business in the UK was increasingly run by catering chains like Berni Inn and Beefeater, serving standardised versions of what the UK public believed was 'posh' restaurant food. Doubtless in London you could still get a terrific meal for a great deal of money, but most of us chose the convenience and simplicity of steakhouse fare over anything more expensive and challenging.

Next came the Americans. KFC and McDonald's revolutionised the concept of eating out (1). They normalised it. It became a natural occurrence to have a hot meal outside your home, and nobody minded that it was carbs soaked in saturated fat. It tasted good and nobody had to wash up afterwards.

Then, something happened. A new generation of restaurants began to rise in the UK. Pizza Express, founded in the late 1960s in swingin' Soho, suddenly found that it catered to a newly aspirational diner. Faced with the total ubiquity of fast-food outlets, we began to see their shortcomings. McDonald's was an unfriendly, wipe-down environment where you clearly weren't welcome to linger. It didn't serve alcohol. There were pictures of clowns. Basically, you were eating in a (very clean) toilet.

Pizza Express combined the convenience of McDonald's with a real, adult eating experience. It's been followed by chains like Chez Gerard, Belgo and Wagamama.

Here we see an almost-complete quality cycle: consumer demand pushes the quality of nearly all restaurants down. Once the lowest-common-denominator restaurants reached saturation point, consumer demand started pushing the quality up again (Figure 1).

The good restaurants didn't necessarily go away, but they remained for the tiny elite who were able and willing to pay. However, in a fully mature quality curve, the mass-market product actually overtakes the elite one.

FROM COFFEE HOUSE TO . . . COFFEE HOUSE

From 18th-century coffee houses where the intellectual elite invented the Enlightenment, coffee gradually became the drink of the urban middle classes in the 20th century. (Remember how Tom Courtenay aspired to drink coffee in the 1963 film *Billy Liar*?) Meanwhile the masses were given travesties like chicory coffee and then, post-WWII, instant coffee (2). Eventually we tired of Nescafé, and instant coffee became fancier (Gold Blend). Then Starbucks happened, and coffee would never be the same again (Figure 2).

The Starbucks phenomenon has been described as the 'fetishisation of commodity'. Something ubiquitous is elevated to an extremely high level. So much so, that it actually overtakes the elite (in this case gourmet) that the masses aspire to. The fetishisation of a commodity is the final point in the cycle, where the mass product crosses, and becomes indistinguishable from, the elite one.

LOOKING GOOD, SOUNDING BAD

Take a completely different consumer example: recorded sound. Professor Jack Dinsdale spent his

career analysing sound quality. His conclusion was that every generation of consumer sound reproduction technology was worse than the last, with one exception.

The first truly mass recorded medium were 78 rpm records. When these gave way to 33 rpm LPs, there was a dip in quality as the sample rate went down (the record went round more slowly). However, consumers didn't care, as you could store a lot more on a 33 than you could on a 78. Then came cassette tapes, a medium that wasn't designed for storing music at all. Philips created cassette tapes as media for dictation. But people picked up on their convenience and portability, and soon they were a giant global music phenomenon, much to Philips' embarrassment, because they sounded truly dreadful.

It's true that CDs were better than cassettes, but according to Professor Dinsdale, they were still inferior to vinyl LPs. Once again, people had chosen convenience (i.e. portability) over a core attribute (sound reproduction quality). In fact, it proved quite difficult to make something that reproduced music worse than a cassette tape. But of course, we managed it eventually.

Welcome the delightful ground-glass quality of mp3! It has the bass response of a bee in a coffee tin and offers the depth of a grand piano being played over a telephone. However, a 60GB iPod can store the amount of music that would fill a house with LPs, and there's no sign that anybody's going back to vinyl in any great numbers.

Recorded music hasn't been around as long as restaurants, so maybe it's not surprising that the curve hasn't started heading back up again towards quality (Figure 3). Mp3 players are still relatively expensive, and have not reached the kind of saturation that KFC attained on our high streets – yet. But with the possibilities of storing a life-time's worth of music on a single device, I would predict, using our model, that the curve is going to bottom out soon, and people will be demanding better-quality recording and playback on their devices very soon.

I COULD GO ON

But I won't. Think of beer, going from skilled local brewers to mass-produced breweries and ending up with Skol, the biggest-selling lager in the UK at the start of the 1990s. Now the market is dominated with brands that were then considered niche and premium. Or consider technology. There's a slight difference here, where Moore's Law stops mass-produced software from extreme quality drops (3).

I challenge you to find a product category that doesn't follow this pattern, where the core function is actually made worse through consumer demand: sunglasses, moisturiser, cars, high-street fashion, editing software . . .

THE TRAP

At some point along this curve, even the most dynamic brand is going to drop its anchor. By that I mean that consumer perception about the quality of your product is going to be fixed. And if that anchor drops while the curve is bottoming out, then it will take an enormous and immediate effort to get off the bottom and change consumer perceptions.

McDonald's, for example, stuck itself firmly on the bottom of the low-quality-food-served-in-toilet curve, and stayed there while consumer demand pushed the quality threshold upwards. Now it's playing catch up. It's too early to say whether its redesigned flagship restaurants, with wooden floors and non-hose-downable furniture, are justifying the investment with increased profits.

Meanwhile Kraft foods is experiencing flat sales in spite of continued fiddling with brand extensions. Its Tassimo high-end coffee product may help to lift it off the bottom of the coffee curve,

but it's little, and late. General Motors, whose Chevrolet and Opel brands have purveyed basic cars at bargain prices, is struggling for sales in a premium-obsessed market.

ESCAPING THE TRAP

So does every giant miss the quality curve upswing? Emphatically, no. And different strategies seem to be successful. Take Ikea. Ikea is (as far as I know) unique, in becoming the only brand leader in the world that's got there simply through price. The people who brought you the (badly built, semi-disposable, unpleasant to purchase) £50 Billy bookcase are employing two parallel strategies. One is to increase the quality of its products and move its whole range upmarket. The second is to expand into high-end furniture retailing through purchases. In the UK, for example, it has bought the Conran-founded Habitat (which is itself going upmarket thanks to the creative directorship of Tom Dixon) and that icon of arts and crafts movement chic, Heal's.

