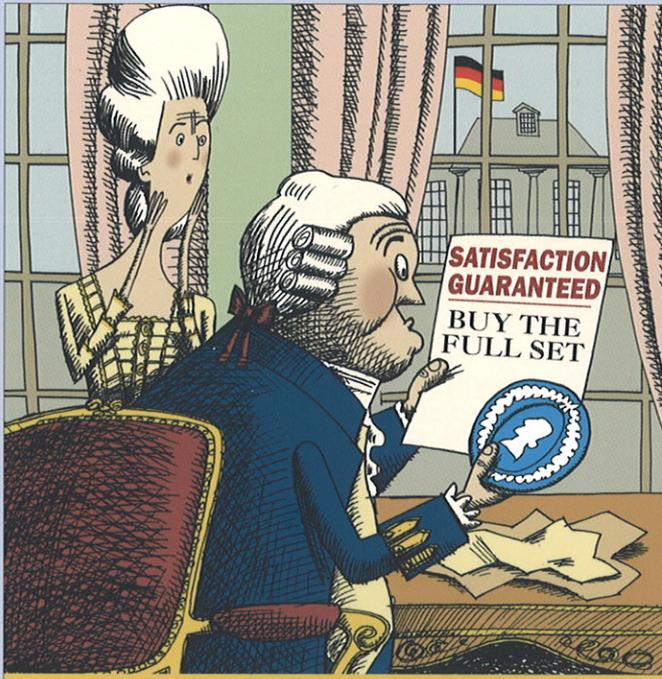


Market Leader

NEW THINKING, DIFFERENT PERSPECTIVES



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LAURIE YOUNG

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Never mind the sizzle ... where's the sausage?

DAVID TAYLOR



Marketing is the boss

INTERVIEW WITH ROISIN DONNELLY, CORPORATE MARKETING DIRECTOR, P&G



The pursuit of effectiveness

LES BINET & PETER FIELD



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Somewhere West of Laramie

[Jeremy Bullmore](#)

I've never forgotten the trailer for Alfred Hitchcock's *Psycho*. If you've never seen it, go to www.youtube.com/watch?v=EzAnE4zuYuA.

Why don't they make trailers like that any more?

All modern trailers seem to come out of a computerised trailer-maker that's been programmed not by a human being but by the last 1000 trailers to emerge from that very same trailer-maker.

They use sound to indicate not the distinctive characteristic of any film but to bludgeon the senses as if in a disco. They use special effects indiscriminately. The pace of the editing is frenetic, irrespective of the pace of the film itself. Lines of dialogue are selected not to hint at the storyline – the film's premise, its narrative hook – but for their ability to shock. Sometimes the nature of that shock is totally out of sympathy with the mood of the movie. These trailers could be for any one of 50 quite different feature films.

The *Psycho* trailer could be for no film other than *Psycho*. Hitchcock himself takes us on a guided tour of the scene of the crimes. At one point he opens a cupboard, the door swinging towards the camera so that we can't see inside. He looks in; then closes it again with just a flick of an expression in our direction. We never know what he's seen. The music track is gently insistent yet never intrusive. The pace throughout is almost leisurely and the content – until the very final moment – quite unsensational. Yet the suspense that's built up and sustained would keep the most restive of audiences with hands frozen over their popcorn buckets.

The *Psycho* trailer is a brilliant advertisement, a masterly example of brand persuasion. You know precisely what to expect, why it's good and why you've got to go and see it. The only thing that might stop you going would be your fear of being too frightened; and that's a bit like deciding not to buy a box of chocolates in case you enjoy them too much.

Today's trailers, I suspect, are made not by people who love films but by people who love trailers. When they set out to make a specific trailer, their inspiration is not the specific film for which it is designed but those other trailers that are most admired by other trailer-makers. For all I know, there are trailer festivals and trailer awards evenings, and DVDs containing the world's best trailers as judged by the world's most eminent trailer-makers.

Ordinary advertising, it seems to me, suffers from exactly the same drift. Look at a reel of car commercials and – with a few welcome exceptions – they've all come out of a car commercial factory. The people who've made them love car commercials a great deal more than they love cars. Their values are not car values but film values. Their strap-lines are interchangeable and they've subcontracted all attempts at originality to the post-production companies. Special effects are now so universally used that they no longer inspire any sense of wonder. They have absolutely no sense of brand.

I've told the story before of Len Heath's Aston Martin. He was in his fifties when he bought it and he loved it dearly. When he told me he'd bought it because he'd read about it in an advertisement, I did my best to look impressed. 'But the thing is,' said Len, 'I saw that ad when I was 15.' If you're ever trying to explain to people the difference between product advertising and brand advertising, I recommend the story of Len Heath's Aston Martin.

Can you name an ad for a car today that might make such an impression on a 15-year-old boy that he'll still be lusting to buy that car in 2047?

Because the inspiration for so much advertising is other advertising, there is a terrible dearth of differing styles. Where advertising is taught, students are encouraged to study advertisements. Unsurprisingly, the advertisements they then create turn out to be curiously similar to other advertisements. That's how their tutors and prospective employers know they're good. But of course, advertising students shouldn't be encouraged to study advertisements; they should be encouraged to study advertising; which means that they should be encouraged to study brands.

The 100 Greatest Advertisements, published around 1960, contains 113 print ads, mainly from America, that appeared between 1852 and 1958. The range of styles, the diversity of techniques, is infinitely greater than any equivalent work would be able to muster today. Nobody had taught their creators what ads should look like; they just worked out, assignment by assignment, working always from the essence of the product in question, the form of presentation that would encapsulate that particular subject most beguilingly. They were tailor-made, from the inside out.

The word brand crept into common use from about 1955 onwards. But a true understanding of the nature of brands is clearly evident in work done up to 100 years earlier.

A 1918 ad from the Jordan Motor Car Company reads in part:

Somewhere West of Laramie ... there's a bronco-busting, steer-roping girl who knows what I'm talking about.

The truth is – the Playboy was built for her.

Built for the lass whose face is brown with the sun when the day is done of revel and romp and race.

She loves the cross of the wild and the tame.

Step into the Playboy when the hour grows dull with things gone dead and stale.

Then start for the land of real living with the spirit of the lass who rides, lean and rangy, into the red horizon of a Wyoming twilight.

And the illustration is little more than a sketch: a very simple, wonderfully evocative black and white impression of car, speed, flowing scarf, bronco and mountain. There must have been many 15 year olds in 1918 who never rested until they'd bought themselves a Jordan Playboy some 40 years later.



I'm not, of course, implying that ads in 1852 were all much better than they are today. The 100 fine advertisements in the book were chosen from many millions, most of which, no doubt, were ugly, ill-directed, crass, repetitive, wasteful and an insult to the intelligence. Many told shameless lies.

It's just that the best of those early advertisements, like the best of early trailers, drew their forms and inspirations not from some central consensus of how all ads and trailers should look and sound, but from each of the brands and the films that they set out to celebrate. A return to that custom would add much needed variety to our advertising landscape – as well, of course, as being highly effective.

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The wisdom of aphorisms

[Richard Huntington](#)
adilterate.com

I like aphorisms. Not for nothing are these compact little sayings the finest means of wisdom delivery known to mankind, in service since preliterate times to ensure the accurate transmission of ideas from person to person. So much so that you could even suggest that aphorisms are the original virals.

And they are pretty helpful in the brand advice business.

For account handlers they are of immeasurable help in getting people to do things that they might otherwise be disinclined to do. Ogilvy was a great aphorist, famous for suggesting to clients intent on writing their own copy 'Why keep a dog and bark yourself' or when in negotiations over the cost of keeping that dog 'If you pay peanuts you get monkeys.' While my favourite Bernbach aphorism is the astonishingly contemporary idea that 'We should stop believing in what we sell and start selling what we believe in.'

For creatives I would suggest that the aphoristic form builds brand lines more likely to be accepted, remembered and transmitted to others. There is clearly something of the aphorism about lines like 'You know when you've been Tangoed', 'Impossible is nothing' and 'Try something new today.'

And for planners, well, I think there is no finer way to communicate our thinking and have it remembered than framing it in aphoristic form.

Being aphorisms they bear the following characteristics. They are brief to the point of being terse. They are definitive as there is no place for half measures in the world of pithy one-liners. They are personal and they aren't necessarily true. I mean them as little mind grenades, created to provoke a response and start a debate. As Francis Bacon observed, 'Aphorisms, representing a knowledge broken, do invite men to enquire farther.'

EVERY GREAT DIALOGUE STARTS WITH A GREAT MONOLOGUE

Monologue is a bit of a dirty word in the world of fashionable marketing. Brand monologues are thought to be narcissistic, self-referential and disrespectful. Well, I want to make a stand for the brand monologue.

The greatest speeches of our time and throughout history are of course monologues – inspirational and passionate statements about the speaker's beliefs, and clear exhortations to action on the part of the listener.

Speeches so powerful and motivating that they are often known simply by their most famous passage: Churchill's 'We will fight them on the beaches', Kennedy's 'Ask not what your country can do for you' and Mandela's 'An ideal for which I am prepared to die.'

These oratorical masterpieces are all monologues. They are monologues that began a million conversations and changed our very history.

Monologues provoke, inspire, move, motivate and set agendas. They are the essential beginnings for something else. I don't want to see fewer brand monologues as the age of conversation progresses; I want to see more and better brand monologues.

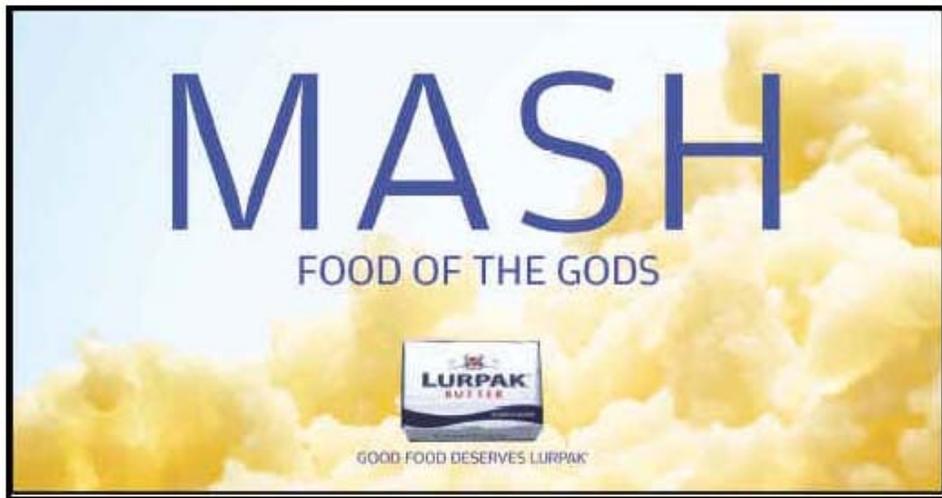
NO ONE IS INTERESTED IN YOUR POSITIONING, ONLY IN YOUR POSITION

If you want something truly narcissistic and self-referential try the average brand positioning on for size. Honed as they are in dreary brainstorming and plonked in the centre of some ghastly little brand schematic.

These days people are naturally rather keen to understand the position a brand takes on the things that they care about and it can deliver against. That's what I mean by a position – the brand's point of view. I respect people with a point of view, and I respect brands with one too.

It is time that big brands, from Anchor to Andrex, told us what they care about and what is important to them over and above cows and puppies. After all most of the new brands that we are taking to our hearts and our shopping baskets, from Innocent to Dorset Cereals, have a strong point of view right at the heart of the offering.

Frankly, if the brand formerly associated with diminutive trombone players, otherwise known as Lurpak, can do it – standing four square behind the merits of real food – then so can you.



Remember there is no such thing as a low-interest category only low-interest thinking.

TODAY'S BIG BRAND IDEAS ARE TOO BIG FOR ADVERTISING

I like a big brand idea. At their best these are the driving philosophy of a business and not just the strategy for marketing communications.

That's how the Campaign for Real Beauty seems to me, as if it were the reason that Dove exists in the first place. The same goes for Honda's 'Power of Dreams', Land Rover's 'Go Beyond' idea, Vodafone's belief in making the most of now and Persil's much maligned 'Dirt is Good' philosophy.

However, I am increasingly of the view that while a brand idea can never be too big, it may well be too big for advertising.

Advertising has always seen itself as the window into a brand's world. However, really potent brand thoughts now seem short-changed when forced into the format of an ad. More than this, the desire to communicate the entire brand experience can often compromise advertising's ambition to sell.

Maybe it is time to free advertising from the need to represent the entirety of the brand idea and recognise that other disciplines are capable of doing this in a richer and more rewarding way.

In particular it is time to accept that, for many brands, it is their online experience that should be delivering the big brand idea in all its technicolor glory.

ADVERTISING IS THE NEW BELOW-THE-LINE

If online is the discipline that has the bandwidth, or bandwidth, to best deliver the complete brand story, then advertising has to get more tactical.

After all, one of the wonderful things about this business is that people still come to us and ask us to sell things. Indeed, unlike the way they treat our digital brethren they are quite insistent that we do.

So let's embrace this and be harder on ourselves about the role we are asking advertising to play in the marketing mix. What task within the overall brand idea do we want advertising to nail? What behaviour do we want to ask advertising to change tomorrow?

And so perhaps it is time to consign the so-called brand ad to the dustbin of communications history.

Cadbury's 'Gorilla' is not a brand ad, it's a hard-nosed, ramp-up brand salience, tactical ad. And hurrah for that.

EMOTION IS THE HIGHEST FORM OF INTERACTION

I've never come across a digital campaign that made me cry. I have been amused, pissed myself laughing even. I've certainly been entertained, involved and stimulated. And most of the time I think the stuff is pretty damn cool.

But beyond the flooding of Second Life to dramatise climate change I don't think I have wept or even found the hairs on the back of my neck stand on end.

The interactive revolution is of immeasurable advantage to us all in helping people fully understand a brand's point of view, the product promise and potentially driving them to purchase. If consumers actually interact with your brand that has got to be more valuable to them

than sodding off during the ad break to make a cup of tea.

It's just that the new marketing mafia often forget that one of the most powerful interactions between a brand and a person is a simple emotional response. After all, it seems to work quite well for movies, books, photography and great works of art, so it might just work for marketing communications.

Take Wieden Amsterdam's Nike Air Max commercial – the one that celebrates sporting failure to the strains of the song 'Hurt' sung by a dying Johnny Cash. How dare you suggest that my response to that ad is anything other than the most powerful form of interaction a brand can solicit.

THE MOST IMPORTANT SEARCH ENGINE IS IN OUR MINDS

And while I am on the subject of the wonderful world of digital marketing, can we all remember this please.

Don't let the customer get as far as search – if someone is searching for your category not your brand it implies that you haven't done your job very well. Our role is to get brands up people's mental search engine. If we can do that we can all go home for an early bath.

ONLY BAD ADVERTISING IS PREDICTABLE

For me the enduring attraction of advertising is that when it's good it's like magic. It is one of the very few commercial tools available in which the outcome can be totally disproportionate to the investment.

And because it's magic, it is inherently rather unpredictable. Sure you can predict the effect of a lump of ad spend but not the multiplier that great creative work brings to the party. Good advertising has to have happened for you to know what will happen.

That is not to eliminate the need for pre-testing but to remind us that it functions best as a shit check to stop unmitigated rubbish troubling the minds of the Great British people. But I have never known it to accurately predict the power of a seriously good campaign. On Tango we stopped pre-testing because it wasn't telling us anything new; on Pot Noodle we pre-tested every single ad in order to have our instincts rubber stamped. But in neither case could anyone tell us what would happen.

Great work escapes the pure logic of the media plan and lives in the conversations online and offline of the people it touches. It goes feral in the collective minds of the audience. I challenge you to show me a model or methodology that can predict the effect of all that magic.

And if you can predict the outcome of your advertising I'd suggest it isn't any good.

IT IS VITAL TO BE INTERESTING. IT IS MERELY IMPORTANT TO BE RIGHT

Interesting is the spirit of our age. Why should anyone give us, or our brands, the time of day if they are not interested in us? And this is not just about a brand having something interesting to say – though it is a start – but about every manifestation of that brand being interesting.

