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· Marketing Guide
Table of Contents

1.

2. 2916 Citizen Marketers.qxd

3. 2916 Citizen Marketers.qxd

4. 2916 Citizen Marketers.qxd

5. 2916 Citizen Marketers.qxd

6. 29A FBR Number.qxd
   Neptune

7. 3230 The New Experts .qxd
   Robert Bloom

8. 32BS10 Overpromise and Overdeliver
   Rick Barrera

9. 3310 Real Time Mktg.qxd
   David Meerman Scott

10. 3319 Enchantemnt.qxd

11. 35-30 What Keeps Leaders Up At Night
    Soundview Executive Book Summaries

12. 36-15 Absolute Value
    Soundview Executive Book Summaries

13. 39-09 Woo, Wow, and Win
    Soundview Executive Book Summaries

14. 40-01 Get to Aha!
    Soundview Executive Book Summaries

15. 40-04 Building a StoryBrand
    Soundview Executive Book Summaries

16. Be the Go-To
    Theresa M. L·na

17. Becoming a Category of One
    Joe Calloway

18. Brand Asses Management
    Scott M. Davis

19. Brand Currency
    Steve Susi

Marketing Guide · Table of Contents (continued)

20. Brand Hijack
    Alex Wipperfürth
21. Brand New Name
    Jeremy Miller
22. Brand Primacy
    Cory Schmidt
23. Building Brandwidth
    Sergio Zyman and Scott Miller
24. Can't Buy Me Like
25. Competing on Thought Leadership
    Robert S. Buday
26. Conquering Consumerspace
    Michael R. Solomon
27. Contagious
28. Content Marketing, Engineered
    Wendy Covey
29. Convergence Marketing
    Yoram (Jerry) Wind and Vijay Mahajan
30. Creative Distinction
31. Customer Centricity
32. Customer Winback
    Jill Griffin and Michael W. Lowenstein
33. Differentiate or Die
    Jact Trout
34. Don't Think Pink
    Lisa Johnson and Andrea Learned
35. ENGAGED!
36. Earn It
    Steve Pratt
37. Entrepreneurial Marketing
    Philip Kotler
38. Exponential
    Jeff Rosenblum
39. Featured Book Review

Marketing Guide · Table of Contents (continued)

40. Founder Brand
    Dave Gerhardt
41. Free Prize Inside!
    Seth Godin
42. From Individual to Empire
    Laura Bull
43. Fusion
    Soundview Executive Book Summaries
44. Get Different
    Mike Michalowicz
45. Getting to Aha!
    Darshan Mehta
46. Grown Up Digital
47. How Customers Think
    Gerald Zaltman
48. Improving Customer Satisfaction, Loyalty, and Profit
    Michael D. Johnson and Anders Gustafsson
49. Influence
    Robert B. Cialdini
50. Irrational Loyalty
    Deb Gabor
51. Lateral Marketing
    Philip Kotler and Fernando Trias de Bes
52. Lies, Damned Lied, and Marketing
    Atun V. Minocha
53. Likable Social Media
54. Loyalty Myths
    Timothy L. Keiningham, Terry G. Vavra, L...
55. Make Your Brand Matter
    Steven G. Soechtig
56. Market of One
    Robin Bonn
57. Marketing in the AI Era
    Yaniv Navot
58. Mass Affluence
    Paul Nunes and Brian Johnson

Marketing Guide · Table of Contents (continued)

59. Naked Conversations
    Robert Scoble and Shel Israel
60. Now or Never
    Mary Modahl
61. Outmarket the Competition
    Nick Doyle
62. Primal Storytelling
    Anthony Butler
63. Purple Cow
    Seth Godin
64. Quantum Marketing
    Raja Rajamannar
65. Satisfaction
    Chris Denove and James D. Power IV of J....
66. Scoring Points
    Clive Humby and Terry Hunt with Tim Phil...
67. Simply Put
    Ben Guttmann
68. Six Pixels of Separation
    Mitch Joel
69. Snake Oil
    Dan Russell
70. Straight Talk About Public Relations
    Robert Wynne
71. Summary
72. Summary
73. Summary
74. Summary
75. Summary
76. Summary
77. Summary
78. Summary
79. Summary

Marketing Guide · Table of Contents (continued)