Similarly, Volkswagen is turning from a mass producer of basic cars into a luxury brand through the purchase of Bentley, Bugatti and Lamborghini and the production of the Phaeton. True, the Phaeton is hardly a success story. The Bentley, which is basically the Phaeton with a different badge, sold more units in 2004, despite costing nearly twice as much. However, this is only testimony to the inertia that brands face when pushing themselves up the quality curve. (I have full faith in Volkswagen's ability to pull it off. Look what it did to Skoda. And Phaetons are unbelievably good cars.)

GETTING BACK UP THE CURVE: KANO STRATEGIES

The simple practice of doing what you do, only better, is just one way back up the curve.

In the 1980s, Professor Noriaki Kano developed a model to show the connections between implementing product features and customer satisfaction (4). While intuitively you might think that the better you do something, the more people will like you, Kano demonstrated that the relationship is far from simple.

In fact, there are three different ways that consumers relate to improvements in products. Sometimes there's a simple linear relationship. He calls these 'one-dimensional attributes'. But, most times, there isn't. Some attributes are 'threshold attributes'. Far from being attractive, these are seen as the price of entry into a market. (For example, safety in cars: ten airbags don't make a car much more attractive than eight.)

Then there are 'attractive attributes'. When these things are absent, a customer doesn't really notice them. But their presence causes customer satisfaction to shoot up. Think of the ice creams and massages that Virgin gives its passengers on long-haul flights.

According to Kano, there are two ways to lift yourself up the quality curve. The first is to execute your linear attributes at an ever-higher level. The second is to do unexpected things that delight your customers.

However, when you look at the pattern suggested by the quality curve I've outlined, there's a problem with Kano's model. Delighting your customers might not be enough if your brand anchor is too firmly rooted in a 'quicker, cheaper, easier' model. Starbucks could fetishise the coffee commodity because it wasn't the brand that commodified it.

Timing is everything. Ikea started a campaign of 'name' designers and higher-quality products years before the furniture quality curve bottomed out.

WHAT YOU CAN DO TO AVOID THE TRAP

Your first step is to draw your market as a quality curve. What stage is your market at? Has it reached ubiquity? Are there mass brands that are actively pushing up the linear and attractive attributes? Plot them on the graph. Then plot your own brand on the curve.

If you're on a curve that is still heading downwards towards complete mass ubiquity (for example, video cameras or digital music players), then you need to consider a strategy that gives you a wide enough range to encompass mass-market goods, where the big money will continue to be in the short to mid-term. However, you need to consider creating a high-end offering, even if the margins are much more limited, because this is where your market will ultimately head. Canon is doing this brilliantly in the digital imaging arena, with entry-level products like the Ixus/Elph and professional-level sophisticated video and still cameras. The professional brands of today will be the consumer fetish products of tomorrow.

If your market has bottomed out, then you need to consider how hard your brand has been anchored at the bottom. If you are easyJet, for example, and your brand is known for little else, then strategies of improvement and the additions of unexpected delights may not be enough to shake off associations of a product that's been pared back to a minimum and painted orange. Purchases of other brands may be the only alternative to decline and consumer indifference.

GO UP OR DOWN, BUT NOT SIDEWAYS

Don't miss the most obvious thing about the quality curve: it's a curve. You have to decide whether you're going down towards convenience and ubiquity, or up towards fetishisation and customer delight. Don't fight the curve. Don't develop brilliant products in a market that doesn't care about them. That's why Apple is small and Dell is big. And if you're going down, start laying plans for what happens when you need to go up. Volkswagen has Bentleys and Phaetons. Virgin Atlantic has Upper Class.

What have you got?

(1) Arguably McDonald's is not a restaurant, but rather the apotheosis of street food. However, as it persists in calling itself a restaurant chain, I say it's made its bed and they can lie in it.
(2) Maxwell House instant coffee, like bistros, was developed to meet the needs of soldiers.
(3) However, see Nicholas Negroponte's comments on computer speeds in *Market Leader*, Spring 2005, for confirmation of the 'quality curve' in action.
(4) Kano, N. (1984) Attractive quality and must-be quality, *Hinshitsu, The Journal of the Japanese Society for Quality Control*, April, pp. 39-48.

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FIGURE 1: QUALITY CURVE: RESTAURANTS