The successful brands of the future will have interesting product offerings, interesting brand ideas, come in interesting packaging and deliver interesting experiences that reach consumers in interesting ways. Being of interest will be the price of entry to a brandscape where budget cannot buy attention and in which there is no longer a right answer.

And yet as planners we have always prized finding the right solution over the most interesting one. Frankly, I have greater faith that the most interesting idea will be right than I have that the right solution will be interesting.

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Never mind the sizzle ... where's the sausage?

David Taylor
The Brandgym

Retail own-label share of UK grocery sales in 1981 was 22%. Today it is 47%. If the trend continues, manufacturer brands risk becoming a supporting actor, not the star of the show. And it's not just a UK issue. We can see the same threat of retail own-label in other European markets such as Holland and Germany.

Just in case there was any doubt about the intentions of your friendly retail partner, Asda's marketing director spelt it out last year in black and white. He stunned into silence a group of top marketing directors who'd invited him to talk at their conference by saying: 'My job is to "undo" the marketing of brands and drive consumers to own-label alternatives. Our products are not only more profitable, but also of superior quality.'

One explanation for this mess is in the last part of this quote. Many brands have taken their eye off the product ball, seduced by the dual sirens of 'sizzle' and 'stretch'. Sizzle refers to an obsession with the emotional side of branding; and by focusing on this emotional side at the expense of product, or 'sausage', many brands have fallen into the trap of over-stretching into markets where they don't really belong.

This focus on sizzle and stretch at the expense of substance is personified in my new book *Where's the Sausage?* by Hugo Gaines, the marketing director of an imaginary company called Simpson's Sausages. And although Hugo's cringe-worthy cock-ups are fictional, he represents a side of marketing that is very real. And very dangerous.

THE OBSESSION WITH SIZZLE

Many of us in marketing are seeking salvation in the emotional side of branding, to do with values, personality and tone-of-voice. According to the gurus of emotional branding, it is no longer enough to be liked. Your brand needs to become what Hugo calls a 'Hugbrand™', which is loved, not just liked. And the key to creating this emotional bond is through emotional communication.

In lifestyle categories such as fashion and fragrances, emotional sizzle is rightly centre stage, with products playing a secondary, supporting role. New fragrance creation often starts with the name and 'the big picture' visual to use in communication, with the fragrance itself following after.

However, the problems start when marketing teams working on pet food and pasta sauce try to adopt the same lifestyle branding strategies. This is especially dangerous in cases where the product they are selling is identical or even inferior to retailer own-brand competition. We end up with the surreal situation explained to me by a marketing manager of one of the UK's leading laundry cleaning brands. I asked why his brand was 30% more expensive than the retail own-label equivalent. His response? 'We advertise on TV.' When I asked why the brand was advertised on TV his answer was 'To support our premium price.'

OVER-STRETCHING THE MARQUE

A dangerous side-effect of the focus on emotional sizzle is over-stretching. Climbing a 'ladder' up from a functional, product-based level to the rarefied heights of emotional branding gives the (illusory) freedom to stretch into pretty much any category that takes our fancy. Having a decent product becomes secondary, as long as there is some emotional linkage. Many of the resulting brand extensions are merely 'brand ego trips', lacking any competitive added value.

This thinking led to *Cosmopolitan* deciding it was no longer a magazine. It defined itself as a lifestyle brand that empowered women to be more confident and successful, launching *Cosmopolitan* low-fat yoghurt to compete with Danone.

Gillette decided it was not a shaving brand, it was a 'male grooming brand', and launched into a head-on, bloody battle with Unilever in the deodorant market. And, coming the other way, Unilever's Lynx body spray invested heavily in launching a shaving range. Lynx shaving and *Cosmopolitan* yoghurt ended up in the overcrowded extension graveyard, where over half of all brand extensions go to die. Gillette struggles in deodorants to get anyway near the leading share it has in the shaver market, (though it may have more luck now it's part of P&G).

And while brands have been busy climbing emotional ladders and stretching into new markets, retail own-label has been busy on product innovation. And they're no longer content with producing low-priced rip-offs of brands; they're leading the way in many categories, creating premium-priced, added-value offerings. Sainsbury's Taste the Difference is now a £450 million brand in its own right, and in some cases higher priced than the manufacturer brands.

MARKETING BASED ON SUBSTANCE, NOT SPIN

There is an alternative road, although it may not be as glamorous or trendy. Nor is it exactly revolutionary. But it has the potential to add more value for consumers and shareholders alike, by re-focusing brands on substance, not spin.

1. (Re)discovering Product Passion

The first step is the most fundamental, and perhaps the hardest. For many it requires a change in culture and mind-set. It requires us to stop focusing on creating emotional connection through communication, and instead discover, or rediscover, a passion for product. This means not just having product performance as one thing on a long to-do list, but making it a top priority. And it means refusing to give up on product performance as a source of advantage over retailer own-label.

Interestingly, many of the examples I have come across where product passion is alive and kicking come from companies often championed as examples of emotional branding.

Take Innocent, for example, a brand that has managed to keep a leading 68% share of the smoothie market despite a host of own-label imitations. Most analyses of the brand's success in growing to a £100 million+ business focuses on the brand's distinctive personality and tone of voice. Of course the emotional side of the brand does shine through the brand's marketing mix. There is the now famous pack copy that reads like a mini-magazine full of jokes and stories, and the caps that, instead of having 'use by' dates printed on them, invite us to 'Enjoy by'. Then there are the distinctive promotions, such as the bottles wearing knitted hats to raise money for Help the Aged, and the recent 'Buy one, get one tree' packs.



Innocent drinks has been lauded for its marketing techniques, but the heart of its success is a great product.

However, when I visited Fruit Towers to meet Innocent's creative genius, Dan Germain, what struck me was how central the product was in the company. A great product is the foundation of the brand's success, and at the heart of all it does. When I signed the visitor book, I was asked to write my name and company. But I was also asked my favourite smoothie flavour.

The receptionist then invited me to help myself from the fully stocked fridge of smoothies.

Looking round the open-plan office I could see that most of the people working there had done just that. This sounds simple, but many companies seem to be staffed by marketing people who don't use the brand's products unless they have to. Here are some of the ways the company invests in creating and keeping the focus firmly on product.

- Hiring top food scientists as 'fruitologists', specialising in a specific type of fruit and how to get the tastiest ones. They are experts in where to source the best fruit and the effects of seasonality on fruit taste.
- Monthly blind-testing of products against competition are used to ensure Innocent stays ahead of the game, and especially own-label products.
- Upgrading the existing flavours to make them even better, such as adding 'six extra strawberries' in the strawberry and banana one.
- Having a kitchen right in the middle of the office, where new recipes are created, and where anyone in the company can roll up their sleeves and have a go.
- Looking for new and interesting fruits, such as those in the new Superfruit range that have extra functional, health-related benefits.

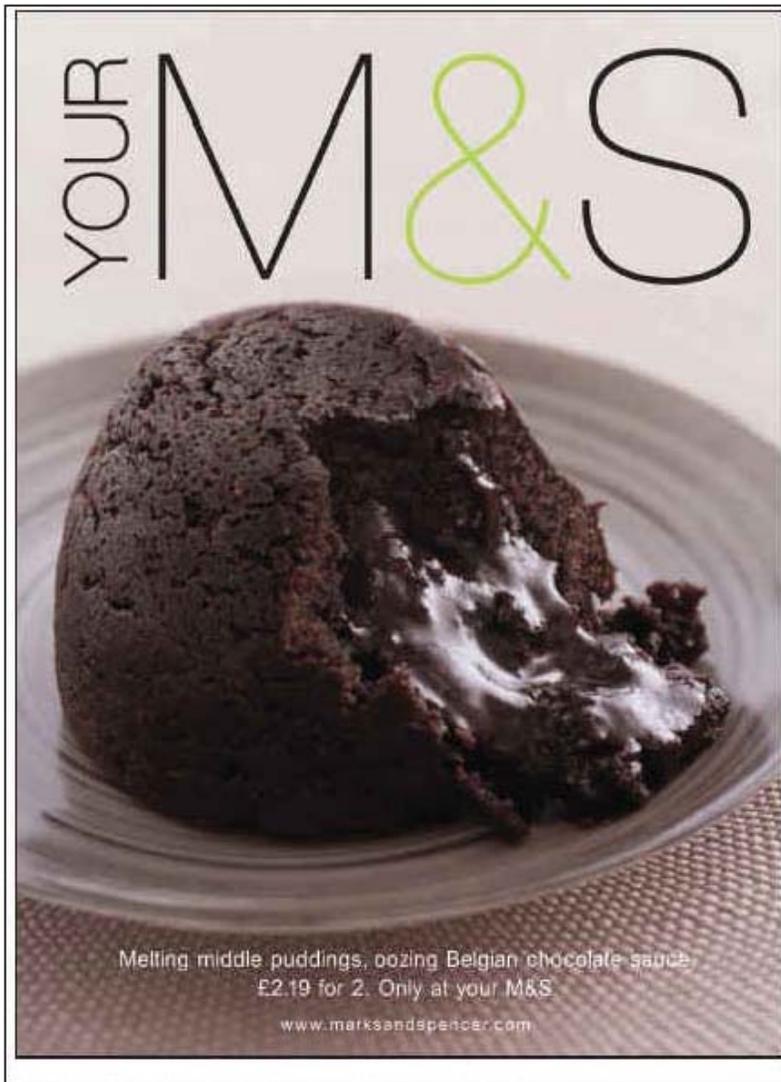
2. Leave the Ladder in the Garage

The biggest problem with the laddering approach is the risk of us creating emotionally-based communication with no link back to the product. This creates 'sponsored entertainment', where people remember the execution more than they do the brand. A more effective approach is where the functional and emotional sides of the brand work together and reinforce one another. This involves finding a product truth and then telling a story about this in an emotionally involving and impactful way.

Marks & Spencer

One of the best examples of communication combining sausage and sizzle is the hugely successful relaunch of Marks & Spencer, a story sold by marketing director Steven Sharp at a Marketing Society event earlier this year. The 'Your M&S' campaign was part of the relaunch that helped drive full-year profits to April 2006 up from £505.5m to £745.7m.

Sharp told how the first stage of the campaign featured food products, where M&S had always been strong, and in particular *that* chocolate pudding. The 'food porn' advertising lingered over oozing chocolate and dripping butter, using a memorable piece of music and voice-over to boost recognition and appetite appeal, increasing sales by 288%. Communication on the clothing range with Twiggy and friends only started in force a year later, after redesign work on the range had been completed. Again, this had emotional appeal, but it was built of a great product range.



Food porn? Ads for this chocolate dessert increased sales by 288%.

Lush

The potency of combining sausage and sizzle is also shown by brands that have grown with little or no advertising. The Innocent brand discussed earlier is one of these, with sales now over the £100 million mark. Another example is the Lush brand of 'Fresh, Handmade Cosmetics'. Its products are unique on several dimensions, being made by hand, highly indulgent, not tested on animals and free of chemical preservatives.



Lush stores perfectly reflect the brand personality.

The brand's personality and tone of voice flows from these product truths, which work to reinforce them. Each product has a picture of the person who made it on the pack or, where there is no pack, on a sign in the store, strengthening the communication of the handmade nature of the brand. As with Innocent, much attention is paid to the copy used to name and describe products. For example, the Haagenbath is described as 'a refreshing minty, pink, slow-fizzing, creamy bath bomb with grated chocolate bath melt for extra skin softening'. And the brand's product story and personality is also dramatised in activation activity, such as the campaign 'Packaging is rubbish'. Lush store staff promoted the fact that 75% of all Lush products are 'naked', with no packaging, by going to work dressed in nothing but a branded apron!

3. Stretch selectively

The right discipline is to launch products that not only fit with the brand idea, but also actively dramatise and reinforce it to deliver added value. One way of helping ensure the brand stretches selectively and correctly is to define the 'product DNA' (as well as the brand DNA) – the features and attributes that every new product should have.

For many years Dove had plans for a deodorant. However, it launched the product only when it was able to combine top odour protection with the brand's trademark skin mildness and one-quarter moisturising cream. Many of Lush's customers asked the brand to make a toothpaste, and the company saw a clear business opportunity. However, the launch did not happen, as the team could not find the right supplier who had a product with ingredients that had not been tested on animals.

The other important question is, of course, how effective the new extension will be at driving growth. It is tempting to launch extensions that are believed to be 'great for the brand image', despite being small in sales. This rarely works in reality. Producing 'dwarf' products steals attention and resources from the core business. Better to focus on fewer, bigger extensions that grow the brand by growing the business, such as Pampers' Active Fit nappies. These provided improved wetness protection for babies who are starting to crawl. The launch helped the brand grow its share of the UK market by 10%, at the same time as dramatising the brand idea of 'Being with you every step of the way as your baby develops and grows'.

4. Grow the core

Stretching more selectively is one way of delivering more substance. However, even better is growing the core business.

The first challenge in growing the core business is sticking to what made you famous in the first place, while updating the brand to make it fresh and relevant for today. James Bond is a good example of a brand that has done this. The latest movie, *Casino Royale*, smashed all box office records for the Bond franchise, with the opening UK weekend take of £13 million up 40% on the previous high. A look back over the history of the Bond brand shows how a number of key equities have been maintained and refreshed.

- The 'brand proposition' of 'Bond beats the baddie' is still there, though Bond is not directly 'saving the world' as in some other films. This time it's a battle of wits with a terrorist banker.
- Girls: still lots of beautiful women, but Vesper Lynd continues the trend of being a smarter, stronger Bond woman, not just a pretty face.
- The catchphrases: some of these are still here, but used in a creative way. After a near-death experience, a barman asks Bond if he wants his Martini shaken, not stirred. Daniel Craig replies, 'Do I look like I give a shit?'
- Hard man: this Bond is a rough and tough killing machine. The violence is a lot more real, and we even see Bond being bruised and beaten.



James Bond: a brand that has been refreshed and strengthened.

The other trick in growing the core is to redirect the creativity used in launching new products onto finding ways to activate new users and/or usage occasions. This approach helped the Axe/Lynx brand boost its business by 20% in Latin America. The team there saw that consumption per capita in one market (Argentina) was much higher than another (Brazil). When they dug into the data, the reason seemed to be young guys spraying their whole body, not just under their arms. This led to a campaign called 'Spray More, Get More', which encouraged all-over usage with the promise of, er, more sex.

WHAT GETS IN THE WAY?

The steps proposed above may seem obvious and merely the application of common sense. However, a quick look at the marketing going on today is enough to show that they are not being applied consistently. So, what gets in the way?

As mentioned earlier, emotional branding is definitely the flavour of the month, and much more fashionable than going back to basics and getting the product right.

But a bigger issue is the old problem of how little time marketers spend in a job. Firing the ad agency and making a splashy new ad that raises your profile is a more attractive option than the hard work of fixing the product when you know you will be onto your next job in a year or two.

And things get even worse when you move into the world of service branding, such as financial services. Here the changes to service culture and infrastructure take many millions of pounds and years to take effect, requiring more stamina than most of us possess. This is especially true when in reality many 'marketing' jobs in big service companies are actually communication roles, with ownership of the actual service proposition sitting in other functional silos.

Substance not Spin

Ultimately, as with most of marketing and business in general, delivering more substance and less spin comes down to leadership. If you lead a product brand in a consumer goods company, you can make a huge difference to the way the brand is run, constantly challenging your team to ask 'Where's the sausage?'

The individuals behind two of the highest-profile global marketing stories of recent years, Dove and Persil/Omo ('Dirt is Good') were both proactive in asking to stay much longer than the normal couple of years on their respective brands. Another common theme is the passion and conviction they had for their brands, and the way they drove this through the whole marketing mix, including product innovation and packaging, not just communication.

The challenge in service businesses is harder, but not impossible, as shown by the leading role played by Steven Sharp at M&S and Tim Mason at Tesco. In addition, a CEO who believes in substance not spin is crucial, as is the case with Stuart Rose and Terry Leahy respectively.