80. Summary

81. Summary

82. Summary

83. The 1-Page Marketing Plan
    Allan Dib

84. The Anatomy of Buzz
    Emanuel Rosen

85. The Brave New Service Strategy
    Barbara A. Gutek and Theresa Welsh

86. The Covert Code
    Anna Covert

87. The Customer Century
    Anders Gronstedt

88. The Customer Revolution
    Patricia B. Seybold

89. The Death of Demographics
    David Allison

90. The Future of Purpose-Driven Branding
    David Aaker

91. The Future-Ready Brand
    Mitch Duckler

92. The Great Digital Transformation
    Gerard Szatvanyi

93. The Hidden Psychology of Social Networks
    Joe Federer

94. The Influentials
    Ed Keller and Jon Berry

95. The Obvious Choice
    Jonathan Goodman

96. The Science of Brand Associations
    Ulli Appelbaum

97. The Short List
    David Ackert

98. The Thank You Economy

99. The Tipping Point
    Malcolm Gladwell

Marketing Guide · Table of Contents (continued)

100. Think. Do. Say.
Ron Tite

101. This is Strategy
Seth Godin

102. Trade Off
Kevin Maney

103. Treasure Hunt
Michael J. Silverstein with John Butman

104. Tuned In

105. Upstream Marketing
Tim Koelzer and Kristin Kurth

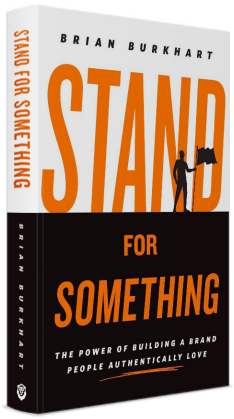
106. What Customers Hate
Nicholas J. Webb

· Book 1 of 106 ·

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Stand for Something

The Power of Building a Brand People Authentically Love



by **Brian Burkhart**

Contents

The Most Valuable Real Estate on Earth
Page #2

Not What or How, But Why
Page #2

The Cognitive Psychology of Core Beliefs
Page #2

Getting to the Root of Belief
Page #3

Congruence and the Core Belief Filter
Page #4

THE SUMMARY IN BRIEF

In ***Stand for Something,*** Brian Burkhart breaks down not only the importance of organizations and business leaders finding their core beliefs— but how to act on those beliefs in a powerful and meaningful way.

Inspired by decades of work helping companies find their why and let it guide their how and what, Burkhart brings dozens of real-world examples of companies that have succeeded or failed in establishing and living their core beliefs. Through these examples and his own insights, Burkhart breaks down exactly the process companies can take to identify their core beliefs, give them power, and begin acting on those beliefs from the top of the organization down.

From identifying the most important elements of core beliefs to identifying the best people who will help you serve those beliefs, ***Stand for Something*** will help businesses and brands in every industry transform the way they approach everything they do.

IN THIS SUMMARY, YOU WILL LEARN:

- What core beliefs really are, and why companies that follow them are more successful than those that don't.
- Practical processes for exploring, narrowing down, and identifying the core beliefs that guide your company.
- How to move forward with new purpose once you've established your guiding core beliefs.

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The Most Valuable Real Estate on Earth

Core beliefs are at the heart of every organization, whether those organizations realize it or not. In their ad focusing on the importance of a car's backseat in caring for people's most precious loved ones and life moments, Subaru did what most organizations won't. They not only discovered their core beliefs, but shouted them out loud in a profound way that's easy to communicate and even easier to understand. They stand for something. The process they executed so effectively in their new campaign is the heart of what connects people to companies.

It's what will make people fall in love with yours.

Imagine the power of selling your services even while barely mentioning how they work, how it's done, what they cost, or what your experience and background are.

Unfortunately, there are no classes taught on finding your company's core beliefs. No one forces your organization to list it out in a form. But like every block of stone that the sculptor Michelangelo believed held the sculpture underneath, the core beliefs that can drive your company are already there— even if they're hiding.

Your core beliefs hold a sacred spot in your company's operations, and sometimes an even more sanctified place in your customers' psyche. And that is the most valuable real estate on earth.

Not What or How, but Why

Simply put, your core belief is whatever you believe in and stand for. Most fundamentally, your core belief is why your organization exists. Right now, you don't have the words for your core belief. But those beliefs are there.

As a business leader, it's vital that you actually take the time to stop, question, and wonder why you do what you do to discover your core belief. If you get the why right, your customers will figure out the what.

Our brains are wired to have deeply held beliefs, but you most likely don't challenge those beliefs often or even consider why you hold them. But if you can tap into them and get a clearer picture on what you believe, as well as find others who believe the same things, you're in business.