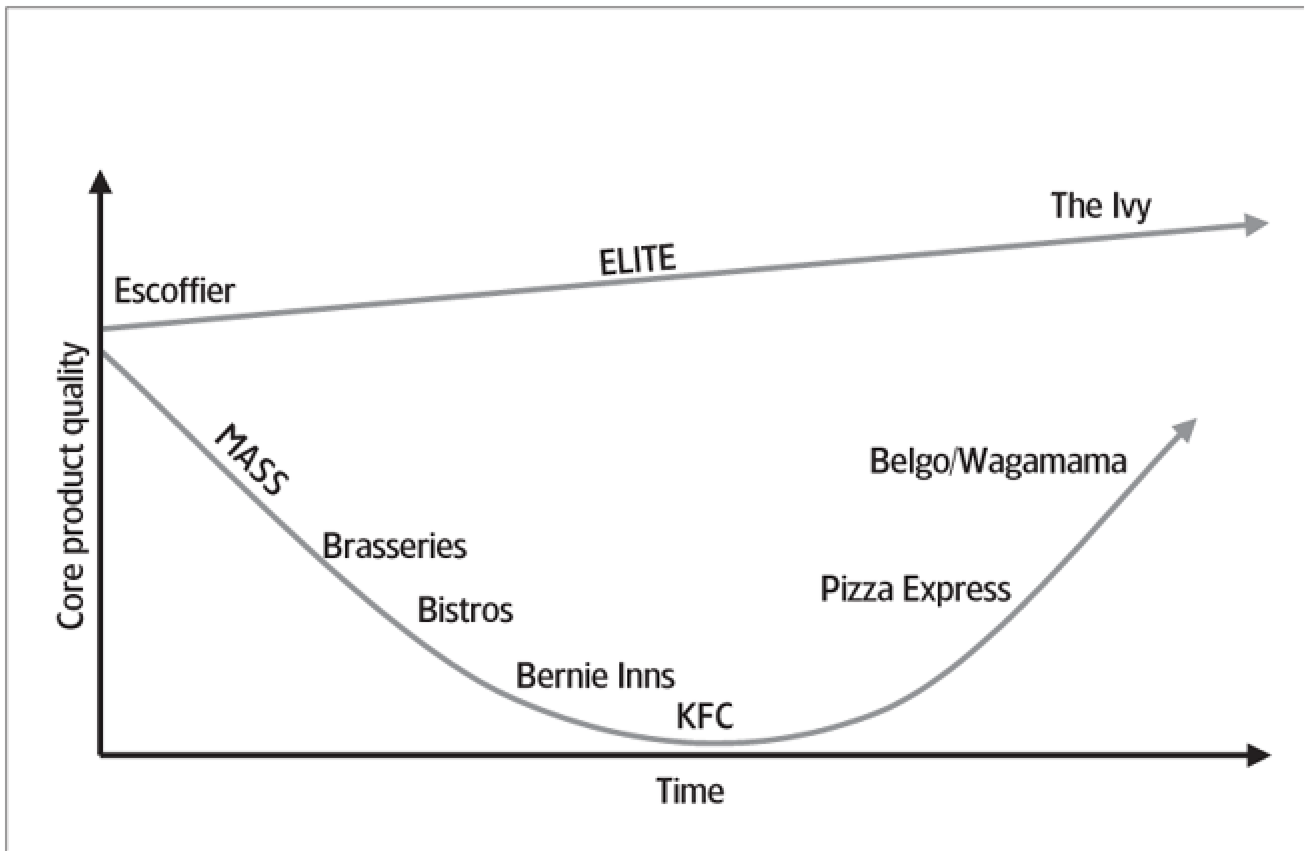


FIGURE 2: QUALITY CURVE: COFFEE

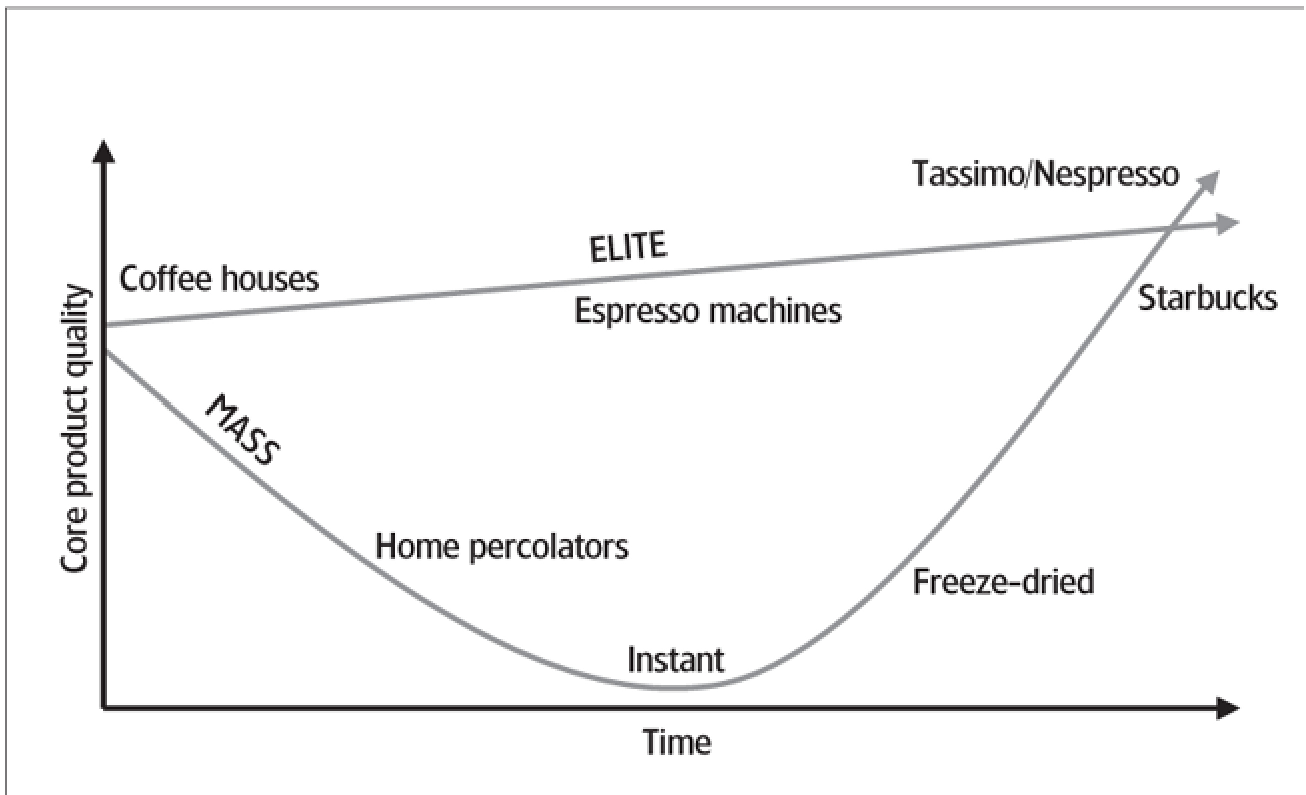
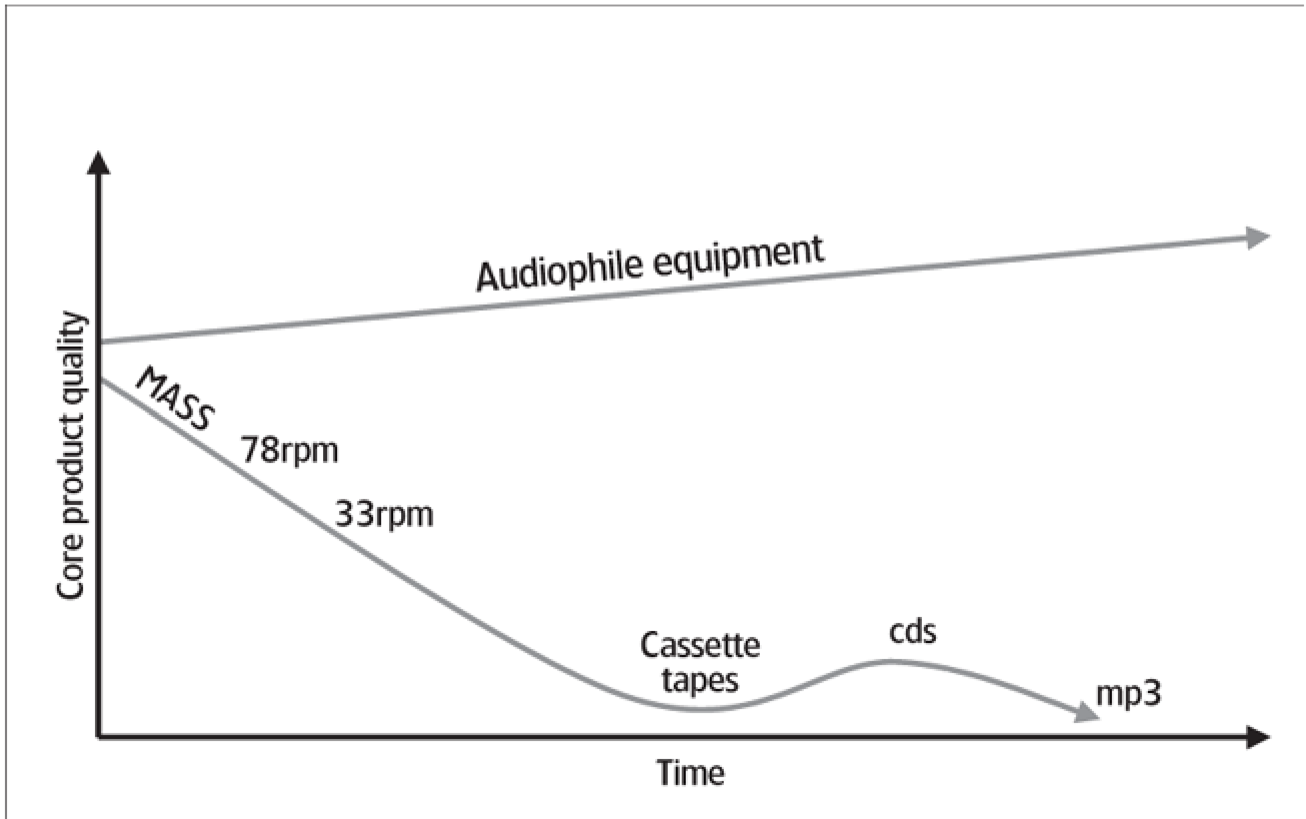