But whatever level in the businesses we work at, we all have a role to play. And the next time we find ourselves 'doing a Hugo', we can choose instead to ask 'Where's the sausage?'

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Creating value: service strategy from aristocrats to aviation

Laurie Young

Unfortunately history does not seem to record whether, one morning in 1771, the one thousand German aristocrats who received an unsolicited sample with a circular letter from British potter Josiah Wedgwood were astonished. It would be fascinating to know whether the language seemed strange to them, how it was packaged and whether Josiah's designs appealed to the Germanic taste of their families. We do know, however, that the huge risk (a princely £20 per package) elicited a fast response, which quickly paid back, and that within two years, all but three of those that had purchased had paid in full.

A factor in this success was Josiah's long-running after-care package. It included a 'satisfaction or money back' guarantee, free shipping and the willingness to replace any broken item without question. Among the first recorded examples of service support to product purchase, it was one of the distinctive components of his approach and contributed to the success of this 300-year-old premium brand.

We know a little more about the reaction of rural American housewives, 100 years later, to Henry Heinz's attempts to create tasty processed food. They appreciated the consistent quality that made his products stand out from commodities, and grew to rely on it to save them time in a busy, gruelling lifestyle. Yet his success was also due to the service support that Henry's growing band of sales travellers offered the retailers who sprung up around the fast spreading American train network.

They helped little dusty general stores with managing inventory, choosing advertising and sprucing up merchandising displays. By the late 1880s, they taught point-of-sale marketing, showed how to display and provided free advertising copy. As with any good service package, the detail was impressive. Alongside requirements for each salesperson (of which there were 350 by 1901) to 'wear a Derby, stiff collar and company pin' were instructions to carry a clean white cloth to dust Heinz products, allowing them to 'rearrange displays' and put competitor products behind theirs. So in Hollywood's westerns, at the back of all those shot-up grocer's stores, should perhaps be a neat traveller demonstrating one of the earliest examples of service helping the battle for shelf space.

One hundred years later still, with the service sectors of the developed economies storming ahead, a range of entrepreneurs managed to create entire service businesses that appealed to the growing middle classes and became brands in their own right. They include Richard Branson's heroic achievement of creating a truly different airline experience, and Howard Shultz's obsession with making Starbucks into the 'other place' for busy Americans. For them, distinctive service was not just a component in a product brand, it was the essence of their business.

Yet, if there is such a long, rich history of service being used in different ways to create distinctive, durable brands, why do so many professional marketers find it such hard work to think through the role of service in their value proposition? Why do many groan when there is yet another book on customer service and when they are hit by the latest fad (currently 'customer experience management')?

And why is there such nonsense talked and written about service?

PERHAPS IT'S THAT AFTER-CARE AND MAINTENANCE ARE UNDERVALUED?

To many marketing people, after-care is a humdrum, steady but separate part of their business, run by bears of little brain. It is neither sexy nor strategically challenging and often an afterthought in their plans. As a result, it can be ignored and neglected.

Yet it is an important ingredient in customer satisfaction and has a discernible impact on repurchase intent. As David Edgerton has pointed out, in his remarkable book *The Shock of the Old*, technology is often presented to modern audiences in a distorted, 'innovation centric' style that undervalues the importance of after-care. Some manufacturers earn valuable extra margin from maintenance and warranty; and in many parts of the world there are large and sophisticated markets in after-care alone. Unipart is just one of many firms to have made its fortune by leading this field. Its outsourcing processes, for instance, are highly sophisticated and very lucrative.

Marketers need to get their minds around the implications of this undervalued capability to their company's products. For instance, there comes a point in many technologies (televisions for instance) when they are stable enough for customers to buy without fear of breakdown. This is an unarticulated, intuitive process that grows through word-of-mouth and product use. It changes the perceived value of after-care and can have a dramatic impact on earnings if not handled properly.

IS IT BECAUSE SERVICE PEOPLE CAN TALK SUCH DRIVEL?

I'm afraid that I still do not know whether my dislike of 'guru' Tom Peters is because of his style or message. Gaining profile in the 1980s with his 'excellence' book, his hectoring speeches seemed, to my English taste, to be too much like those of a religious evangelist than a

pragmatic businessman. While I respect the fact that he made himself enormously wealthy, I remain sceptical of the claim by him and his ilk that 'all you need to do is give the customer what they want and exceed their expectations'. (Peters has gone further than most by proclaiming that we should 'wow' customers and reinvent our companies around them.)

I sometimes wonder if such people have ever served a real human being. While people can be delightful, generous, polite and endlessly fascinating, they can also be awful. Consumers can lie, cheat, steal and avoid paying bills.

Early in my career, when working in the chairman's office of BT, I was lumbered with a 'high-level complaint'. A woman was making headlines because she was unable to pay her bill and stay in touch with her daughter's medical team. I remember her reverse-charge call from one of the old red telephone boxes, during which she offered to put her 12-year-old daughter on the line to confirm that she had only a short time to live. The local people had done enormous amounts for her over the years and so, it turned out, had all the public bodies. I remember my shock at finding out that the illness was benign and exaggerated. Our service people had to hold the line against a woman prepared to lie in front of her child in such an appalling way.

Business buyers can be just as bad. Although many are a joy to work with, some are pompous, arrogant and overbearing. Others are plain crooked. So businesses need mechanisms, designed by marketers, to engage with and respond to both the best and the worst in our natures, or costs will increase astronomically. Service organisations should not be geared to blindly give them everything they want or to continually exceed expectations.

Surely the essence of marketing is that we interpret insights into needs, using them to craft propositions that excite buyers? It is simply not good enough to say that we will put the customer at the centre of our organisation, meet their hearts' desires and exceed their expectations. It needs the hard-headed insight from clear-eyed marketing people to craft a profitable response to human needs. Even with services, customers' response ought to be: 'I didn't realise I wanted that but, now I see it, I'm delighted to pay for it.'

PERHAPS SOUND CONCEPTUAL TOOLS ARE NEEDED?

In a busy job it is difficult to stay up to date with developing concepts and reliable marketing techniques. This is made harder by the array of proprietary models flogged by different agencies and the 'thought leadership' of endless consultancies. It is no wonder that marketers find it hard to stay on top of specialist areas like service, as well as their own field.

Amidst the dross though, a number of reasonably reliable techniques have been pioneered by academics. Texas professor Leonard Berry and his colleagues developed, for example, the 'GAP' model. It identifies six fault lines in an organisation's service, and can be used as an effective tracking tool ('servqual'). There is also: 'the industrialisation of services' (Levitt), 'the service profit chain' (Sasser), the 'loyalty effect' (Reichheld), and 'zones of tolerance research' (Zietham). A number of these can be used to help develop thinking and to create useable insights if backed by decent analysis.

The Goods/Services Spectrum

For instance, a really useful way in which the detail of different offers can be designed was suggested by a smart marketer called Lynn Shostack when she was VP of the Banker's Trust of America. Her 'goods/services spectrum' (Figure 1) was published in a 1977 article called 'Beyond product marketing', which should probably be required reading for every marketer in our service-dominated economy.

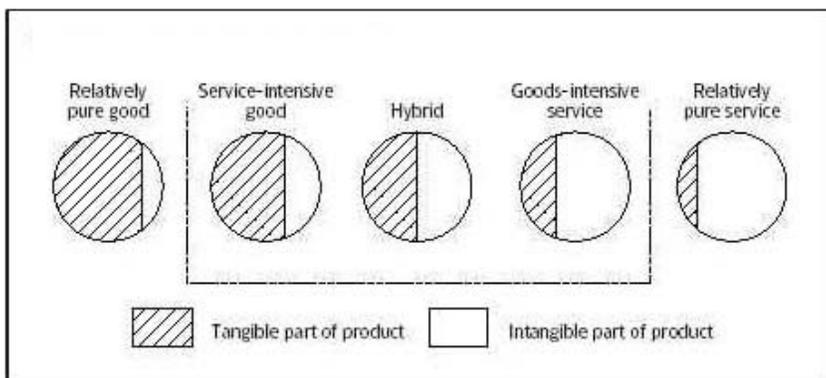


Figure 1: The goods/services spectrum (Leonard & Parasuraman, 1991)

Using one of the standard methods to plan the 'augmented' features of a product, Figure 2 represents a product with a maintenance, guarantee, warranty or 'service support' package. These act as an emotional reassurance to the purchaser of the enduring provision of product benefits. The promise is: 'Don't worry, if it goes wrong we'll repair it'.

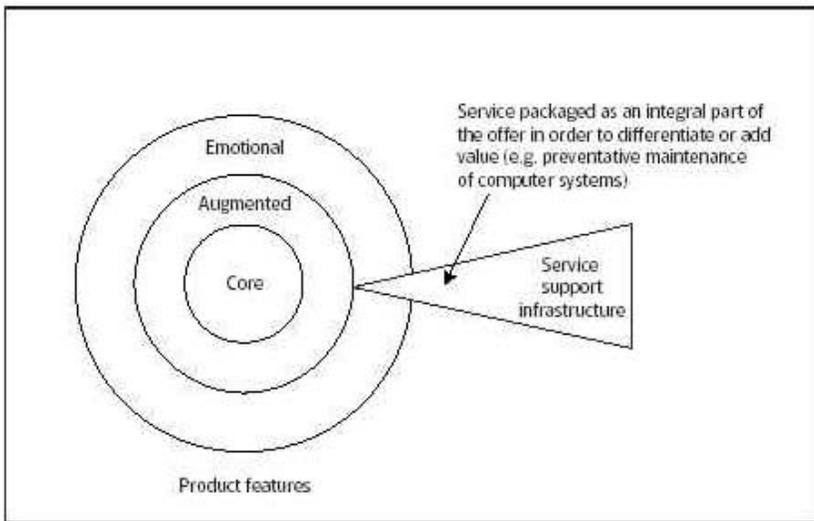


Figure 2: Models of service 1: High product content

Figure 3, though, represents an evolution where suppliers begin to build service into the product concept (preventative maintenance in computers, for instance). In this model, service has become an augmented component of the product offer. The promise is: 'we have engineered service into our product so that it will almost always be available to use'. Figure 4, by contrast, represents a position at the centre; what Shostack called a 'hybrid'. Here people are buying a mix of the tangible and intangible, commonly found in industries that offer high-volume, low-margin products.

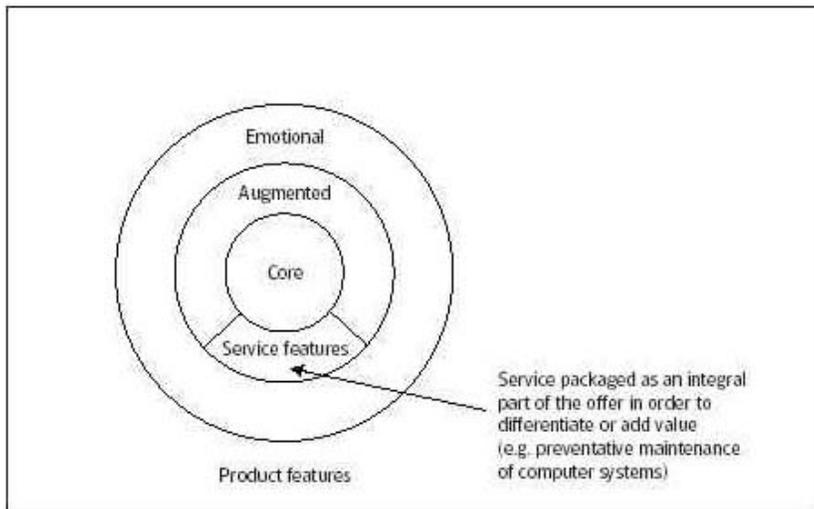


Figure 3: Models of service 2: Service used to differentiate a product

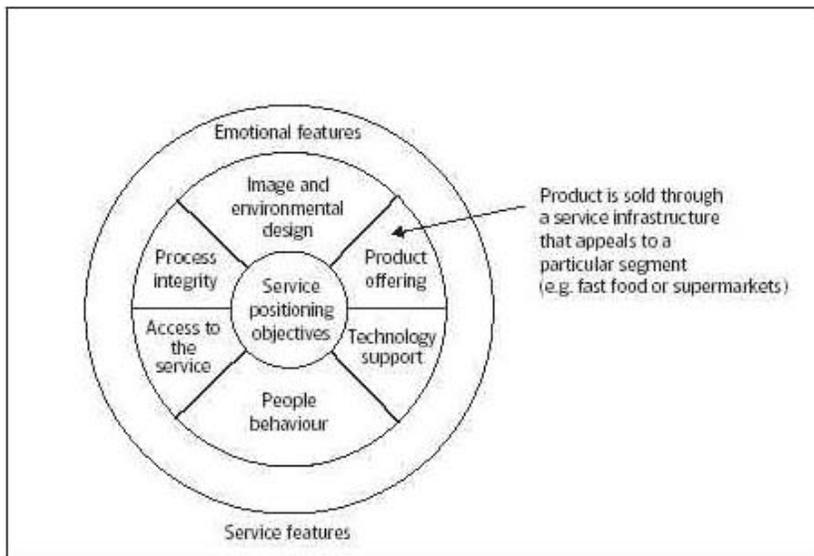


Figure 4: Models of service 3: Low-margin product sold through a service environment

Although this method might seem a little too detailed and pedantic to some, it illustrates the time and attention that many put into thinking through the role of service in their offer.

It would be a mistake, though, to give the impression that the evolution of offers in any market is only from left to right, from products to services, as some service enthusiasts do. There are many examples of the reverse: products or technologies replacing services. These range from very simple propositions (as when the British population replaced laundry services with automatic washing machines 50 years ago) to more complex modern services (like self-service airline check-in and web-based professional services). This substitution effect is dependent on two things: the difference in the perceived cost of changing to new technology and the education of the user to adopt it.

There is now a whole industry investigating the automation of and 'co-production' of services. It would be better led by experienced marketers who know how to create appealing propositions, to help customers over technology fear and to use communications to allay any scepticism that these initiatives are just to save the company costs (even if they are).

IS IT BECAUSE SERVICE DIFFERENTIATION IN MATURE MARKETS REQUIRES RADICAL REALIGNMENT OF THE COMPANY?

When a market matures it can be sudden, traumatic and devastating for the suppliers in it. Several will be damaged by trying to market or sell their way out of slowing demand. Others will try to restructure their business, some reaching for a form of service to alter the fundamental offer. Often, though, it takes completely new entrants to take advantage of new service opportunities (see box on page 32 for examples).

Perhaps it is no coincidence that the people who have used service to create viable businesses and brands have generally been the businesses' leaders. From historical figures like Wedgwood and Heinz, to entrepreneurs like Branson and Shultz, they direct all the elements of their organisation at creating an enduring, distinctive offer, whether or not they contain physical or intangible components. In more established businesses, it has been two world-class CEOs (Jack Welch when at GE and Lou Gerstner of IBM) who have demonstrated how to shift a massive organisation to exploit service opportunities. In both cases, they appointed a strong general manager to lead all the components of this new profit centre, generally from outside the existing service organisation.

Often this is such a change that marketing people do not have the political clout to see it through, or even influence it. Worse, though, it seems that many do not have the training, tools or experience to design the role of service in their brand, product or businesses. This is tragic in an economy that is now approximately 70% services. Marketers have demonstrated that they can create wealth for shareholders by handling intangible propositions like brand, celebrity endorsement or lifestyle aspiration. It is time they became as competent in services.

SERVICE IN MATURE MARKETS

Royal Shave

In the 'male grooming' market manufacturers have invested in different ways to produce razors that give a closer shave; producing two, three or even four blades. Each creates a new price point for the products but the price per shave remains very low. Yet New York's Malka and Myriam Zaoui have created 'the art of shaving', a premium and expensive service. In addition to a range of innovative products, the company offers a shave with a wet razor in its Manhattan-based 'barber spas'. Its 'Royal shave' combines master barber services with aromatherapy to produce a shave at a cost that is many times the price per shave of a man's own. It is sold as a unique and special service experience, and is quickly being franchised across the US.