Here are some of the key elements that define core beliefs:

Authenticity

You have to be authentic. Be true to who you are, not just who you wish you were. How do you find your authenticity? By looking to your founding.

Founders' Stories

Often, a founder or founders story holds the key to the company's core beliefs. For small and new companies, this task is relatively easy as the founders are likely still involved in the company. For large and longstanding companies whose founders may have left or passed away, it can be more difficult. But taking the time and making the effort to find out what inspired the founders of your company can go a long way in defining your core beliefs.

Distinctiveness

In addition to being authentic, your core belief can't be generic, vanilla, benign, or safe. If you develop core beliefs that could apply to literally any organization, then you're not distinctive. To build a brand people actually love, you have to stand for something and break from the herd.

Once you've found your Why, you can let it guide your what and how. When your core beliefs impact everything you do, they give you and your organization direction.

The Cognitive Psychology of Core Beliefs

Beliefs are not actions, but there is a clear, causal relationship between the two. Your beliefs lead your actions. In the largest context, that's what cognitive psychology theory dictates.

It's time to become extremely honest with yourself. How much time have you and your organization taken to codify your core beliefs and assess how they guide actual actions? If you're like most businesses in the world, the answer is probably very little time at all.

If you were to ask a room of 15 people from around your company what their core beliefs are, would you get 15 completely different answers? This is a sign that your company's core beliefs are not being put into action consistently throughout the company.

And if you don't know what you stand for, how will you know what to tell the world? You won't know what to shout from the rooftops. And if you don't stand for something, how will your customers know who you truly are?

They won't. You'll be left in the dust, because you can't give them what you don't have yourself.

You Can't Give What You Don't Have

Imagine you're the CEO of a firm. If you're already a CEO, think about your own situation. Now imagine that you don't know what your company stands for— maybe you do, maybe you don't. But for now, let's say none of us know our company's core beliefs.

In this hypothetical scenario, you institute a new initiative to boost sales. You order the HR department to actively search for a new head of sales, and you work alongside the CFO to develop comp plans for the entire sales team, as well as the CMO to develop a better message and main presentation deck. Now what happens? Every department you've ordered to do something is going to struggle.

They don't know what you believe in order to take these next steps. To take appropriate action, they need to know how their actions are supposed to bring them closer in line with the company's beliefs.

You can always teach people skills. But you can't teach people what to believe— that has to be deeply rooted in who they are. Simply put, you can't find highly devoted people unless you stand up and shout what you're devoted to first— no matter how much money you try to give them.

Getting to the Root of Belief

To understand how to get to the root of belief, you have to think about what's known as the Golden Circle. It's simple—you have three concentric circles. The smallest circle at the center is why, the next largest ring is how, and the biggest outer ring is what.

The vast majority of companies start from the outside in, but the most successful companies start from the center out.

While this might sound simple, it can take some organizations or individuals years to uncover their why. It can also be deeply emotional, and sometimes feel frustrating.

To get there, you'll need to guide yourself through the process of deductive reasoning in order to reverse engineer your beliefs based on your actions. Reverse engineering is a process used to uncover information by working backwards from the finished product. For example, Allied forces reverse engineered the gas cans used by Axis armies to create their own version that was more efficient and effective than what they'd been using during WWII.

Start by considering your behaviors—what are the things your company actually does on a day to day basis. Everything from core business tasks to peripheral ways of boosting morale.

Then, look at this list. What makes you do these things? When you think about doing them, how does it make you feel?

Your core beliefs may still be incomplete, and that's totally fine. Soon you'll be learning how to craft aspirational core beliefs that are distinctive and contour your organization's actions towards your intended direction.

Aspirational Beliefs

If your core beliefs are impossible to nail down, it's conceivable that you can strive for something greater than what you already are. The aspiration has to be well within the framework of realistic possibilities.

Take Nikola, a company with bold, imaginative leaders who built and later sold technology businesses. They have engineers, designers and a slew of dedicated people eager to change the face of transportation. They don't have a manufacturing facility nor the skilled employee base to build them. At this point, however, they've sold 800 trucks to Anheuser-Busch based on a prototype and a dream. Now they're a billion-dollar startup. They decided to rally around a single, powerful core belief—to change transportation as we know it by building vehicles that run on hydrogen power—and moved from there.

Aspirational core beliefs can be game changers, but they have to be within the realm of realistic possibility. If done correctly, they are as good as any tool in your business to change the world.