FIGURE 3: QUALITY CURVE: RECORDED MUSIC



Market Leader
THE JOURNAL OF THE MARKETING SOCIETY

Published by World Advertising Research Center Ltd
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Tel: +44 (0)1491 411000 Web: www.warc.com

Issue 30, Autumn 2005

Measuring Marketing: Six Ways To Do It Better

Andrew Likierman
London Business School

Pressed for measures, it is sales and cost trends, numbers of qualified staff and so on that are usually the first to be wheeled in by the marketing function. But as marketing professionals know to their cost, such numbers used in support of performance can be easily knocked down. Are those glossy sales the effect of all boats being lifted by a rising tide of sales or prices? Is spending more money a good idea or a bad one? So what if staff are qualified – what do they achieve?

The next stage may be to try something more convincing, starting with figures showing how low is the proportion of marketing spend to sales compared to the industry average. Then there might be a chart showing trends of discounts squeezed out of targeted media. Alas, these too are vulnerable in the budget bear-pit. So what if we spend less than others if they do better? And can the figures be compared anyway – they're much bigger/smaller than us? Can we really show that we got better discounts than the others?

At this stage the temptation may be to give up, on the grounds that it's too difficult, and appeal to the chief executive on first principles. The marketing function creates revenue, the rest of your team don't – trust us. The temptation should be resisted. It's right to be asked to justify the use of scarce resources and to measure the value of investing in a marketing function compared to other uses for the money. So let's see what's possible.

WHAT TO DO?

The first step is to recognise – and let others know you recognise – that not everything *is* possible.

To start with there are issues about the boundaries of marketing. The positioning of decisions about product and price vary hugely, which makes performance comparisons difficult for the whole of the function. And even when marketing functions are responsible for similar tasks, how far they are integrated into the rest of the business may vary – the more successfully embedded in the line, or in cross-disciplinary teams, the more difficult to separate marketing's own contribution.

Then there are the measurement problems. To take two straightforward examples: we're not going to be able to put everything into numbers, and there's a need take account of the parts which can't easily be counted, such as creativity and staff quality; the other is the inevitability of a year-end effect on the way sales are booked.

Finally, there's the decision on how to handle the difference between the success of the marketing function and the success of marketing. The question here is who decides policy. If all aspects are decided by the function, then they should take the plaudits for good marketing results and the brickbats for disasters. If some or all policy is decided elsewhere – in corporate headquarters, on another continent or even in another part of the business – performance measures should cover only the parts for which a local marketing function is responsible. Do you first hear about your company's

product launches from the trade press? Then why is 'per cent of revenue due to launches in the past three years' part of your set of measures? A commentary on performance should make clear where responsibility lies.

Recognising these limitations, here are six ways to improve the performance measurement process.

1 Make Sure Performance is Linked to the Organisation's Objectives

Many in marketing may take it for granted that 'What's good for us is good for the organisation', but keeping the function in the mainstream of the business, as opposed to a marketing-centric world, means clearly connecting to the expectations, objectives and constraints of the organisation as a whole. In practice it means linking more firmly to overall financial objectives, assuming these are driving the business.

One example would be agreeing measures with finance to judge the trade-offs between cash flow targets and credit policy. Another example is measuring investment in long-term cultivation of selected customers that matches profit targets. The impact of the measures needs to be reinforced by setting targets at levels defined by the organisation's objectives, not by marketing.

2 Improve the Sophistication of the Measures and their Use

More sophisticated means better, not more. The inclination may be to run riot with measures, but beware a loss of focus – probably the most common reason why balanced scorecards are dropped. Nor does sophisticated mean pseudo-scientific garbage or the incomprehensibly complicated.