System integration services

'System integration' services in the IT industry is an example in business-to-business. During the early decades of the computer industry, the processing power of computers was bought through proprietary mainframe systems; to automate a specific task, like payroll or accounting. However, new industry standards soon enabled these machines to communicate with each other, technology fell in price and, worst of all, customers started to demand that computing related much more to their businesses. So, rather than just supplying updated machines, leading suppliers began to offer an open-minded review of all the customer's existing technology and how it suited developing needs.

In this fast maturing market, service, rather than machinery, was used as a means to provide the processing power that customers had always been after. Several established suppliers were effective at this but new service entrants, like Accenture, cantered through to dominance.

Differentiation in after-care service

Some firms try to use variations in industry standards of after-care in order to differentiate their product in a mature market. A famous example is when, in 1994, the Korean car manufacturer Daewoo entered the maturing British new car market. Daewoo, unknown to this brand-loyal market, intended to gain 1% share through a different approach. Apart from a highly visible brand launch, the company aimed to keep control of customer contact, engineering the purchase experience around its buyers.

For instance, it operated only through owned outlets placed in retail parks, which it stocked with service people trained to give accurate answers to questions and not 'pushy sales people'. These 'service centres' contained a host of innovative packages including, inter alia: interactive in-store displays, crèches and fixed, no-haggle prices. The entire package was integrated with high-profile marketing and achieved its entry objectives.

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Call centres, CRM and cows: why modern service marketing is not like cattle farming

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Technology creates pressures on marketers as well as the tools to relieve them. Reports, communications, planning, analysis and market research are all both more effective and more efficient with IT. Yet while technology should be giving us more time we seem to have less. New digitised skills with segmentation and customer insights should bring us closer to customers and yet customers feel more alienated. This is particularly perverse for service businesses such as catering or travel, which must be close to customers by the nature of their provision.

To stay sane, service marketers strive to be more professional and make quicker decisions. Technology and rational frameworks have developed to help make decisions and, perhaps more importantly, persuade the rest of the organisation to let marketing get on with the job. Budgets are exposed to greater pressure to prove net financial returns and advertising gets more copy-testing before it is approved.

Magic metrics such as Fred Reichheld's 'Net Promoter Score' or Don Peppers and Martha Rogers' 'Return on Customer' are plausible and seem to meet the need for accountability. Unfortunately, they are wrong and dangerous in the sense that they undermine marketing. Exposing the shortcomings of these metrics is not the aim of this article, but a paragraph and a few references to guide the inquisitive will be included at the end.

No, my thesis is deeper. Service marketers are searching, knowingly or not, for a comprehensive metaphor to help them operate in this new world in which 'cold' technology and 'warm' service are so mutually dependent. Such a metaphor needs to lead to tools that are modern, rational, scientific and measurably productive. Because of their enthusiasm for technology to help them in this pursuit, let's call these seekers after efficiency 'techno-marketers', because they are trying to use small engines to drive big ones.

A call centre is a good example. It looks like a good idea to mechanise customer service with scripts and phone technology as costs can undoubtedly be reduced. Unfortunately, treating your own staff like battery hens means that they will treat customers like battery hens.

THE CATTLE MANAGEMENT APPROACH

If we examine these managerial attitudes more closely we can see that the underlying metaphor turns out to be cattle farming. Let us look briefly at five examples of the cattle management approach to marketing before providing a better metaphor. The examples are 'customers are assets', 'maximising customer lifetime value' (CLV), 'managing customers', 'minimising the costs of customer upkeep' (for example, call centres) and 'customer rustling'.

CUSTOMERS ARE ASSETS

The idea that customers are assets of the business is pervasive amongst practitioners and academics who should know better (e.g. Lehmann and Reibstein 2006). Certainly cash comes from customers and if one takes the net present value of future cash flows, one has some idea of the value of the customer base. But the expectation of future income is not the same as owning the means of producing that income.

An 'asset', whether tangible or intangible, is something separable from the business, which is owned by the company and can be sold. Accountants are clear about how they use their language, and any dictionary will provide a similar definition. I am a customer of Tesco but I am certainly not owned by Tesco. Footballers are not owned by their clubs; their contracts are assets even though a club's ability to sell the contract has now been circumscribed.

A contributor to the confusion has been David Aaker's (1991) introduction of brand equity (or the marketing asset by whatever name). A brand, or brand equity, is definitely an asset. They are separable, owned by companies and bought and sold. But what exactly is 'brand equity'? How can I measure it? Brand equity is mostly, albeit not exclusively, in the heads of customers. Tricky that. Tesco can own what is in my head about Tesco, but it cannot own me.

For some of us, such distinctions are just too difficult. It is much easier to adopt the cattle farmer metaphor: customers are the key productive part of the enterprise, and therefore its most valuable assets. No longer is the customer king; customers are cows.

MAXIMISING CUSTOMER LIFETIME VALUE (CLV)

It is a short step from there to the recognition that an efficient practice would be to assess customers according to their yield during their projected lifetime, discounted to allow for delayed cash receipts. Scientific marketing demands decisive action: focus on the most valuable customers and discard those with negative shareholder value.

CLV and its near neighbour, customer equity, both assess the long-term value of customers either individually or by segment. Accordingly, these techniques have become central for techno-marketing departments. Unfortunately, they require heroic assumptions about the future, notably over customer fickleness. Competitors will devise means of customer seduction we have not yet seen, still less quantified – see 'Customer rustling', below.

CLV seems so apt and attractive because marketers are unconsciously using the cattle metaphor. Cows cannot use independent judgement about which farmer they will favour. Customers can. Customer equity uses much the same method: net cash flows from customers are estimated over time, discounted to the present moment and, hey presto, you have the value of the customer asset. (Some technologists factor in risk, which makes the answer more plausible if no more realistic.)

MANAGING CUSTOMERS

Around 1990, two really big ideas raised the marketing game. Brand equity has been briefly mentioned above and the other was relationship marketing. These are companion concepts because they shifted marketing from thinking about a series of independent transactions (sales) to a continuous consumer–brand relationship where sales come early in the process, and experience of company contact and product consumption fuels repeat business, perhaps through the whole lifetime of the customer.

Whether one can have a 'relationship' with an inanimate, intangible object like a brand depends on what you mean by relationship, but one certainly forms a judgement of a company on the basis of one's experience of dealing with it and consuming its products. The company's asset that derives from those experiences is brand equity and skilled management of customer relationships should enhance that brand equity, and therefore future net cash flow. Intelligent customer relationship management (CRM) is good for customers and good for business.

Then the scientific marketers took charge and things went south. UK retail banks appointed 'relationship managers' who were irrelevant to one's business with the bank, knew nothing about it, changed too often to gain any experience and, perhaps fortunately, were in meetings if you were foolish enough to call them. My two favourite personal examples (from Barclays) were a mailing inviting me to phone my new relationship manager on her direct line. When, out of curiosity, I did so, the person answering the phone had never heard of her or me. The second was a cordial invitation to contact yet another new relationship manager a year after I terminated all my business with Barclays.

Yes, it is unfair to pick on Barclays. It was merely symptomatic of a widespread change and Barclays was only the third worst UK bank in the *Sunday Times* comparison (12 August 2007). The problem is not so much poor implementation, although that is an issue too, as a lack of understanding of marketing. The language changed from CRM, or managing relationships, to managing customers. The new language was much more attractive as marketers were no longer dealing with wishy-washy ideas like relationships, but would directly control how customers did business with them. More macho and more techno.

I am happy for Tesco to worry about its relationship with me and to seek to improve it. On the other hand, I do not wish to be managed by Tesco. That runs against everything marketing means. Consumers need to consider themselves in charge with the marketers simply aiming to increase their satisfaction. Cattle, by contrast, cannot be expected to do that for themselves: they have to be managed.

MINIMISING THE COSTS OF CUSTOMER UPKEEP

Cattle provide milk and therefore cash flow (good) but they also require feeding, housing and attention (not so good). The techno-marketer therefore seeks to maximise net cash flow by increasing the yield and minimising the costs of upkeep.

Good websites, like easyJet, for example, offer the best of both worlds. They are cheap to maintain but also convenient for customers. Booking one's flight on a website can be a pleasant experience, certainly more pleasant than most call centres.

When call centres became widely used in the 1990s, they attracted considerable hostility. Being kept 40 minutes on the line while regularly told how important the call is to, let's say, British Gas, is infuriating. Technical devices can reduce the aggravation, such as logging the call and calling back, estimating how long one will have to wait, suggesting a better time to call, or just the number of one's place in the queue. But very few large companies use them because they cost money and conflict with the main objective of keeping costs down.

Call centres are part of 'operations' and nothing to do with marketing. How crazy is that? Customer communications not part of marketing? What is the point of advertising and other marketing communications if the customer's actual experience of communication is dire and many of these call centres, especially those in the sub-continent, are dire indeed.

When you do get through with some minor query about the product, you are hit with irrelevant requirements of the Data Protection Act. Checking private information indeed requires due security, but if you simply want to know when a flight arrives, you should not have to provide your mother's maiden name.

These functions are unlikely to be the responsibility of the marketing department, but they are part of the company's marketing to its customers. The techies have taken over.

CUSTOMER RUSTLING

Farmers are conventional people. They mostly do things the same way and gradually develop new cattle management techniques on the basis of discussions with like-minded farmers at markets and in pubs. In many consumer markets the same practice prevails. Take national airlines, for example: BA, Air France and Lufthansa provided a similar service at similar prices. Their senior executives may have hobbled more than the competition authorities liked but it was an orderly market and customers were contented enough.

Then Freddie Laker introduced low-cost fares from the UK to Florida and BOAC (as BA was then) was seriously offended. This was customer rustling outside the established rules of cattle farming and had to be stopped by fair means or foul. Whether Laker's collapse was due to his own errors or whether it was due to the dastardly actions of the established competition is open to speculation. It was a long time ago and many of his followers – Virgin Atlantic, SouthWest, easyJet and Ryanair, for example – have been very successful.

In time the established operators learn from the newcomers, sharpen their marketing and cut their costs – for example, by dispensing with paper tickets. That is how markets should work and we should all be pleased about it. My point, though, is the delay before the established players react positively. Their first instinct is that these upstarts are stealing 'our' customers.

A more recent example is the UK cider market. Was it outrage that Magners 'broke the rules' that explains why Bulmers (Scottish and Newcastle) took so long to respond to customer rustling by its own Irish colleagues?

A BETTER METAPHOR

When David Ogilvy (1963) was similarly riled by the techno-marketers of his day, he pointed out 'the consumer isn't a moron, she is your wife'. We should go further: consumers aren't cattle, they are us. The five examples described above illustrate the approach of techno-marketers, and we can all find other examples. If consumers are going to react more favourably to modern marketing then we have to treat them exactly as we ourselves would like to be treated.

Analysing successful new brands, from Cobra beer to Ultimo bras, shows one consistent pattern. The entrepreneurs were not trying to satisfy customers; they were satisfying their own personal needs. They were solving their own problems and, having done so, then wondered if other people might feel the way they do.

So let us just focus on pleasing ourselves and convince our colleagues by results, not flawed science. The techniques for feeling your marketing like the consumer does are quite simple: live the consumer's life. Phone your own call centre at a peak time. Buy your products in the supermarket, not from the company store. Buy and use your competitor's products. Try complaining about your product experience.

CONCLUSIONS

Technology provides the modern marketer with a multitude of techniques for data gathering, analysis, planning, implementation and performance measurement. As techniques they are greatly to be welcomed. At the same time, they keep marketers in their offices and far away from consumers. This is especially ironic for service marketers as the nature of that business requires closer identification with the customer's point of view. Techno-marketing provides the illusion of control and leads to the subconscious business philosophy that marketers are cattle farmers. Customers are assets to be milked and to be managed according to their lifetime value.

Smart marketers do not follow trends; they create new ones. They start by recognising that customers are not cattle, they are us. So service marketers should transcend technology and rediscover empathy by living the customer's life and experiencing their own services.

Further Reading on Fashionable Fallacies

Those seeking a single index of marketing performance, (i.e. a 'silver metric') should read Ambler and Roberts (2006) who show why all silver metrics are flawed, especially return on investment (ROI), CLV/customer equity and return on customer (ROC). You can also see Peppers and Rogers' (2006) defence of their method and the rejoinder (2006).

Fred Reichheld's (2003) promotion of the Net Promoter Score as 'the one number you need to know' is reviewed by Keiningham et al. (2007) using a similar, but independently gathered, database. They found no corroboration of Reichheld's claims. Neil Morgan, who was similarly sceptical, tried to obtain Reichheld's database from him, as is conventional in academia, but was unsuccessful. This is consistent with his previous claims for customer loyalty and retention marketing, which were not corroborated by independent researchers, e.g. East, Hammond and Gendall (2006).

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Market Leader

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How brands are discovering their customers' worlds

Peter Fisk
The Genius Works

Whether it's the way you define your business, the style in which you serve your customers, or where you look for new ideas and inspiration, the chances are that you are still on the inside looking out, rather than the outside looking in.

We are all human – we all have dreams and aspirations. Yet when we go to work, we put our blinkers on – we restrict our thinking to our defined sectors and functional roles, we limit our ambitions to the scope of our responsibilities and rewards. We stop being real people.

We commend ourselves to be customer focused, or even customer centred. We seek to deliver great service, or rather service experiences. And we hope to gain the loyalty of customers, by persuading them to have relationships with us. The problem is, we do all of this from the inside out. Our starting point is still, invariably, our business – our brands, products, and targets. We do it on our terms. This doesn't work anymore.

Customers now have the awareness, knowledge and power to demand better. Their trust is low and loyalty rare. They are more different and discerning, and their expectations are incredibly high. If they can buy any item from Amazon, and receive it in 24 hours, then they expect that as a minimum service level from you. They also want more – to be enabled, energised, and even surprised.

Doing business from the 'outside in' means doing it why, when, where and how customers want.

Similarly, we grow complacent with the same old benchmarks – the familiar case studies, the innovations that become the conventions, the same old stories of 'legendary' service. Southwest Airlines, and even Innocent Drinks, were great mould breakers, but the world keeps moving on.

Seeing things from the outside in is also about learning from other markets, learning from companies with similar challenges in completely different sectors. As I travel around the world – speaking to and advising companies large and small – I meet the most amazing people, and learn about truly inspiring brands, with ideas that really make you think.

In recent months I have been inspired by the Latvian heritage of Stenders Soap Factory, the digital entrepreneurs of Estonia, the funky Serbian water of Voda Voda, the designer Turkish bathrooms of Vitra, the ultimate luxury of Banyan Tree, Natura and the beauty secrets of Brazilian girls, Celpay's mobile payment systems in Africa, and the fusion designs of China's first luxury brand, Shanghai Tang.

Here are three examples of extraordinary service, delivered in truly innovative ways: Oregon's Umpqua Bank, the funky and fast-growing financial services business that rejects conventions, Net-a-Porter showing how to apply similar attitudes in the online world, while China's Li & Fung is doing likewise as a B2B business.

1. UMPQUA BANK

How Gap and Starbucks inspired 'the world's greatest bank' and a customer experience that is the envy of America

The River Umpqua weaves a lazy path through the green and golden forests, deep and rugged canyons of Oregon State.

This is the land of lumberjacks, and in 1953 the South Umpqua State Bank was founded to serve the people of Canyonville, population 900. It was a small, traditional bank, loved by locals and proud of its reputation for great service. It was also very conservative, and only started to grow by acquiring one or two other small local banks.

In 40 years it grew to six branches, with a market cap of \$18 million. However with the logging business starting to decline, the bank looked to be heading in a similar direction. Most people thought it would be swallowed up by a national giant, but the Board were determined to maintain their independence. When the long-time president decided to retire, they thought about promoting from within, but something in their pioneering blood told them to look wider.

They took a big risk, hiring someone who was anything but your typical bank manager. He was energetic and dynamic, a mid-thirties banking consultant from Atlanta, who argued that his experience had allowed him to see many great ideas, and others not so good. He wanted to bring the best of the best to Canyonville. At interview he told them directly 'If you want things to stay the same, I am not your man. If you want wholesale change that will create shareholder value, I might be'.