Missing the Mark

Why do people ignore or resist core beliefs? Often, people and organizations lack the awareness about why they exist and instead focus on the what and how. One of the reasons is that this is simply easier in terms of requiring less effort.

Another reason is that when it comes to initial results, core beliefs sometimes don't work. They won't immediately drive sales, increase productivity, or get the right associates in your company within a month. Turning core beliefs into measurable success takes time and patience, and many companies and individuals don't allow themselves enough of either.

For most, it's easier to dance with what you already know and not change for fear of alienating customers or employees. But if you don't get your core belief right at the top, the domino effect will keep you from getting it right at the bottom. How do you take control of your destiny? By implementing your core beliefs and putting them into action—the subject of the next section.

Congruence and the Core Belief Filter

At first, putting your beliefs into action will be a conscious process. You'll have to force yourself to stick with it, making it feel awkward. But over time, you'll find that it becomes automatic. You'll simply make waves, or build relationships, or think different, or build from the backseat forward, or make soap without chemicals, or make tasty cheeseburgers—whatever guides your company.

The longer you embrace your core beliefs, the easier it will become. The processes necessary to implement your core beliefs and create congruence can be incredibly simple, as long as they're thought-out and intentional. In fact, in many ways, the most successful congruence processes are the simplest. If you're consistent with them over time, your core beliefs will permeate everything you do. You'll lead with your beliefs.

How to Lead with Beliefs

If you want to lead with beliefs, you sometimes have to recognize that those beliefs will alienate some people around you who don't share them. You have to accept that the nature of standing up and standing out will mean you'll attract some and repel others. The only people who never alienate anyone are the only people who never take a stand or insist on a set of beliefs for themselves.

If you truly want to lead, you have to lead even when it becomes uncomfortable or difficult, and when others may not buy into the vision that you have for yourself.

Work with Those Who Believe What You Believe

Get people on your side who believe in the same things that you believe in and are willing to take those risks with you in order to create something great. You have the power to change lives, including your own. Find a team that will support you as you stand up, stand out, and tell people what you're about.

If you want to make waves, you need to find those who are willing to stick with you when the water gets choppy.

Break from the Herd and Shout Your Why

Authenticity isn't easy. It's being able to find true comfort in your own skin, and that means in your own beliefs. It means following the example set by individuals who fully understand the choices, consequences, and outcomes of everything they do. You might fully understand your core beliefs, but do you possess the necessary bravery to live authentically? To build a business authentically?

Life is too long to do anything other than what matters to you. For you, the most valuable real estate on earth is the series of places in your heart and mind where you hold your core beliefs. Own that space and speak from it, and you will become unstoppable.



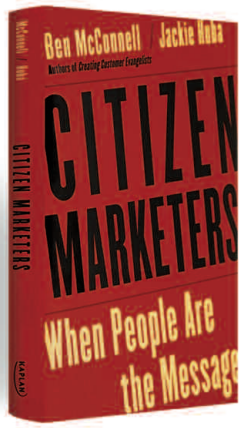
Brian Burkhart believes in making waves. He operates multiple businesses as a founder, CEO, or partner, and takes an active role in building those brands. One of those companies —SquarePlanet— was named an Inc. 5000 company in 2018. A sought-after keynote speaker, Brian works with some of the world's leading brands, including Google, Red Bull, McDonald's, ZICO Coconut Water, Stryker, United Airlines, and Citibank. He's prepped ten firms that have appeared on TV's Shark Tank and worked with dozens of TED presenters.

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· Book 2 of 106 ·

2916 Citizen Marketers.qxd

SOUNDVIEW Executive Book Summaries®



by Ben McConnell and Jackie Huba

CONTENTS

Social Media Is Born
Page 2

Filters, Fanatics, Facilitators and Firecrackers
Pages 2, 3

The 1 Percenters
Page 3

The Democratization of Everything
Page 4

Everyone Is a Publisher; Everyone Is a Broadcaster
Pages 4, 5

Hobbies and Altruism
Page 5

The Power of One
Page 6

How to Democratize Your Business
Pages 6, 7, 8

The Future of Marketing
Page 8

When People Are the Message

CITIZEN MARKETERS

THE SUMMARY IN BRIEF

All it takes is a broadband connection, a laptop and maybe a cell phone to create the "next big thing" that spreads like wildfire, because today's Web-based publishing platform of social media has become a dominant force in shaping culture and ideas.

Social media describes the participative, "democratized" nature of the Internet, where information flows not just from sites to users but from users to sites and to other users. Social media has circumvented traditional media, changed social dynamics and pop culture and hijacked companies' abilities to manage their reputations.