Although there is room for some measures showing marketing activity and cost, such as the use of data envelopment analysis (1), the focus should be on what's achieved, not what's being spent or done, subject to that being the responsibility of marketing.

Price premium or higher volume at parity price are examples, providing they can be tracked to provide even a credible approximation. Most cost and activity measures ('Advertising cost per thousand target buyers'; 'Average number of calls per sales person per day') are best kept for internal use, since outside the function they are likely to provoke a 'So what?' reaction.

It hardly needs saying that the most straightforward way to improve sophistication is to use existing data to gain fresh insights. Different connections from the database, or peeling away the onion layers to get a better understanding of what's happening on the ground, may be all that's required. Instead of 'Sales staff turnover' as a whole, what's needed is a division of losses between those we didn't want to lose and the people we are pleased to see go. More website clicks? Yes, but what's the evidence of links between clicks and sales?

The next stage is to sharpen the targets and objectives for what is measured. Targets need to be checked against performance in previous years, and, if the information is available, against what others can achieve. Vague statements about progress in 'developing the brand' or 'enhancing customer loyalty' are not good enough. Better go for milestones for projects to do either.

Another approach is to make sure that when it's difficult to measure directly, any proxy measures used are credible. Calculating a 'return on marketing investment' will soon be subject to sceptical scrutiny by finance. If the assumptions are then discredited, the credibility of all other figures is affected. Much better to avoid measures where you can't find good ones, and give a cool and realistic analysis of major customer trends and prospects.

There's plenty around to provoke ideas about greater sophistication. My London Business School colleague Tim Ambler has lots in his book *Marketing and the Bottom Line* (2) and his suggestions on

measuring brand equity are of particular value in this context. An example for those looking for lead indicators for brand/company performance might be to consider the Y & R model.

3 Give Priority to Consistency of Data Over Time

As the tenure of senior executives in all functions gets shorter, many measures get binned before there's time to build up a good run of figures. It's understandable that one of the first actions of a new marketing director is to chuck out the old measures and go for a bright new dawn.

But there are big disadvantages in a high turnover of measures. The data may be flawed, but if they covers a reasonable run of years or quarters they can at least be interpreted, with all their flaws. Short runs of figures, on the other hand, are of limited use, no matter how good the measure. Procter & Gamble's record in keeping records over a long period on such matters as relative price is an object lesson in the value of data consistency. It helps to isolate the effects of marketing efforts and to link suppliers to sales performance.

The most sensible strategy for a new marketing director is to hang on to existing measures for use inside the function for a period until any new measures are established. Old ones can then be dropped if found to be redundant or misleading.

4 Use Comparisons wherever Possible

Of course, you're already looking for best practice, not least because external comparisons will always be more credible than those used to measure against your own targets or what happened last year. But assuming that the definitions of what's covered by the term 'marketing' and the lack of exactly comparable organisations mean that it isn't feasible to find organisations that offer clear comparisons and that are willing to share detailed information, it may not be possible for the marketing function as a whole.

So it's probably worth focusing on parts of the function to compare, perhaps through mutual peer review or a benchmarking club (3). Once activities are broken down into smaller elements, these comparisons can be outside your own patch. Best practice in customer support, pricing policy or even discarding pain-in-the-neck unprofitable customers may well be very relevant, even though they're in a different industry or even a different country.

In addition, what about talking to other functions in your own organisation? Research and development and IT may have very similar problems about how to quantify costs and benefits. When was the last time you talked to them about their approach?

5 Improve the Quality of Feedback – Especially Face to Face

You know all about what the customer thinks about the product, but how much do you know about what your colleagues think about marketing? Well, you may argue, they don't really have the experience to make an informed judgement. Yet judgements are precisely what they make in discussions about financial priorities.

The information gap between their understanding and yours is most serious when the need is to capture not only whether marketing is doing a good job, but to help colleagues understand what is possible. An example here would be agreement about the costs of not undertaking a particular campaign. This kind of discussion is possible only if your other measures are credible. If they are not, careful analysis turns into special pleading.

Face-to-face feedback among a wide range of functions will be the way to get a feel for how

marketing is perceived. The discussions can also provide the chance to try out new ideas and give colleagues a sense of ownership about your initiatives. How well did that product launch go? And what are the trade-offs involved in outsourcing?

6 Acknowledge the Limitations

Acknowledging the problems and limitations of measures is a sign of strength, not weakness. It also enhances the credibility of the measurement process. The data on enquiries, lost customers or billing errors may be suspect because the means of picking up the figures is fallible. Much better acknowledge the issue and deal with it before others find out – in many cases the need is to mitigate the problems, not solve them. If the data problem can't be fixed, drop the measure altogether rather than have misleading results.

Conflicts and ambiguities should be identified so that senior management understand what is possible. Above all, don't quantify everything as a means of justifying it. As with every other function, there will be unquantifiable elements that need to be acknowledged and accommodated and, in any case, a commentary will be needed to explain what's going on. Better by far to have a good description than a precise, but silly, measure.

CONCLUSION

The initial reaction to the call for better measurement of the marketing function is probably impatience at having to bother, worries at what might be shown up or concern about how to do it – perhaps all three. But pressures to measure will only increase, with the arrival of the Operating and Financial Review providing new challenges for forward-looking indicators.

The six suggestions above will help in being ahead of questions about what the marketing function is adding. As important, the suggestions should act as a check on whether current measurement is up to the job. The process of devising, implementing, refining and using the measures will, especially if done in-house, amply repay the time spent, since it will also force thinking about priorities and the role of the function itself.

(1) A statistical technique to compare relative efficiencies, in this case for sales units.
(2) Ambler, T. (2003) *Marketing and the Bottom Line,* FT/Prentice Hall, 2nd edition.
(3) An agreement to share information with a group of organisations through a third party, so your own figures can be compared to the average of the others but no others are individually disclosed.

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Issue 30, Autumn 2005

Priceless Marketing

Jeremy Nicholds
MasterCard Europe

JUDIE LANNON: There have been a number of wide-ranging changes in the payment business over the last few years. In your opinion, what have been the most important?