Ray Davis set to work. First challenge was how to be different. Banks are notorious commodities – sterile, transactional, predictable and intimidating. Davies recognised that the opportunity to be different was in the 'how' rather than the banking products themselves.

He looked at the service experiences that customers responded most positively to, asking how Gap would create a bank, how Starbucks would deliver financial services. He went to ask them.

The 'store' concept was born. Employees spent full days out living in the customers' world, exploring great service from other brands, and comparing it to banks. He started to rethink the whole concept of a bank branch. Why do people go there, what for, what services it should offer, how it should look and feel, sound and smell.

The ambition of Umpqua Bank is 'to create a unique and memorable banking environment in which our customers perceive the bank as an indispensable partner in achieving their financial goals; our people may achieve unparalleled personal and professional success; our shareholders achieve the exceptional rewards of ownership; and our communities benefit from our involvement and investment in their future'.

Within a year, and with \$4 million investment, the first 'store' in West Roseburg opened. 12 months later Umpqua was named one of the best companies to work for. Another year later Umpqua Holdings made its entry onto the stock market. With various acquisitions and mergers, the bank grew across the American West (See Figure 1). With the simplified name of Umpqua Bank, it built a reputation for its funky store-concept banks that delivered a distinctive service experience. By 2004 Umpqua had grown to 65 stores and a market cap of \$600 million.

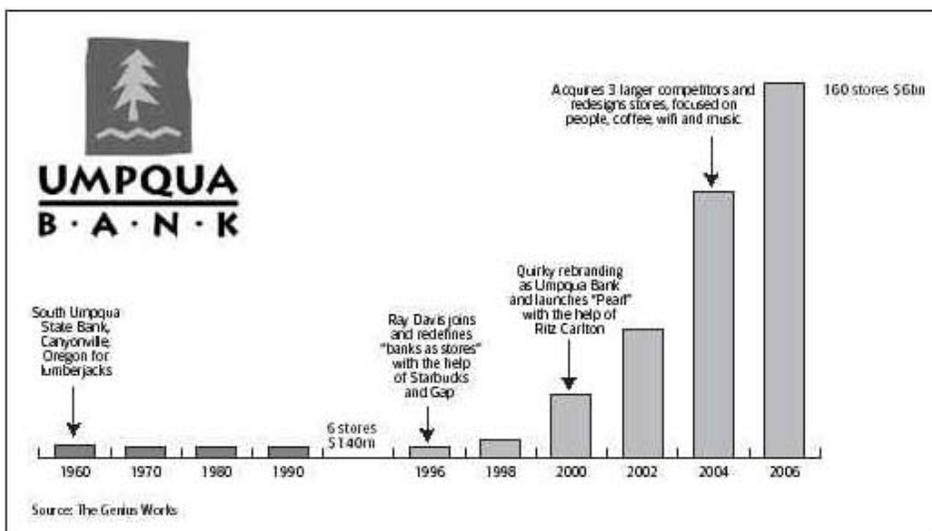


Figure 1: Growth of Umpqua bank.

Today, the first clue that Umpqua is different is its huge fashion boutique-style windows. On entering you are greeted by a sign that says 'Welcome to the world's greatest bank'. How can this be?

Now curious, you walk past people browsing their wi-fi emails, or sipping coffee on the huge leather sofas. Newspapers and lifestyle magazines hang on the walls, and you can catch the latest news on huge plasma screen TVs. Soft lighting and chill-out music add to the relaxed feeling.

You might notice large colour coded wall displays of the latest financial services – 'your green account', 'in your prime', 'the business suite' (themed to the audience, not just standard products promoted on their % APRs). You might be inspired by the successful local restaurant owner, whose story is described this week on the Hero Wall. You can even pick up a T-shirt, baseball cap or coffee mug bearing the pine tree logo too.

But where are all the bank clerks, the desks, the cashier windows? The coffee is served at the 'Serious about Service' concierge desk, which is also where you ask for help with your money. In moments an associate joins you on the sofa, and takes you through your financial options as your sip your coffee. Sip. Surf. Read. Shop. Bank.

2. NET-A-PORTER

From London to New York, the upmarket retailer seeks to build the best online relationships with fashionable females

'Net-a-Porter gives you front-row seats at the shows without the hassle ... If you can't contemplate a season without a pair of Jimmy Choo flip flops or a Chloe envelope bag, you'll feel very at home here' proclaims the *Good Web Guide*. The brand is also loved by an increasing number of trend-setting celebrities, high-flying female managers, and clothes-conscious mums too.

Fashion stylist Natalie Massenet has created one of the best examples of exceptional service by an online retailer. Indeed, that description probably does the business a disservice. It is as much a magazine, a community, an adviser, a best friend.

Born in 2000 out of a gap Massenet saw between women reading the glossy magazines, and then searching in vain to actually find the desired items, Net-a-Porter is a fusion of services. It boasts the best designers, latest fashions, combined with sharp editorial and deep

insight into the latest fashion trends, what to buy and what not. It is like a personal consultant and shopper at the click of your fingers, or mouse, and delivered to your door in luxurious packaging, within 24 hours.

Click on the site and it feels much more like a women's fashion magazine – it has authority and gossip, recommendation and edited ranges, videos and interactive graphics, alongside the simplicity of a catalogue. The pages showcase the latest lines with stunning photography, all available to buy, which is often not easy in the niche-distributed world of high fashion. Purchases are sent worldwide by express delivery from one of the global distribution centres, arriving in luxurious black packaging.



Figure 2: Net-a-Porter.com: digital fusion of luxury boutique and fashion magazine.

Commentary and opinion comes in the form of trend forecasters and fashion journalists straight from the likes of *Vogue* and *W Magazine*. The editorial team takes the uncertainty out of telling what's hot, and what's not – a fashion or a fad, a smart choice, or a fashion faux pas. There is also direct comment from real people – customer feedback, observations and suggestions.

While the target audience is clearly affluent and female, men obviously have an important role to play too. Net-a-Porter's 'Santa' service sends an email to cheque-signing husbands saying that their wives or girlfriends have just identified a desired item, and telling them how they can quickly bring a smile to their faces.

The results are encouraging, with 100,000 active customers, and around 1 million unique visitors to the site, who browse the latest fashions on average two or three times a month. And with sales of \$75 million, the business has been profitable for the last two years.

3. LI & FUNG

The Chinese business partner that works with the world's leading brands, so that they can focus all their attention on their customers.

Walk through a shopping mall in any of the world's great cities, and 30 to 40% of the retailers and brand names that you see are likely to rely upon Li & Fung for their business success.

Li & Fung is the world's leading virtual supply chain. In a world where ideas and relationships are all you need to succeed, why not let somebody else take care of the rest. Dream up your new fashion collection, and Li & Fung will sort out the sourcing, manufacturing, distribution, merchandising, and even your back office.

However Li & Fung is not some enormous Asian factory churning out the world's clothes before branding, it is a smart, contemporary, invisible business too. It manages your supply chain, sourcing the best materials, finding the right manufacturers, planning the production, assuring quality, finding the most efficient distributors, packaging the items in your own brand too.

It offers companies like Levi's a virtual, customised supply chain. This is much more than outsourcing your manufacturing, instead their team will identify the right place in the world to source any material or activity at any time. From clothing and furnishings, handicrafts and toys, gifts and promotional materials, it is your ultimate one stop shop.

Old supply chains were driven by what factories made, now they are designed to match demand, driven by what people want to buy. In the past it was transaction, now it is a partnership with shared information and people, risk and reward. Old supply chains delivered goods to warehouses, now they package and put tags on, and deliver them directly to the store ready for sale.

In a 'flat world' distance and borders, economies and regulation, no longer shape what you can make or do. Li & Fung takes much of the cost, distraction, and risks out of being a global business. The vertically integrated model (where you sought to own and control your supply chain), and the cluster model (like the car manufacturers of Detroit, where suppliers were encouraged to locate themselves nearby) are both redundant in this new global workplace.

Founded in 1906 in Guangzhou, Li & Fung now has 70 offices around the world, acting as the sourcing hubs for virtual networks of suppliers. Indeed the whole idea of 'made in' a country is increasingly meaningless. Imagine a new jacket, the shell made in Korea, the lining in Taiwan, filling in China, accessories in Hong Kong.

Since Li & Fung went public in 1992, the business has grown at an incredible rate, with revenues now at \$7 billion, and market capitalisation over \$12 billion. CEO Bruce Rockowitz describes his phenomenal growth record a result of 'active entrepreneurship' with his customers – or business partners as he prefers to call them – together imagining the future without frontier, then working together to innovate and deliver solutions, and share in the commercial success.

CONCLUSIONS

So what can we learn from these companies, and many other unconventional examples around the world? Three themes for delivering outstanding service emerge.

Firstly, throw off your blinkers, and see what you do from your customer's point of view. Don't sell a drink, sell a celebration. Don't sell a loan, sell a dream purchase. Or whatever it is that your customer is really interested in. The customer's world is much bigger than your product world, with more opportunities for you, and more engaging for customers.

Secondly, rethink your whole business from the outside in. Define your brand by the aspirations of customers, communicate and serve them on their terms – when, how, where they want – collaborate to develop better solutions, facilitate relationships between them not with them, and deliver an experience that is distinctive and personal – which, if done well, they will pay more for too.

And thirdly, go beyond the sale – consider about how your product or service can do much more for your customer – help them to use and apply it in more valuable ways – rationally by being their guide, coach or entertainer – emotionally by enabling them to do, be, become or belong to something more. Forget the language and formality of your workspace, start being a human being again.

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What marketing can learn from politics

Joel Levy
Penn Schoen & Berland

In today's world, companies increasingly find themselves under similar pressures and scrutiny as politicians. To win in these circumstances, political strategists developed a new kind of research to drive a new kind of campaign. Companies that can adopt and adapt this 'political model' are likely to be those that win in the future.

Philip Gould, one of the key architects of the communications revolution that led to New Labour, and someone I worked with for over five years and through two general elections, always described politics as a river. I think it's a useful metaphor. Like a river, the political landscape is always changing in response to an unrelenting flow. In politics that flow is driven by an accumulation of many forces – most of which are pretty familiar to us now:

- globalisation, the internet and the heightened interconnectedness and interdependence that this has created
- the rapid pace of change in society, technology and therefore in the competitive environment
- shifting social values, which among many other things has helped to fuel ...
- the decline in deference and loyalty to political parties, and a parallel rise in mistrust and cynicism towards politicians
- and, finally, the new glare and scrutiny of a media driven by a relentless 24/7 news cycle and what both Tony Blair and Jeremy Paxman have described as the increasing pressure to place impact before accuracy.

The key point in this is that political campaigning is about winning on a battleground of flux.

To win in this environment you have to do more than just respond to the changing flow. You need to shape it. Every day. In politics you need to lead the agenda by framing the policies, events, issues and occasional crises. It is said that 'The party that can frame the election will control the campaign'.

Framing the election means determining, however you can, what voters see as the key issues in a way that plays to your strengths and your opponents' weaknesses. The frame needs to limit the opportunity for your opponents to determine the election agenda, and reduce the chance of you getting caught out on their territory.

In 1979 the Conservatives famously framed their campaign on the 'Winter of Discontent', successfully ensuring that the argument kept coming back to Labour's key weakness and a traditional Tory strength – the economy and economic competence.

Eighteen years later, Labour turned the tables by framing the campaign on the same key issues, this time using 'Black Wednesday', when the government of John Major and Kenneth Clarke first put interest rates up to 15% and were then forced to exit the ERM with their tails between their legs.

Today, the main political parties are constantly campaigning. It's not about winning an election every five years any more, but winning what Dick Morris spoke of as the 'daily majority'. It is now the politics of the permanent campaign in which you never fight the last battle.

BUSINESS TODAY IS LOOKING LIKE THE 'RIVER OF POLITICS'

If you look at business, it seems more like the river of politics every day. Not only are the competition and its products constantly changing, but the landscape against which you compete is always shifting.

No longer can you rely on old loyalties from consumers. Like voters who increasingly vote on the issues rather than on ideology, consumers are instinctively less loyal to brands, more promiscuous and sceptical.

And it's not only politicians that have a problem with trust. Growing concerns about health, the environment, ethical supply chains, the downfall of Enron and other high-profile examples of corporate cynicism, Michael Moore's movies, and books such as Naomi Klein's *No Logo* and *The Shock Doctrine*, have helped to fuel consumers' growing mistrust and scepticism of companies and brands.

In this context the ability to anticipate and respond to change rapidly is essential. And yet it seems that so much of the research in use by companies today is still stuck in the old fmcg world of the 1970s and 1980s: big, over-complicated reports, lots of 'interesting' findings, but few clear and credible action points. Research that leaves you and the client wondering what to do next.

THE NEW MODEL OF POLITICAL RESEARCH

In the 1990s, in politics we discovered that the old-style research simply wasn't fit for purpose. And so we ditched it and invented a new kind, which has been evolving ever since. Bill Clinton and the Democrats first used it in the US, and later Tony Blair and New Labour in the 1997 election.

More recently some companies have started to use it: global companies to reposition themselves in response to increasing regulatory pressure, others in their response to the new responsibility agenda, or simply in good old fashioned brand battles where pre-empting your competition provides the key to winning and keeping new and existing customers. So what does this new research look like? It has three main features. It's fast. It's about winning. And it's about making consistent communications a reality within an organisation.

THE CRITICAL IMPORTANCE OF SPEED

It's been said that 'A lie can run round the world before the truth can get its boots on.' In politics, when something breaks – whether it's fuel protests, mad cow disease, a damaging attack by the opposition, or deciding not to call an election after all – it is critical to get on the right side of the argument fast.

In these circumstances, overnight reporting on focus groups and flash polls that provide a fast, clear and robust read is critical. This gives guidance on the actions and messages that will be most effective to help frame the argument, or neutralise attacks. In politics this speed of delivery is par for the course.

Delivering this kind of research requires a different kind of researcher and company. The researcher needs to be like the best internal pollsters on a political campaign: not just good researchers but excellent strategists.

In many ways, I think this person requires the core skills of the best advertising planners.

The company needs to have the systems, the technology and the culture to deliver high-quality strategic and tactical recommendations under intense time pressure.

As the competitive pressures on companies continue to intensify, I believe many more will discover and demand this mix of agility and speed.

FOCUS ON WINNING

A focus on winning is the second feature of this new research. In elections the stakes couldn't be higher. It's winner takes all. One day you can be in Downing Street with all the powers of office and the next on the pavement with none. For a politician, there is nowhere more wretched than being out of power.

I think this exchange between Lord Young and Norman Tebbit (taken from the former's memoirs) during the 1987 election puts it pretty succinctly:

'Norman, listen to me, we're about to lose this f***ing election! You're going to go, I'm going to go, the whole thing is going to go. It's your future and my future and all our futures, and the future of the flaming country.'

The fall from power for a brand is usually less sudden or dramatic than it is for a political party. But looked at up close, you can see that the downfall for both is usually the result of an accumulation of many smaller defeats along the way.

As they say in politics, if you're not winning, you're losing. The best political research is therefore very focused on winning. This is most apparent in the following respects.

1. Its emphasis on winning the swing voters.
2. Its simulation of the political knockabout and debate to reveal and develop campaign messages
3. Using polls to play out your messaging in advance against the competition.

1. Swing is King

In politics swing is king. Why? As Mark Penn recently pointed out in his book, *Microtrends*, because it takes two new voters to get back the share of votes you lose when someone swings to the other side. And it takes three new voters to increase your share following the defection of one voter to the other side.

So in 95% of elections the swings are the core battleground. And that's why the political research model puts so much emphasis on identifying who they are and working out the messages that will get their vote.

In business, particularly in many mature markets where market growth is at best incremental and the real battle is for share, swings are

king, too. Or at least they should be. Funny then how brand messaging, and the research it is based on, tends so seldom to be focused on this fact.

2. The Power of Presearch

The second feature of the political model's focus on winning is the way it replicates the cut and thrust of the campaign trail to flush out the messages that will win the swings.

A good example of this is 'Combat Groups' – an approach based on conflict groups, but that focuses on taking the debate to the swings. The idea is to pit loyal supporters of one party or brand against loyal supporters of another.