But only a handful of users — citizen marketers — use social media to exert significant cultural influence. Who are these people? They are often young and computer savvy, and they use social media to demonstrate their allegiance to a brand, idea or product. They are not confined by traditional reporting methods and thus can collaboratively spread information. And they are not laborers, they're hobbyists.

Citizen marketers have credibility and influence because people respond to their authenticity. They are crucial to successful Web sites or grassroots campaigns because they lead others to action, and the transparent nature of their collaboration enhances what companies crave: loyalty.

The democratized content citizen marketers create forms a demand-driven culture and business models that rely on what customers actually want. This reduces business risk and gives customers a stake in the outcome.

IN THIS SUMMARY, YOU WILL LEARN:

- What social media is and how it accelerates the spread of ideas.
- The four types of citizen marketers and what they have in common.
- Who 1 Percenters are and why they are important to marketing.
- How two of the most popular Web sites have democratized the tools of self-expression.
- The three C's of working with citizen marketers.

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by Ben McConnell and Jackie Huba

Social Media Is Born

In November 2004, a California man by the name of George Masters uploaded a file to his personal Web site that would change his life and the worldview of many people about the convergence of technology, marketing and pop culture. The file was "Tiny Machine," a 60-second animation Masters had spent five months creating that featured as its star an acrobatic iPod, the portable music player from Apple Computer. Within a month, "Tiny Machine" had been viewed online more than 500,000 times.

"Tiny Machine" arrived at a point when millions of people in cubicles, schools and coffee shops around the world were writing essays, taking photos, creating animations, shooting videos and covering news as amateurs. They were using an emerging Web-based publishing platform called social media — defined as the sum total of people who create content online, as well as the people who interact with it or one another — that enabled people to talk, discuss, share and find new communities of like-minded people. As social media spread and subverted traditional media, it posed fundamental new challenges for companies and brands accustomed to closely stage-managing their reputations.

Masters' story illustrates a fundamental characteristic about social media: It exponentially multiplies the power of one. A lone person today has a significantly better chance of influencing other people than before the arrival of social media. ■

Filters, Fanatics, Facilitators and Firecrackers

Fiona Apple recorded a collection of new songs in 2003 and called it *Extraordinary Machine*. She was not happy with the album and wanted to re-record the songs with a new producer. Sony didn't want to pay for re-recording an album it had already paid once to record and didn't like. Discussions went back and forth, but broke down. Then Freefiona.com popped up. The Web site was the work of a 21-year-old musician and music teacher from Missouri, Dave Muscato. He assembled 10 assistants from an existing fan forum, and within a few months they'd convinced 36,000 people to sign a petition and organized a demonstration outside Sony's offices in New York City. The plan worked: Freefiona.com caught the attention of *Rolling Stone* and *The New York Times*. Not long after, Sony agreed to pay to re-record the album. In January 2006, *Extraordinary Machine* was certified gold, meaning it had sold at least 500,000 copies.

Citizen marketers create what could be considered marketing and advertising content on behalf of people, brands, products or organizations. Among the world of citizen marketers, Muscato is a Fanatic. His work falls comfortably into the middle of the four F's: Filters, Fanatics, Facilitators and Firecrackers.

Filters

The Filters are human wire services. They collect traditional media stories, bloggers' rants and raves, podcasts or fan creations about a specific company or brand and then package this information into a daily or near-daily stream of links, story summaries and observations. Most Filters maintain a steady objectivity like traditional news wire services, but some cross over into analysis.

Fanatics

The Fanatics are true believers and evangelists. Their roles may include filtering work, but they love to analyze the daily or weekly progress of a brand, product, organization or person and describe courses of action. Food is a popular subject for Fanatics, but entertainment

(continued on page 3)

The authors: Ben McConnell and Jackie Huba are speakers and business advisors who have researched the nature and effects of customer loyalty for nearly a decade. They are the authors of *Creating Customer Evangelists* and the Church of the Customer blog.

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Filters, Fanatics, Facilitators and Firecrackers

(continued from page 2)

is probably more popular. It's not uncommon for Fanatics to assume an activist role, as Muscato did on behalf of Fiona Apple.

Facilitators

Facilitators are community creators. Their primary citizen marketer tool is a Web-based bulletin board or community software. Some communities are de facto support groups where customers act as call center technicians. Some Facilitators create communities simply for fans to connect with other fans. Some communities do both. Most Facilitators are independent of the company or product, but a few have sought the company's blessing or approval.