JEREMY NICHOLDS: An important change that is very much on the horizon right now is the development of the Single European Payments Area, which will require a number of players in the payments industry to re-evaluate how they are structured, in order to achieve compliance. It's actually a key driver of change at the moment and one that we see as being a great opportunity, as it will help speed up the replacement of cash and cheques with more efficient payment cards.

Consolidation has also been a big theme. In the last five or six years, there's been a consolidation of players in the US and an invasion of the UK card market by American players. Now, we're starting to see UKcard companies enter the US and other world markets and a consolidation in the UK market, as well as in continental Europe. A recent example is the acquisition of the German-headquartered HypoVereins Bank Group by Unicredito – a big Italian banking group. Cards are a key part of both of those businesses.

In addition, there have been a lot of new entrants into the card-issuing business, intensifying an already competitive environment – retail groups like Tesco, Marks & Spencer and Carrefour, plus other types of financial institutions, like Prudential with Egg, who have seen healthy profit opportunities but have inevitably contributed to general margin erosion.

JL: What about the technology side?

JN: There's been a relative explosion of debit card use over the last decade. Whereas credit cards used to be the leading kind of plastic card payment in the UK, debit cards now account for more transactions and more total transaction value. We're seeing the almost complete demise of cheques and people are getting more and more used to using plastic rather than cash.

We've also seen the development of chip and PIN – the deployment of integrated circuit chip technology – in the UK. Approximately 85% to 90% of transactions are chip and PIN. But this is not just a UK phenomenon. It's actually part of a near-global move to what is called the EMV technology standard.

Payment cards have been based on magnetic stripe technology for almost 40 years. This new chip technology standard allows more secure transactions, which is obviously very important in terms of the rising cost of fraud, but also gives far more flexibility with the card to store data. Now that the infrastructure is in place, the question will be 'What other things can you actually do with it?'

JL: There has been a lot of optimism on the development of smartcards but that development has been slow. What's holding it back?

JN: Smartcards represent huge investments in terms of changing the infrastructure, particularly

around the terminals – where you currently swipe your card or dip your card in. Whether one is looking at bank-owned terminals supplied to retailers, or the integrated point of sale systems owned by the bigger retail chains, it takes time to get agreement because there has to be a business case for all parties.

Infrastructure rollout is always an issue. A feature of the cards business is the chicken-and-egg phenomenon – having people out there using cards and also the places to use them. You don't want to find that, three years after launching a new product, finally someone turns up with it and your checkout staff have forgotten what they're meant to do with it!

But we're getting to a more mature stage now that chip and PIN has become standard. So in the next couple of years, banks in the UK are likely to start replacing their first issue of chip cards with more sophisticated chips and they'll be thinking of different things to do with them. Certainly, I think you'll see more creative thinking about smartcards in the near future.

JL: Europe seems to figure significantly in MasterCard's approach. What are the priority countries on the continent? (see Figure 1)

JN: Europe is very important in our global strategy. The major markets for us are the UK, France and Germany, but there are other important markets as well.

Spain and Italy are developing very fast. Italy, in particular, still has a high prevalence of cash payments so, in terms of our war on cash, Italy is a key target country. Poland is another important market because 97% of transactions are still made using cash. Turkey is also very interesting because it's one of the most sophisticated card markets in Europe, if not the world. And, of course, the Benelux market, where our regional headquarters are based, is particularly important for us as well.

In terms of our bank customers, some of the major banks are developing in eastern European markets and where they go is important for us. We see ourselves very much as a global company, so we need to be putting the right solutions in place for particular markets. And Europe is quite different to many other parts of the world, so it's important for many of our customers that they have specifically European-flavoured solutions.

JL: Your CEO was quoted as saying that MasterCard was in a bubble away from the realities of modern business. What did he actually mean by that?

JN: One of the really positive aspects of our business is the fact that there is a long-term underlying trend for people to use plastic in place of cash and cheque, and so we currently enjoy a healthy growth rate. This can tend to insulate a business a bit.

While I wouldn't say we are a protected business, we are in a business where this underlying growth trend is set to continue. It's a fact of life that younger consumers have never really known the practice of writing cheques to get cash. They're growing up with cards. There's been an explosion in online transactions. In the UK, this grew by over 30% last year and we also saw a growth of 67% or so in cross-border online transactions.

CASE STUDY: A 'PRICELESS' CAMPAIGN

In 1997 MasterCard was experiencing intense competitive pressures and was lacking consumer relevance. Member bank confidence and support was failing and global support was eroding. MasterCard needed an idea to cut through old perceptions and misconceptions, to be pulled from the conventional, predictable competitive set and to be elevated to a new brand space. The criteria for this idea was that it had to be relevant, newsworthy, memorable, change behaviour and prove itself by driving measurable and quantifiable preference for MasterCard.

Thus, the 'Priceless' campaign was born. The mission of the campaign was to grow brand awareness and gross dollar volume in each market MasterCard was present.

In order to create communications that are real and genuine, the campaign was developed using real and genuine anecdotes, narratives and experience. 'Priceless' was positioned as 'emotional function' plus'functional role', equalling the global payments leader. This developed in to 'the best way to pay for everything that matters' and eventually emerged as 'There are some things money can't buy, for everything else there's MasterCard'.

The key elements of 'Priceless' commercials are the purchases, the priceless line, the theme line, functional and acceptance message and iconography. They portray MasterCard's core emotional association – the things that really matter in life: relationships, shared emotions and quality time – the things money truly can't buy. Creatively, they reveal real human insights that strike a chord and move people. The 'Priceless moments' reflect core human values and truths in a moving and surprising way.

It is a transcendent idea that is based on universal insights. Examples of this are US 'Pets' which has run in seven markets and global 'Swap' which has run in 37 markets. However, in order to seed the campaign locally, it was critical to produce work with different profound local relevance, for example in Canada – 'Our Game' celebrates the Canadian national sport, hockey, and its integral place in Canadian culture.