The most persuasive loyalists from each side debate head to head in front of a group of swing voters. Following the debate, the swings weigh up the arguments of both sides and cast their votes. This approach helps identify the range of messages and language that have real traction in shifting the swings.

Politics is like chess. To win, it helps if you can play out various scenarios before you make your move. This helps to explain why war-gaming messages have become a central component of the political model. These are messaging polls that play out the effects of the arguments, attacks and counterattacks that are part of every campaign.

War gaming is used to determine in advance what our first move should be, how the competition is likely to react and what our response to this should be. This is what you might call presearch: unlike conventional research, it looks forward, not back. It anticipates the future, and helps you shape it.

It is this kind of presearch that helped Labour stay on the right side of the immigration issue in the 2005 election. When the Conservatives read in conventional polling that immigration was an important issue they played it hard with innuendo advertising based around the slogan 'Are you thinking what we're thinking?'

The Conservative approach bore all the hallmarks of not properly playing out in advance how damaging the combination of their own tone and the Labour response could be. Labour was able to highlight their immigration proposals, protecting their position and helping make the Tories look mean-spirited. In the end, Labour was able to stop the attack pretty much in its tracks.

3. Organising for Communications Consistency

This brings me to the third and final feature of this new political research model: how it can drive message consistency and in the process elevate the place of the communications professionals within the organisation.

At the heart of a well-run political campaign is the war room. It's where you find all the key players in the campaign, from the leader and policy people to advertising and polling.

It functions around the clock and it depends on a regular feed of intelligence from the media, organisers in the field and the lead pollster, who plays a central role in strategy and putting together the war book. This is the campaign battle plan, showing:

- the state of the political landscape
- the key strengths and weaknesses of each side
- who we want to speak to
- the strategy, messaging themes and lines
- as well as the Campaign Grid detailing the campaign messaging and events on a daily basis.

In developing these plans, the research that I have outlined is key. Flash polls, targeting of the swings, combat groups, message war gaming, give all the key players in the war room the opportunity to test in advance the offensive and defensive strategies going forward.

The research is ultimately used to help produce one sheet of paper detailing the campaign narrative, message themes and individual lines to be used by everyone in the campaign.

In a good campaign, the organisational structure and the use of research in this way helps drive buy-in for the strategy and consistent messaging across the whole of the organisation. Communications in the corporate world are rarely so efficient, generally because the advertising, PR and sales people are usually in silos. Another disadvantage is that marketing directors are usually using old-style research, rather than political-style presearch.

No wonder, then, that CEOs and their boards too often see little reason to heed their advice or to make the organisational changes needed to give marketing greater control over the totality of company communications.

This new world needs a new approach. And for brands that want to win in this new world, the political model and its presearch might just provide the best view of the road ahead.

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Marketing is the boss

Roisin Donnelly
Procter & Gamble

JUDIE LANNON: Let's start by talking about how you got into marketing in the first place? Was it by design or by luck?

ROISIN DONNELLY: At school you tended to be classified as either good at maths and science, or creative and good at English. But at university I did both and also did a general arts degree and then did economics. So I was looking for a career that was quite business driven but with lots of creative flair. I came across marketing by accident – working part-time at a restaurant that was struggling and needed marketing. I then applied to P&G and have been here ever since.



JL: I think everybody has a kind of eureka moment where you know that you're in the right career and can be a success in it. How did that happen to you?

RD: The day I visited Newcastle for interview I thought this is where I want to be. But specifically, as far as the job is concerned, it was probably my first launch. It was in 1988 and the brand was Wash & Go. We designed everything from scratch and installed it on the shelf. We had huge sampling which was 95% positive, we had massive TV and got 99% awareness. In two weeks we were number one. So I thought this is fantastic, I can make a difference, and it was all so fast and such fun.

JL: What about mentors? There is always someone or maybe several people that you instantly know have something to teach you.

RD: Yes, there have been a couple over the years, and they're both from P&G. One was my first female general manager, who was a Mexican woman. She had three daughters, like myself now, and she was so good at balancing being a great general manager and being a great mum. More recently, AG Lafley, who is our CEO and who is a real inspiration. He manages to combine being a brilliant business brain with being a motivational coach and people person. He is an excellent role model.

JL: What are the kinds of things you learned from him that you've found most valuable?

RD: He is very personal. He sends you handwritten notes on things that you've done. He walks around the company and is always very accessible. He's more in the style of a servant leader and he sees his job as serving the organisation rather than being at the top of the pyramid. It's a very different style from lots of other leaders who dictate.

JL: I'm interested in both the structure and culture of the company that support what you are doing in your job.

RD: Although P&G is a very big company it's run in small teams. Every brand has a team that's run like a little business. When I joined there were three of us running bar soaps and it was like a small company. So I think the way that we devolve responsibility, the way we delegate and let go, makes the company successful. I think people have always felt that P&G was a good place to work, but especially so now.

The other thing that's different about P&G is that marketing is the boss. Marketing leads and 90% of our General Managers come from marketing. Half of our UK board is marketing too, so we're clearly a marketing-driven company. It seems strange when I hear people debating whether marketing should be on the board. In P&G UK, marketing *is* the board. This is a subject I am passionate about and I have spoken at the Institute of Directors to urge a greater role for marketing.

JL: This inevitably makes the company automatically more consumer focused doesn't it?

RD: Yes, absolutely. The consumer is at the heart but it doesn't mean we don't make smart financial decisions. We've developed a lot of tools to measure the effectiveness of our marketing and that, of course, is critical to everything we do. If we understand our customers better than any of our competitors do, we'll be that much more successful. As evidence of that, currently in many of the fields in which we operate we've got majority shares. In femcare we've got over 70% share, in blades and razors over a 70% share, and in nappies it's a 60% share. In laundry it's about a 50% share.

JL: How do you manage the kinds of trade-offs that are inevitable to meet financial or operational criteria?

RD: One thing we've found in hair care, for instance, was that people wanted everything. When you ask them what they want, they say a great product with every benefit under the sun. Obviously that's not possible so we've developed a portfolio of brands. We've got Pantene, which is all about hair health, Head & Shoulders, which is the best anti-dandruff shampoo, and then Herbal Essences, which is a great fun brand but also very good value. In fabric care we have four brands that are very different: Ariel, which is all about cleaning; Bold, which is much more focused on conditioning; Daz, which is all about whiteness; and Fairy nonbio, which is a much softer brand.

JL: Are all your markets segmented that sharply?

RD: Not necessarily. It depends on how complex consumer needs are. In nappies, for instance, all babies' needs are essentially pretty similar so we can cover that with one brand: Pampers. Whereas in hair or beauty or fragrance we need a wide portfolio of brands to cater for different needs.

JL: P&G used to be very quantitatively oriented in its research. How has that changed?

RD: I've been in this job seven years now. Before that P&G was much more rationally focused. We understood the rational side of people's behaviour but not so much the emotional side. So, over the last decade, we've taken advantage of the huge opportunity to become much more emotionally in touch with consumers, to understand them in more depth and detail.

We do an enormous amount of both quantitative and qualitative research. We research products blind, we research consumers, we look at their whole life and their needs. We do a lot of online surveys, we do a lot of postal surveys and a lot of face-to-face surveys. But, in addition, all the marketing people meet consumers at least once a week. We encourage people to watch focus groups, but you really have to spend more time so we go out shopping with people – join them for the entire day to see what they buy and how they make choices. This attention to consumers is in the DNA of this company, so it's something we do all the time.

JL: How did that happen?

RD: I think some of it came from looking at the what the competition did so intelligently. Why did the British housewife want Persil? Why did she prefer L'Oréal brands? As we looked at the competition and then looked at other segments as we got more into the beauty market, we realised how important emotional connections were and not just in the beauty industry but across the board. It has made a huge difference

to all our brands and is reflected in the advertising for them.



JL: What are the big issues you are facing in the company now?

RD: The main issues we have now are to do with relationships with other functions. Some of the other functions are not as in touch with consumers as they ought to be. So we've made sure they do go out and meet people and have the same kinds of experiences our marketers do.

There was a board meeting where AG took all the function leaders out to shop for a couple of days with consumers. Our board goes out every three months and shops with consumers, so they have all been to discounters, to the big superstores and to convenience stores. The brand team also has a finance manager and a product supply manager, and they will go to people's homes, to shops and talk to consumers about various issues – and that's different from other companies.

Of course, sustainability is a key issue for the whole industry and poses an interesting set of new challenges for marketers. Sustainability has been at the core of what we do as a company for a long time, but until recently, it has not played a big role in our marketing strategies. Consumers still value performance over sustainability – they won't compromise in this respect. However, as we showed recently with 'Ariel Turn to 30°', when you can demonstrate the benefits to the consumer in an accessible way, it can enhance brand trust.

JL: What are the biggest difficulties you have from a marketing communications standpoint?

RD: The biggest difficulty is measurement. We've gone into new media and, as everyone knows, it's very difficult to measure them. We knew how to measure the big mass campaigns but it's much more of a problem for niche campaigns. So we do have challenges from finance – is this paying out? That's something we're working on: how do we measure the kind of reach and effectiveness of the many different elements of an integrated campaign? We can see the effect of the total campaign, but what is online adding, what is word of mouth adding, what is PR adding to this campaign, and so on.

JL: Have you figured out how to do it?

RD: Not yet, but we're still working on it. We should be pioneering new tools and new territories, and we should be finding different ways to measure them as we go along. But that's the challenge for everybody I think.

JL: This makes working with suppliers more complex, doesn't it? How do you work with different kinds of agencies?

RD: We've got five above-the-line creative agencies, most of which have been with us for a long time. There are a couple that have come with new acquisitions, so we work with Saatchi & Saatchi, Leo Burnett, Grey, Publicis, and we now work with BBDO globally.

Then, as well as the above-the-line agencies, we've got some excellent direct mail agencies, some excellent in-store agencies, some very good digital agencies and some outstanding media agencies.

JL: With all these different types of agency, how do you manage the integration of a campaign?

RD: We do the integration. We're at the centre but we do encourage everybody to sit round the same table. So we'll have a team that works on Ariel that includes the PR agency, that includes the digital agency, but the brand manager will be at the hub of the team.

JL: What would you say was the thing you're most proud of in your career?

RD: Well, funnily enough, what I'm most proud of is the people, I've been here 20 years and I've hired a lot of people, I've developed a lot of people, I've coached and trained a lot of people. Many of them are still in P&G all round the globe, in the States and China, and many of them have left and are doing incredibly well in other businesses or running their own businesses. But when I look back over my career I think the difference I've made touching people makes me feel really proud.

JL: Looking back over this 20-year period, are there any decisions you've made that you wish you hadn't made, or you wish you'd made them differently – either in terms of your career or in terms of marketing?

RD: From a marketing standpoint, I think we probably stayed too rational too long. Wash & Go was a big success but it was very

functionally based – it was just a two-in-one product, it didn't have much of an image. That was a mistake that we saw and kept in mind when we launched Pantene.

I think I made a lot of mistakes through the first half of my career by being quite rational, thinking a better product was enough. I know now that, yes, we need great products, but we also need fantastic marketing.

JL: Apart from your own journey, how well do you think P&G as a whole understands the importance of brands and the distinction between brands and products?

RD: I think now we understand this distinction better than our competitors. A brand is holistic, it's got to be bigger than the sum of its parts and everyone working on the brand has to understand and buy into that. Historically there were different parts of the company that simply didn't talk to each other. We had research and development who didn't talk to marketing in the early stages. Now we work much more holistically looking at the brand together as a team.

I think also we launched a lot of new brands that were really just new products. Today we're concentrating on trying to leverage the values in the brands that we've got. So this month we launched a new range of air care called Febreze, because Febreze is a freshening brand. We're taking it into many many other sectors without launching new brands. We've added Febreze to Ariel, we've added Febreze to Lenor. I think today, as a company, we understand much more clearly how the financial value of the brand is tied to the brand's equity.

JL: What are the three most important pieces of advice you would give to someone who wants to make their company more consumer focused?

RD: The first one is lead from the top, if the management is going out and spending time with consumers, that sends an important signal and others will follow. As I've said, in P&G AG and his board spend a lot of time with consumers and so everybody else does too. It shouldn't just be the responsibility of the most junior person in the company to know the consumer.

I think the second thing you have to do is to measure it. You have to know the value you're getting from your marketing activities and learn from what hasn't worked as well as what has worked. We've done a lot of work with case studies where we got it wrong.

That also extends to how you staff the teams. With Pampers for a while, we had a team that had no parents in it. We were focused on products and not really on consumers, and during that period our share went down quite dramatically. Over the past four years we've made important changes and gone back to clear market leadership.

And the third thing is that you have to recognise the importance of rewarding people for the time they are investing. We have awards for people who recognise the importance of consumers. We have programmes where we'll give prizes in recognition for people who bring new insight to the business. We'll celebrate some of the simple examples as well as some of the break-through ones. We've gained insights into all aspects of our marketing from listening to our customers and watching how they use our brands and how they shop.

JL: What about the next steps in your career: what are you going to be doing next?

RD: I've been in ten jobs in P&G and I've worked all around the world but in this job I've gone through four acquisitions now and the job keeps changing. So the biggest one was July recently and we did Wella and Clairol before that. I'm still learning and marketing is changing so quickly. So I'm being challenged all the time.

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Bigger is different: growing a marketing services agency

Noel Penrose
Interbrand

Philippe Crump
LIVE

Every agency wants to be bigger, to offer new services, to attract better staff and to serve more demanding, high-profile clients. But increased size brings increased complexity and many agencies fail to anticipate the full implications of growth.

Experience shows that in the marketing services sector, agencies and their management teams go through a series of predictable step-changes as they mature and develop.

The revenue of a professional services firm is generally related to how many staff it employs (and how productive they are) and so size is largely a function of the number of people working in an organisation. But while headcount is an indicator of a business's size, 'braincount' is a better measure of its quality.

FIVE PHASES

There are five key phases of growth for a marketing services agency. Each is roughly defined by the number of employees in the business, and each presents its own particular challenges and change implications in moving from one phase to the next.

By understanding these phases the senior management team can anticipate the agency's future needs, and ease the impact of the various step-changes. The five phases are as follows.

1. *Birth* – the early years of 'autocratic control' with up to 15 staff.
2. *Infancy* – the baby starts to grow in a period of 'controlled trust' with 15 to 30 staff.
3. *Childhood* – a period of learning new skills with 30 to 50 staff.
4. *Adolescence* – the difficult years with 50 to 80 staff.
5. *Maturity* – established market presence with 80+ staff.

The typical journey time from birth to maturity can be as short as five years or as long as fifteen.

Cross-over points from one phase to the next are variable. Some agencies may move quickly through a phase before they have achieved the level of headcount indicated. So the boundaries between the phases are for guidance only. The phases themselves are more important because they identify the particular challenges agencies will face as they build and grow.

BIRTH – THE EARLY YEARS

In the early days of agency establishment, the business is simple and straightforward. The entrepreneurial founder generally controls all aspects, and he or she will have full knowledge of all key activities.

The founder makes personal promises and commitments to clients and staff. Those who have taken risk in the venture apply great commitment to the success of the business and are passionate about the work produced.

In these small companies, communication is regular and informal, and there is little or no sense of strategy at this stage. Marketing is largely done through relationships and word-of-mouth. Everything is focused on doing and selling the work.

In addition, there is little formal management discipline. Decision-making and response times are quick, and often intuitive, while control systems are pretty basic. Employees at this early stage are dedicated to 'the cause' and, while there is extensive 'multi-tasking', specialist

skills lie with few individuals.

Inevitably, cash is more critical than profit and the founder is the major source of energy in the business, which means that control and direction are largely autocratic in the early years.

INFANCY – WATCH YOUR BABY GROW

As the agency develops and grows, the founder needs a trusted partner to share responsibility and meet the demands that growth imposes, though the founder typically remains very much involved in client work. The partner will contribute energy to drive the business forward and will also provide decision-making support to the founder.

Activity remains opportunity-led and the culture remains tight and local.