The power of 'Priceless' is its flexibility, elasticity and adaptability as a global communications asset and a powerful marketing platform. It fully supports and embraces the drive for profitable revenue growth; it addresses a variety of local challenges and establishes a relevant, emotional bond with consumers throughout the world. It is a branding device, sales tool and mindset which works across business objects, executional formats and mediums, products, promotions and partnerships, languages and cultures, targets and lifestyles.

Now Priceless is celebrating its seventh anniversary with 365 TV ads in 105 markets around the world, in 48 languages. The format has the ability to transcend media vehicles to evolve from the traditional 30”, three purchases TV format. This is demonstrated in evolving TV format, print, OOH, internet and POS executions. There are a number of contributing factors to the success of this global campaign: one global agency network (McCann Erickson) coordinating advertising around the world, one brand footprint around the world, one global brand position, one campaign around the world . . . that crosses borders and boundaries, one campaign that resonates around the world, all of which equals one success story.

It is one of the most awarded advertising campaigns including two Gold US Effie awards, Bronze Effie (2000) and a Gold Effie (2001) in Europe, a Midas Gold Award in Germany (2001), Silver in the NY Festival International TV, Cinema and Radio (2004) alongside global, Asia and Latin American awards.

Since the launch of Priceless, MasterCard volume has increased 62% – over a trillion dollars. The card circulation is up by 52%, totalling 559 million cards worldwide, and acceptance locations have reached 28 million worldwide. The mission for Priceless was to prove itself as a great campaign. This has been achieved and will continue to strive and develop. Larry Flanagan (CMO, MasterCard International) confirmed this by stating that >'Priceless is our largest corporate asset and strategic difference'.

Arjen Kruger

Vice President, Marketing and Communications MasterCard Europe

Also, of course, we are a stage removed from the end cardholder because our customers are the banks that are either issuers of cards, or the banks that process transactions for retailers. So, although our focus is on all the stakeholders involved, including the cardholder, we are still slightly removed from them. The banks are at the sharp end, fighting it out in the market to win customers to their card and that's a pretty intense fight. There is also intense competition on the payments processing side of the business at the retailer end.

Another factor is that MasterCard has grown up as an association of members. We're now much more customer focused and commercially minded. A huge part of the success we've had in recent years hasbeen because we've focused on the commercial success of our bank customers and shown we can help them to build their businesses and increase their profitability.

So these days we are certainly no longer in that bubble!

JL: How exactly do you see the competitive frame?

JN: We think of our main competitor as cash. But on the card side, there are other large players in the game. In some of these markets, we are number two; in others, we're the market leader. There's American Express, which is putting renewed energy into developing its position, but Visa is the principal company we measure ourselves against and we seek to be a better business partner for our banks than they are.

If you look at major card launches in the UK in the last couple of years, we've had all of the serious ones. Marks & Spencer chose to work with MasterCard on pretty much 100% of its card base. John Lewis decided to go with us. The big Sky launch that Barclaycard undertook recently as a major new card is exclusively ours. Harrods also uses MasterCard.(see Figure 1)

Although end customers may not see big differences, the fact that the big launches have all gone MasterCard's way is because, in the business-to-business sense, there's actually a clear difference in the way we work with our bank and retail customers and it's a difference that seems to be working for us.

JL: What specifically then are you doing to demonstrate your value to the retailers on the one hand and the banks on the other, that you feel is better than anybody else?

JN: Starting with the banks, we have invested in a consultative customer-management approach. This means having dedicated teams of people, each one focused on an individual bank customer, to understand all aspects of their business, benchmark their performance, advise them on how they can optimise their performance and introduce new ideas.

We've also put substantial investment in building up a consultancy business called MasterCard Advisors. These advisors are experts in portfolio management, customer acquisition through direct mail and direct sales techniques, operational fraud management, risk management and so on – all the aspects of the card business that our bank customers have to be very good at. It's a consultancy unit that is purely focused on payment cards that give banks the kind of advice and level of expertise they couldn't find anywhere else. So, building up top-quality advisory services has been a key route to differentiating ourselves from other people to our bank customers.

JL: And retailers?

JN: As far as retailers are concerned, we're putting renewed energy into working with our banks to understand what retailers' particular needs are and making sure that, when new products or new services are developed, those needs are properly considered.

Also, we're working more and more on the promotional side. Retailers are always looking for additional sales volume, so they're very happy to have someone like MasterCard working with them to develop new promotions and offers, which we can put to our banks' cardholders. And – with over 350 million MasterCard or Maestro-branded cards held by customers in Europe – that makes us a very attractive partner to work with.

JL: How is the MasterCard brand developing and what do you see as its main features?

JN: The breadth, strength and leveragability of our brand platform are very important to our competitive positioning.

We are a major sponsor of a number of very valuable properties that reflect people's passions. So, football is a major area of activity for us because it's the world's biggest sport and one that generates a fantastic level of passion and excitement. With the FIFA World Cup, the UEFA Champions League and Euro 2008, we have the best properties in football and we've struck our sponsorship deals in such a way that we can pass the sponsorship rights through to our bank customers and retail partners.

Obviously, that means we're an attractive partner because people who are selling sponsorship rights want to see the sponsorship property succeed. In the UK, we have the Brit awards, which has been a successful property for us for over seven years now. In other markets, we sponsor things that are locally important – such as tennis or hockey – depending on what the big national interest is.

JL: What, then, is the role for consumer advertising?

JN: In less developed markets, consumer advertising mainly has an educational purpose. For example, there are still markets that are heavily debit-focused, with not much of a credit card industry yet. So, advertising there takes the form of trying to educate people about the benefits of using a credit card over a debit card, cash, cheque or even loan.

But in more mature markets, such as the UK, our focus is driving spend. It's key for MasterCard to be top of mind, so it's clearly in our interests and in our banks' interests to have memorable advertising. The 'Priceless' advertising platform that has been developed over the last six or seven years is working now in more than 100 countries.

JL: How would you describe the positioning?

JN: In the UK market, it's only about seven or eight years since Access was the payments brand. So, when the banks decided to sell Access to MasterCard and move to a MasterCard platform, clearly there was a job to do getting the levels of awareness of MasterCard up to the same levels of awareness as Access. To do this, we felt we needed a major advertising campaign, if not an iconic one.