During this second phase, however (from 15 to 30 staff), the founder begins to see the need to introduce more formal processes and management controls. Team-based structures for working are required and the founder needs to trust senior staff with aspects of management and client relationships.

Recruitment remains informal and skills-driven, based on instinct or 'feel'. A requirement for training emerges as the leader recognises the need to develop expertise in the agency.

It is at this stage that an organisational structure of some sort begins to take shape. Formal accounting and business process systems are introduced or upgraded, though these will not be fully integrated at this stage. Internal communication becomes more important as profit (not simply cash) becomes an objective.

In this phase, 'all revenue is good revenue' and profit is a consequence rather than an objective, resulting in inconsistent, 'spiky' performance.

CHILDHOOD – LEARNING NEW SKILLS, VALUES AND PROTOCOLS

This phase sees an increased need for processes, structure and planning, as the agency builds from 30 to 50 staff. The adoption of formal policies, procedures and practices will affect most aspects of the business and there is a need to outline strategy to give a sense of direction.

Personnel Changes

At this stage, the organisation will begin hiring non-billable professional support staff (such as finance, IT and HR) and develop new management structures (for example, silo or matrix) in order to guarantee efficient and error-free delivery of its work. The best structure for the company may not be self-evident, so new ways of working are explored.

The requirement for a 'managing director' is strong now. A senior individual with clear responsibility to direct and coordinate the expanding business will need to detach him- or herself from some of their client work to focus on managing the agency. This may be the existing 'principal' or a new appointment.

For the first time, horizons beyond the immediate time frame of the current year are contemplated, and a two-to three-year plan may be considered.

There will be a need to add senior 'partners' in order to spread the workload, and to introduce new expertise and new services. Professional, functional managers are recruited for senior leadership roles and a management board is likely to be established with a middle-management layer formed beneath.

Monitoring business activity should become more formalised in this stage of growth and integrating disciplines becomes key to controlling operations effectively. If not already in place, time management systems are essential to permit utilisation targets and unbilled client time analysis. Tools for monitoring and reporting on operating as well as financial performance must be implemented by this stage.

The agency begins to recognise the value of its talent pool and the importance of retaining and developing its senior people. This means regularly reviewing senior people and considering whether the right person is in the right role. This is particularly important as roles themselves begin to change and increase in complexity. Superior-to-subordinate relationships become more important as newer staff learn from those more experienced in skills and ways of working and the ability to leverage junior staff is developed.

Planned Profit

Agency marketing activities are still fairly ad hoc and personal, but new business efforts should become more structured and low-value projects are sometimes rejected. In this newly formalised structure, location, environment and image become more important and the original culture of the agency becomes more difficult to maintain, as subcultures emerge.

Bonus or incentive schemes are needed to motivate senior people and profit becomes a requirement. Indeed, accurately planned profit is now a pre-condition of the business's existence.

ADOLESCENCE – THE DIFFICULT YEARS

The fourth phase will define whether the agency succeeds in becoming a leader or remains an 'also-ran'.

With a staff between 50 and 80, demands on overall management will increase substantially. Consequently, to continue successfully growing, the business now needs a full-time CEO, transitioning from the 'managing director' role that was needed to pull the agency through the previous growth phase.

Introducing the CEO

The migration from managing director (hands-on, operational, managing day-to-day activities) to CEO (forward-thinking, leading, directing people versus managing issues) is key for both the agency and the individual. Success here often determines the ultimate ability of the agency to progress to the Maturity phase of growth.

Staff retention and recruitment becomes a continuous activity (and a constant challenge) because the organisation has raised its profile and become a talent pool for headhunters and competitors. Experienced professional leaders in operations, finance, technology and people management need to be brought in to strengthen the management team, and new functional titles emerge, such as COO and head of client services.

As the organisation builds and changes shape, individuals in the senior team need to reflect on and review how they behave among themselves and with other staff. New ways of working are often explored, for better delivery of the work, but also in response to a simple need for change, to provide impetus and to avoid stagnation.

Services as Products

At this size, there is an enhanced need (generally client-led) for new service offerings, as well as a need to 'productise' services, to leverage value from the agency's intellectual property. Now is the time to review pricing carefully, take stock of rates and explore creative ways to charge for value rather than outputs.

Cross-charging for services and support between departments becomes an issue (and an impediment), and may lead to a silo management mentality.

Geographical Expansion

In this fourth phase, the prospect of a second office or geographic expansion often arises – for a number of reasons: possibly through client need or the desire for independence from a senior principal or an opportunity to partner with another organisation. The risks, demands and challenges of such expansion are almost always underestimated, especially the cultural impact and investment of resources.

Quality Clients

Both inbound and outbound new business activities are now required, and a formal marketing plan must be developed to quantify and direct the sales and marketing efforts of the growing business. Revenue opportunities begin to be qualified for relevance in terms of fit, value and client potential.

Client service becomes much more critical and the agency needs to focus on higher-quality client opportunities as its clients become bigger and more sophisticated.

Client conflict becomes more evident as an impediment to growth and conversion rates fall as the agency is now 'mainstream', up against leading competitors in the industry.

Putting the best teams forward for pitch opportunities can be difficult because of the demands of existing client work and relationships.

There is an increased need for proper strategic and financial planning and forecasting. Consistency of profit and a track record of growth are key drivers now, so performance objectives are set and management is measured against them. Forward-looking metrics for revenue confidence and new business requirements must be reviewed regularly to support investment-related decisions. Resource management and productivity tools are also essential, as are client or project profitability analyses.

Above all, the business needs clarity of purpose and values to safeguard its culture. The agency's positioning, values and focal purpose now need to be codified and communicated to an expanding workforce to ensure all staff are facing in the same direction at the same time, for informal power structures may have taken root.

So in terms of human development, this is a tough phase to come through.

MATURITY – ESTABLISHED PRESENCE

The maturing phase of an 80+ staff business is no resting place because when the agency reaches this point, change remains the only constant. Reaching this stage is a continuation of the journey, not a destination.

Once here, the challenge for the CEO is how to continue to grow and develop the agency, the client base, the people, the agency's product offering and business performance in a constantly changing market.

The greatest challenge for the CEO may well be how to invest in and maintain the 'braincount'. This could involve management development programmes, graduate recruitment strategies, leadership specialists and succession planning initiatives. These will all be required to enhance and differentiate the thinking ability of the agency.

Whether he or she realises it or not, the CEO will need a mentor or confidante; someone to bounce ideas off, to seek counsel from and to

help the CEO's own development, for this can be a lonely and insular role.

The conundrum for marketing services agencies is that they sell ideas, yet price them on time. Those agencies that develop value-added products and exclusive service offerings can buck this handicap. They will certainly need to do so if they are to become successful beyond the Adolescence stage.

IMPLICATIONS

Agency growth brings implications for leadership and employees at every level. Understanding and anticipating these step-changes can help leadership gear the agency to better manage these growth challenges. If employees at every level of a marketing agency are encouraged to take a proactive approach to growth, the challenges may be easier to face and management actions better executed.

Agency leadership has an opportunity to gear its agency for successful growth by:

- understanding and evolving the leadership role to be in the best position to drive growth
- preparing people, through skills development or recruitment, and engaging them with the roles required to achieve growth
- ensuring a constant review of the process, systems and organisational structure to best support growth.

There are, of course, merits to being small, and some agencies may choose to remain local and tightly focused. The management challenges are fewer and less furious, though the range and depth of client services may be limited. Growth, and the need to progress through the stages of development, are not imperative, but anticipating the hurdles will greatly ease the journey for the agency, the staff and the individual leader.

Further Reading

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The pursuit of effectiveness

Les Binet
DDB Matrix

Peter Field
Consultant

Some opinion on measuring marketing effectiveness, of course, is extremely valuable and has done much to move marketing forward, but some of it is, well, less so. But because until now there has been little by way of codified learning to help us all discriminate between the valuable and the fallible, we have remained at the mercy of opinion. Small wonder then, that an army of management consultants and market research companies are able to impose their own models, however bizarre, upon the marketing world.

The greater problem is that under the weight of all this opinion, the difference between hypothesis and fact has become blurred. So small wonder too, that most CEOs regard the world of marketing and communications as 'undisciplined' and 'uncommercial', according to a McKinsey study. And herein lies the source of a further problem.

ACCOUNTABILITY AND EFFECTIVENESS

Not unreasonably, general management has imposed an ever-increasing burden of accountability upon this rebel world, as it seeks to bring it to heel. But the trouble with imposing accountability on marketing when there are so many conflicting and questionable theories about what drives effectiveness, is that it inevitably leads to the wrong behaviours.

The analysis reported here shows that the evaluation is widely flawed, the metrics are usually the wrong ones and the results too often lead to the destruction of shareholder value. In the pursuit of *accountability* (being seen to do something) a conflict arises with *effectiveness* (doing the right thing).

MINING THE IPA DATABANK

So we have attempted to do our bit to create an alternative to opinion: an objective and rigorous analysis of the 880 case studies of effectiveness residing in the IPA Effectiveness dataBANK. The dataBANK is probably the world's largest database on effectiveness and is based on entries to the IPA effectiveness awards, widely accepted as the world's most rigorous effectiveness competition.

The dataBANK includes a lot of confidential additional information that is not included in the published awards entries. This covers many details of the trading environment of the brand, of the status of the brand, of the objectives and features of the campaign and of its results (both business effects and intermediate consumer effects). Thanks to this additional data we are able to look at what actually works in business terms – which has nothing to do with what wins prizes.

Our key measure of effectiveness is what we have called the 'Effectiveness Success Rate'. This is the percentage of cases that report 'very large' effects in any of a number of key business metrics, such as profit, market share, price elasticity etc. This measure turns out to be closely related to marketing payback: the higher the 'Effectiveness Success Rate', the higher the ROI. And unlike actual profit data (which is not widely available), this measure is available for hundreds of cases, allowing us to perform detailed analysis of what drives business success.

The findings of our analysis are published by the IPA in their dataMINE series under the title *Marketing in the Era of Accountability*. Those findings reveal the dangers of too much opinion – that much accepted wisdom is wrong and much common practice is inefficient. So here we summarise the key areas where common practice and best practice diverge.

1 BE CAREFUL WHAT YOU WISH FOR

The dataBANK reveals that the choice of objectives and therefore metrics is crucial to effectiveness. Choosing the wrong metrics will very significantly weaken the ability of marketing to create shareholder value.

The Problem with Single Campaign Objectives

It is common to focus on a single campaign objective. Sometimes this will be a 'hard' business or behavioural objective (such as sales

growth or customer loyalty), but more often it will be a 'soft' intermediate consumer objective (such as brand awareness or image). Accepted wisdom is that having a tight focus is good, because it will make progress more likely. Unfortunately campaigns with single objectives are dramatically less effective than ones with multiple objectives.

And there is good reason for this. There are many 'levers' of profitability for most brands (such as sales volume, market share and price sensitivity) and the more of these that the campaign 'pulls' the more profitable it will be. Consequently the dataBANK shows that the more shifts there are across a wide range of metrics, the more profitable the campaign will be. The relationship between the number of different metrics that shift and the Effectiveness Success Rate is strikingly linear (Figure 1).

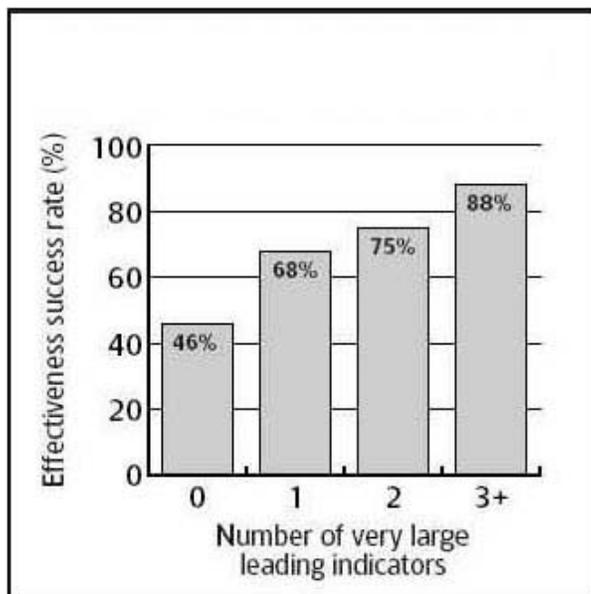


Figure 1: The more metrics that shift, the greater the effectiveness

A Balanced Scorecard?

There is a clear implication of this: that brands should adopt a 'balanced scorecard' approach with multiple brand metrics, rather than using any single metric, however seductive the opinion lying behind it may be.

As well as suggesting a balanced scorecard, with multiple KPIs, the dataBANK also tells us that they should be prioritised as follows:

1. hard business metrics (e.g. share)
2. hard behavioural metrics (e.g. penetration)
3. intermediate consumer metrics (e.g. awareness).

And the reason for this is that hard metrics are much better predictors of profitability than soft metrics.

In practice though, intermediate consumer measures are the most commonly used and are often given supremacy. Intermediate measures are seductive as a focus for marketing, because they tend to move more quickly and impressively, and are easier to link to marketing activity. They are therefore widely used as leading indicators and far too much attention is paid to them in establishing accountability.

Worse still, the focus tends to be on a narrow range of intermediate measures, particularly awareness. And worse even than this, the dataBANK shows that the commonest leading indicators (brand awareness, image and advertising standout) are in fact some of the poorest predictors of business success.

But that is not the end of it. Even when marketing is focused on business metrics it tends to be focused on the wrong ones: sales rather than market share or profit, volume rather than value, and customer loyalty rather than penetration. And the focus is almost never on price sensitivity as a KPI. Yet the dataBANK demonstrates that brands that focus on profit, value share, penetration or price sensitivity dramatically outperform those that pursue the common goals. Again, the data suggests that this tendency is at least partly driven by accountability and the consequent pressure to choose measures that demonstrate progress most easily.

It is worth dwelling on penetration and price sensitivity for a moment, since they are both powerful routes to business success.

Loyalty

We have all been influenced by the work on loyalty of Bain and McKinsey over the years. Not least the famous Bain thought experiment (that is in fact what it was) that a 5% improvement in customer retention could result in a 25–85% improvement in profitability. The CRM movement has in part been founded on this line of thinking. We don't doubt the truth of the pronouncement as an observation on accounting realities, just as we don't doubt that being able to turn lead into gold would make us very rich men. But vast amounts of work by Professor Ehrenberg, as well as the evidence from the dataBANK, suggests that loyalty is almost as elusive as alchemists' gold.

Ehrenberg has demonstrated that loyalty, defined objectively as share of category requirements over multiple purchase cycles, is pretty much constant within a category, and is only influenced by the size of the brand. He has also suggested that marketing's most productive goal is therefore to defend or build penetration. The IPA dataBANK strongly supports this point of view: effectiveness success rates are dramatically higher for campaigns that aim to increase penetration than for those that aim to increase loyalty. Pursuing both (i.e. talking to customers and non-customers) is even more productive, but pursuing loyalty alone is a recipe for underachievement (Figure 2).

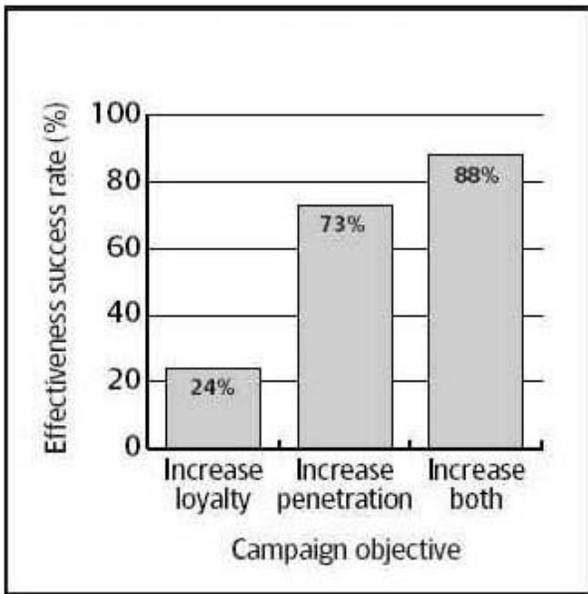


Figure 2: The myth of loyalty

Again there are good reasons behind the findings: usually non-customers are much more numerous than customers and customers are much more influenced by experience of the brand than marketing communications. We are not saying don't try to keep customers happy. In the era of internet driven word of mouth, happy customers are an important recruitment tool for new customers. And that is why targeting both is so productive – not because marketing can suddenly turn occasional users into most-often ones.