The 'Priceless' campaign, which has been enormously successful, seeks to position MasterCard as a more human, empathetic payments brand. The idea is that there are really important things in life – the human values and relationships – but, for everything that money can buy, there's MasterCard. We felt this kind of approach was the best way of building an emotional attachment to the brand.

JL: Even though it's apparently to consumers, it has a job to do with the intermediaries as well, doesn't it?

JN: Oh, yes, definitely. In some of our markets, our marketing activities are funded by both MasterCard and our member banks. They're very supportive of the 'Priceless' platform. They see it as being a great advertising platform that has really worked for them.

JL: By the end of this year, what do you hope you'll be able to say was your biggest achievement of 2005?

JN: We've put major investment into customer relationship management and into developing the services we provide our banks. So, I think that to have secured a preference among the major issuers of Europe would be a key goal for us. To be well on the way to being seen as Europe's preferred payment card, and generally regarded as best business partner by banks and also retailers, is what I hope will be achieved by the end of 2005.

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FIGURE 1: A SCENE FROM THE MASTERCARD 'WEDDING' AD – PART OF THE VERY SUCCESSFUL PRICELESS CAMPAIGN

Market Leader
THE JOURNAL OF THE MARKETING SOCIETY

Published by World Advertising Research Center Ltd
Farm Road, Henley-on-Thames, Oxon RG9 1EJ, UK
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Issue 30, Autumn 2005

Magic and Logic: Bridging the Marketing Gap

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In large brand-led organisations there is typically significant tension between the finance and marketing departments. The finance team frequently ask 'Why doesn't marketing spend their money wisely?' while the marketers will be asking'Why doesn't finance trust us?' Finance is now turning the screw by introducing procurement professionals to apply the rigour of professional purchasing to marketing activities. Marketers are fearful that their opportunity to set the agenda will be further eroded.

At the heart of the issue lies a widespread suspicion that marketers' commercial skills are significantly less well developed than other heavily spending parts of an organisation. For example, in a recent study, marketers rated themselves as 75% excellent at both 'results orientation' and 'commercial ability and financial understanding' in stark contrast to 40% and 35% respective scores when rated by other departments (Shaw & Radford 1997). In the case of 'effectiveness of controls' 60% of marketers rated their own performance as good/very good, while their finance director colleagues rated marketers' performance at a lowly 30%. In contrast 90% of FDs rated their performance at good/very good level whereas marketers felt that 60% of their FDs achieved this level (Shaw & Fisk 2002). Clearly, the marketers' belief that their mastery of commercial controls was about the same as thatof their finance colleagues is poles apart from the massive 60% differentiation that finance perceives.

What often eludes both finance and marketing is the true cause of the friction between them, namely the failure to recognise that there are two different disciplines at work within marketing, one creative and the other operational.

Creative marketing provides the 'magic'. It drives the creation of the ideas and concepts for new products and their communication. This discipline is characterised by the participation of a small number of high-calibre people. The approach is generally ad hoc and not very data driven. Success is measured by the quality of the output rather than the efficiency of the process.

Operational marketing relies on 'logic', it is the delivery of activity to consumers, be it advertising, promotional material or even packaging. This discipline is characterised by completely different skill-sets. Here success is achieved through factory-style replicable processes, single-minded focus on efficiency and the elimination of waste. Automation and information management are often vital enablers to smooth running, and generate opportunities to measure and evaluate output data to enable optimisation over time.

Most marketing teams are hired and rated on their ability to deliver creative marketing. The things that make them good at 'magic' (for example, out-of-the-box thinking) are not well suited to successfully delivering operational marketing. This leads to all sorts of problems: excessive costs, missed deadlines, and lack of accountability and transparency in terms of cause and effect (the marketing inputs and outputs).

It can be argued that this operational inefficiency is an acceptable cost of having great marketers.

The difference between brand success and failure will have more to do with the quality of the creative marketing than the efficiency of operational marketing, i.e. great creative marketing that is poorly executed is still great marketing. In cost-conscious times this is clearly a difficult argument to defend, and, even then, there is another significant issue to consider.

The inability of marketers to recognise and optimise their operational marketing capabilities presents a formidable barrier to successful engagement with the rest of the organisation. If their efforts are tainted by a suspicion that things could have been done less wastefully and marketing initiatives are reviewed in this context, why would a finance department or general management support a bold creative idea when they feel a significant percentage of the operational budget will be poorly spent?

WHAT CAN MARKETERS DO ABOUT THIS?

First, they should recognise the clear differences between 'magic' and 'logic' in marketing and treat them accordingly. A good starting point will be to separate key marketing activity into each category. Creative marketing combines creative development, brand positioning, media strategy, innovation and consumer insight while operational marketing covers the relatively 'unsexy' areas of production, printing, asset management, media buying and agency remuneration. An obvious paradox is that while 'magic' captures more than 80% of conventional marketers' time and attention, it is 'logic' that accounts for more than 80% of marketing spend.

The second imperative is to develop a better understanding of the key drivers that make the difference to the operational excellence. These will include achieving scale economies through 'bundling' volume of marketing activity across brands and geography, reviewing suppliers to ensure that lowest cost specialist suppliers are used where appropriate, and that the marketing supply chain is clearly defined, underpinned by efficient process and supported by enabling technology. Controls and measurement should be transparently expressed in terms understandable to non-marketers.

Armed with new clarity on exactly how the marketing supply chain works and where the costs are, it is a surprisingly straightforward task to start to demonstrably improve operational efficiency. Results are dramatic: typically, international marketing companies are able to reduce non-productive costs by the equivalent of 5% of overall marketing spend within the first year. Individual areas of spend such as production and print may be expected to fall by 30-50%, with the knock-on effect of reducing agency fees by around 10% in recognition of reduced workload as specialist tasks are redirected to lower-cost suppliers. These significant cost improvements are invariably accompanied by measurable improvement in speed and predictability of delivering marketing communications within an information framework that is transparent and accessible to marketers and non-marketers alike.

Armed with the understanding of the importance of 'logic' excellence senior marketers are better equipped to engage with the mainstream organisation. As an added incentive the considerable financial savings achieved can be redeployed as additional 'magic' activity to support brand growth.

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