Price Sensitivity

Price sensitivity, on the other hand, is an important metric. It is difficult to measure reliably without econometrics, which perhaps explains why only 4% of the cases in the dataBANK targeted it. Yet they enjoyed an extremely high effectiveness success rate (83%). In our view price sensitivity is a much more useful measure of customers' commitment to a brand than conventional measures of loyalty, because it is something that can be influenced by marketing, and has a powerful impact on profitability. Again there is good reason behind the finding. The benefits of firmer pricing fall entirely to the bottom line, whereas volume increases bring costs with them.

Pretesting

There is one final area where a commonly used metric can backfire badly. It is increasingly common practice to pre-test advertising quantitatively in order to attempt to predict its likely business success in-market. A common metric of such pre-tests is predicted advertising standout. We have already demonstrated that standout is a highly fallible predictor of business success: so pre-testing is providing a fallible prediction of a highly fallible metric. It might be expected to be unreliable and the evidence of the dataBANK is that it is not only unreliable, but probably actually reduces effectiveness (Figure 3). But accountability continues to mandate it.

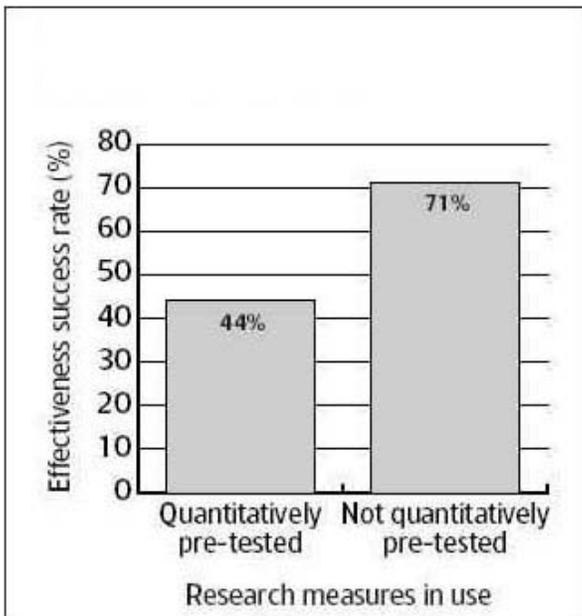


Figure 3: The effect of pre-testing on effectiveness

By contrast econometric modelling is widely misunderstood in marketing and consequently rarely used. Yet the dataBANK shows that it is an extremely powerful planning tool that if used on an on-going basis can improve the profitability of brands. It does this by giving management the information needed to operate the many levers of brand profitability optimally.

2 USE YOUR HEAD – LISTEN TO YOUR HEART

The various campaigns reported in the dataBANK can be grouped into 3 types: principally rational (largely involving the communication of information for effect), principally emotional (largely involving the creation of emotional engagement for effect) and those that do both in roughly equal measure. Rational campaigns are more common than emotional ones. Exactly why this is so, when there has been so much new learning published in recent years about the superior effectiveness of emotional communications, is unclear.

There is a suggestion in the dataBANK that it may be because rational campaigns are more easy to measure in terms of leading (intermediate) indicators – and hence appeal to accountability-minded folk. What is clear from the dataBANK is that emotional campaigns are considerably more effective – and in particular more profitable – than rational campaigns. And combined emotional/rational campaigns do not give you the best of both worlds, they give you a mushy average (Figure 4).

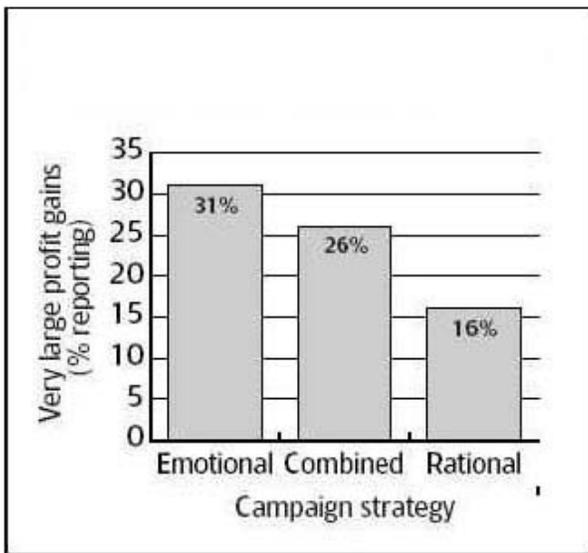


Figure 4: The profitability of emotional vs. rational campaigns

So emotional engagement is good for effectiveness – hardly front-page news, but hopefully we have helped move it from opinion to fact. But the dataBANK classification of campaigns is richer than this, and when we look at greater depth it emerges that one broad emotional communications strategy is more successful than any other: 'fame'.

Brand Buzz

The terminology needs careful definition here. Brand fame is not the same as brand awareness (which we saw earlier does not reliably lead to business success): it is about creating 'conversation' and buzz around the brand – giving it the sense of being the brand that is

making waves in its category, and the authority that comes with that. Thus fame builds a broad sense of brand health by creating perceptions that a brand is widely valued, whereas awareness merely creates knowledge of its presence.

It is not surprising that fame is so much more valuable than simple awareness – brands long since ceased to be such simple entities as 'reminders of existence'. In the modern world they are highly complex and the best ones are highly emotionally charged. Fame campaigns tend to generate more intermediate effects, more business effects, and produce bigger paybacks. The fame approach is therefore both easier to measure (good for accountability) and more effective: it deserves to be much more popular than it is.

3 GET REAL

Having the right strategy and the right creative is not enough. You also need the right budget. The dataBANK shows that there is a very clear relationship between budget levels and effectiveness. In particular, the relationship between share of market (SOM) and share of voice (SOV) turns out to be crucial.

Once again, common practice in this area is not the same as best practice. Most brands tend to set their share of voice roughly equal to their market share, and expect this to deliver growth. But our analysis shows that this is not enough. If you want your brand to grow, you need to set your share of voice above your market share.

We call the difference between SOV and SOM the 'excess' share of voice, and it is this excess SOV that drives growth. In fact, the data suggests that, for a typical brand, a 1% increase in market share requires around 10% excess SOV. This means that strong growth usually requires a high advertising-to-sales ratio – much higher than many marketers seem to realise.

4 DON'T BECOME A FASHION VICTIM

It has become fashionable to opine that TV is a dying medium in the digital era, whose effectiveness must surely be ebbing away. This is despite the fact that a great many of the world's largest and most savvy marketers continue to invest heavily in TV. The dataBANK shows that, not only is TV an extremely effective medium, but also that its effectiveness is growing over time (Figure 5).

Again there is good reason behind the finding. Growing competition has driven real TV costs down to a 25-year low, whilst, contrary to popular opinion, commercial TV viewing has in fact been rising. Add this to the supremacy of TV as an emotional medium and you have the ingredients of its growing effectiveness.

There is also a fashion for 'surround-sound' advertising – the bombardment of consumers with advertising touchpoints wherever they are. The databank shows that integrated multi-channel campaigns are very good for effectiveness, and that adding more non-advertising channels to the mix is also good, but that the same is not true of advertising media. The reason for this is that non-advertising media are usually used differently and are therefore additive. Merely repeating the same message across media inevitably leads to diminishing returns.

5 ROI – A LOOSE CANON?

ROI is a fundamental canon of accountability and it is the common yardstick of payback. The dataBANK argues strongly for a greater focus on payback – especially in the light of a recent IPA Bellweather finding that only 53% of marketers formally track financial return. But we do not advocate focussing on ROI as the metric.

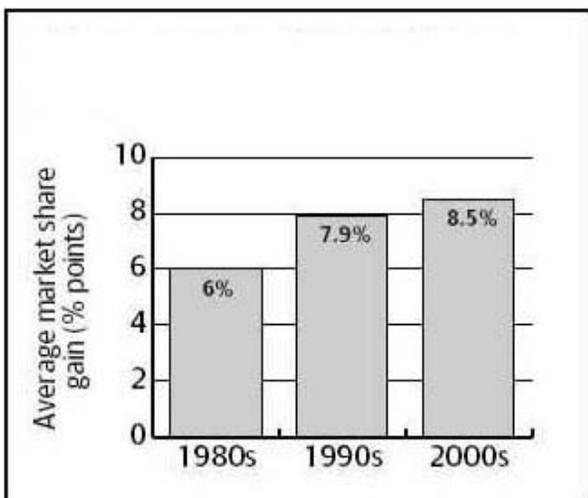


Figure 5: The growing effectiveness of TV

ROI is a potentially dangerous way to measure payback in the marketing context, because one very easy way to boost ROI in the short term is to cut the marketing budget. In the longer term of course, this will result in the destruction of shareholder value. Moreover, most use of ROI is confused and it is very rarely calculated accurately, so it leads to poor business decisions. So we recommend a better way of measuring payback that will circumvent this potential problem.

CONCLUSION

Our objective has been to use the dataBANK to test the wisdom of a lot of widely held opinion about marketing – and much of it has been

shown to be wrong. What is more worrying is the consequent impact on effectiveness when growing accountability pressures are overlaid. If accountability in the shape of value based remuneration is to deliver more effective marketing, it must be based on sound metrics. We urge marketing leaders to discriminate more carefully in future between opinion and fact. Keep both eyes open.

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Personal marketing: the key to personal service

Peter Simpson

It is no use using the language of the past to talk about the business of marketing for the future. We have to recognise that marketing has to catch up with both the businesses it supports and the people whose behaviour it seeks to change.

First business. Shareholder return is more important than ever. The dotcom boom tried to suggest other drivers than shareholder return were the order of the day. Not so. What we have now is a keen eye on the prize, a legislative and infrastructure framework that makes life harder, and an increasingly sophisticated buyer. Add environmental matters to the mix and achieving the required shareholder return is that much more complex.

Next consumers: increasingly sophisticated, seeing through advertising, alive to marketing techniques, but always looking for the best quality at the best price. Cross them and you lose them for ever, treat them well and they can be your number one advocates.

In this world, marketing too has to come alive, to recognise that the old order is no more. It is not so much being alive to media fragmentation, technology, increasing numbers of networks, but alive to your customers as people. People who understand rational argument but live their lives emotionally, making choices that feel right rather than being obviously logical.

We hear much about brand marketing, online marketing and direct marketing as separate activities. At First Direct we argued for a holistic approach for each customer, which could be thought of as personal marketing.

Personal marketing looks at an individual in the context of *their* life, not *your* objectives as a business. It's your customers' choices and preferences that matter, not those of your business. What they want is what counts and it's your job to supply it.

It's interesting how 'wants' have supported 'needs' in this new personal world. I was in Harvey Nichols in Leeds in the early summer when a lady came in saying rather loudly to everyone around, 'I must have more sunglasses'. Surely not. But the point is clear, sunglasses are what she wanted and she was to be the arbiter of which styles and brands she wanted to show off.

VALUE AND VALUES

So how do we make service personal and market it as such?

Firstly by focusing on value: customer value. I am amazed at how many businesses still have a product focus rather than a customer one. You would have thought that CEOs had realised that a product-centred organisation is an organisation of the past. I recall a journalist saying to me a few years ago, 'You're lucky at First Direct, you have a customer database!' I was too polite to tell him that we designed it that way. To provide customer service you need to understand the value of each customer, hence you need a customer database.

The second 'must have' is a strong set of values that are in tune with those of your customers. Values that define your company's thinking and behaviours. When you treat your people well, they will treat each other well – and all of them will treat your customers well.

HAPPINESS, HUMANITY AND CONTROL

These are prerequisites. But what else do you need? You need to recognise what makes customers happy. There are two crucial ingredients to serving customers in today's world.

Firstly, control. It has seemed to me that it was self-evident that customers who trade with you online would prove to be more satisfied than those to whom you speak by telephone. Why? Because they have more control of the interaction, and time and again the degree of control is the primary arbiter of service perception. And so it has proved to be.

Telephones have for the last 20 years become the delivery mechanism of choice – not to serve customers but to cut costs. Except in a few notable cases, the telephone and its *bête noire*, the call centre have been found out. They do not offer the personal interaction of retail nor the control of online. They have had their day, as have organisations that seriously think remote call centres are efficient sales operations.

Interestingly, in this regard, the mobile phone might well prove to be in the ascendancy. It is both intensely personal and gives the user control of what messages are sent and received.

So what of retail? The drivers for the direct (telephone) revolution were in the first instance cost, but later a realisation that combining data with telephony was an attempt to replicate face-to-face capability. Over the past ten years the reduction in IT costs and the increase in the availability of data in distributed networks has made it quite feasible to furnish store or branch people with data. This has changed the situation significantly; telephone may have a cost advantage but loses out to the humanity of retail.

People like talking to people, and sales are much more likely to be made in retail environments by informed, trained people than by their counterparts in call centres.

If this argument holds, we shall see businesses building customer service systems for the online environment where customers self-serve. Those very same systems will be used in retail outlets with agent assistance.

Call centres fall between two stools: they have neither the humanity of retail, nor the control of online. The logical extension is that we shall see call centres dispensed to local centres closely associated with a local store or branch.

PERSONALISATION VS PERSONAL

It is very interesting how so many people mistake personalisation for personal service. Using data capabilities to individualise messages does not necessarily improve the recipient's perception that he or she is being treated personally. We, as consumers, are increasingly sophisticated about marketing, and sceptical of marketing techniques. We know we are in a 'segment', if not why. We also know that the offer will change as the organisation tries to persuade us to buy.

Personalisation means just that, communicating with customers about what they want, not what you want to sell. Increasingly it will transform from the now defunct CRM to personal information management, where the consumer defines who has access to his or her data and for what purpose. But we have to realise that data is a facilitator; too often it seems to be an end in itself.



First Direct's attention to customer service was one of its founding principles.

When we get personalisation right it adds enormous value to the customer experience and perception of service quality. Get it wrong and it is an invasion of privacy.

RECOMMENDATION NOT RETENTION

It is beyond doubt that the best way to engender customer value is to make the process of customers buying something as easy and seamless as possible. Loyalty in this regard is a quaint idea; it is experience that defines continuity. Equally, of course, the same applies to retention – the need is to focus on the buying experience.

Naturally, this is dependent on presenting the customer with a brand that they want to do business with. This means having the right value set, culture, propositions and environmental and social responsibility credentials. More to the point, brands need to be in tune with consumers' desire to be up to date and connected.

The end goal of customer service is not just more sales from existing customers and lower cost acquisition, but recommendation. Recommendation is the lowest cost form of marketing; it is the ultimate in personal marketing. It will be self-sustaining and it will build over time if customers continue to have satisfactory experiences – joining, buying or being serviced.

MARKETERS NEED TO INNOVATE

To complete the journey through customer service, we need to consider innovation. There is an expectation from your customers that you will innovate. They need to know that what they are buying works, but also that it is leading edge. This is a matter of self-esteem in the eyes of friends and colleagues, as much as satisfaction about the experience/purchase decision.

The innovation requirement is continuous and crucial if the brand is to maintain its caché. Money spent on innovation in the long run is

likely to generate better returns than increasing marketing investment.

The innovation process must also apply to marketing; doing the same tomorrow as you did yesterday will inevitably bring diminishing returns. Much better to think of marketing as part of the customer experience and a continually developing element of personal customer service.

Specifically marketers should think proposition rather than product. Product is too narrow a concept for the multi-channel world of today, where consumers can build their own product online at the point of purchase.

AND FINALLY ...

I am arguing here for marketers to accept that they are a significant part of the customer experience. The total experience is primarily driven by the value encapsulated in the brand and marketers enhance this by delivering it through joined-up multi-channel relationships. We organise ourselves not by product or channel, but by customer need. This is personal marketing to drive personal service.

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