Firecrackers

Firecrackers typically attract considerable attention because they have created a song, animation, video or novelty that generates a lot of interest but tends to die out quickly as the creators go on with their other work. But the Firecrackers illustrate three principles of amateur content in the social media universe: (1) memes — an idea or custom (such as a catch-phrase, interactive online quiz, or fashion trend) that penetrates a culture via word of mouth or imitation — can live indefinitely on the Web; (2) social media networks accelerate the spread of memes; and (3) people love to mimic what entertains them.

Firecrackers also illustrate two fundamental principles about social media, especially within amateur cultures: Social media simplifies word of mouth and facilitates collaboration.

What They Have in Common

Whether a Filter, Fanatic, Facilitator or Firecracker, the work of citizen marketers is typically defined by three commonalities: personal expression, amateur status and freely given content.

A distinct advantage citizen marketers hold over many traditional media is *dynamic authority* — the authority fueled by continuous, productive activity. With citizen-created content, people are the message because their role as publishers or broadcasters hoists them above the boundaries that one-way media communicators have erected around themselves. ■

The 1 Percenters

As a patch, it's pretty simple: a diamond shape surrounded by a blue border, with "1%" embroidered in the middle. It's worn over the heart by members of motorcycle clubs that celebrate their outlaw status from mainstream motorcycle society. They call themselves the "1 Percenters." The 1 Percenters is an apt analogy to describe citizen marketers. They too are outlaws of culture.

How the 1% Rule Works

Research into the work of citizen marketers has produced the "1% Rule." According to the rule, about 1 percent of the total number of visitors to a democratized forum will create content for it or contribute content to it. Furthermore, it has been found that about 10 percent of the total number of visitors will interact with the contributed content.

For content creation in the age of social media and amateur culture, the 1% Rule may subvert the 80/20 rule, a guiding rule of thumb for millions of managers around the world. The 80/20 rule posits that 20 percent of something is typically responsible for 80 percent of the results. This means that building a solid core of early-adopting volunteers or contributors is critical to creating a successful community-driven Web site, to launching a new product or to designing a grassroots campaign. The 1 Percenters help lead others to action.

Who the 1 Percenters Are

Although people who contribute to Wikipedia and other sites relying on amateur content are not considered citizen marketers (they're more apt to be called 1 Percenters), they share many commonalities. *Boston Globe* reporter David Mehegan found the contributors are generally in their 20s and computer savvy. "They are highly educated, intellectually curious, sociable, interested in many things and in finding new interests," according to Mehegan. More are men than women.

Not all of the content creators will have sizeable audiences, influence or a lot of natural talent, but many of them will work hard at developing all three.

This raises two questions: (1) Since the 1 Percenters are voluntarily producing work on behalf of a commercial operation, and that work increases the value of the operation, should they receive fair compensation like laborers? (2) Who owns this collaborative content — the 1 Percenters, the host organization or both of them?

For the compensation question, one answer is that they're not laborers. They're *hobbyists*. The 1 Percenters contribute because *it's fun*. And to answer the second question, no one would own the content outright — both parties would — therefore, it is free for others to create content on top of it, or below it. ■

For information on whether the 1% Rule applies to your Web site, go to: http://my.summary.com

The Democratization of Everything

As the forces of democratization gain strength, they continually compel companies to become more transparent, sometimes against their will. Three separate stories on July 23, 2004, illustrate this concept.

1. Not long into the 2004 baseball season, parts of Chicago's historic Wrigley Field began to crumble. The Cubs made repairs to the storied stadium without telling anyone. As concrete crumbled, word spread quickly and loudly among Web sites, blogs and competing media. Waiting weeks to acknowledge what was being said online and off-line, the Cubs simply fueled the questions and speculation. Their hesitancy to acknowledge the obvious was a classic case of poor information control and, by extension, image control.

2. Control issues startled a small but influential software company whose mission is to democratize personal expression and the spread of information. Six Apart had been in business nearly three years by the summer of 2004. One of its products was Moveable Type, software that allows people to create blogs and then communicate easily. In July 2004, Six Apart upset hundreds, if not thousands, of those supporters by announcing a dramatic change in its pricing and licensing policy.

Obviously, Six Apart is in charge of its pricing model, but supporters complained that the voice they'd normally had in the company's decision-making process had been ignored. Many customers are willing to volunteer their time and attention, but they will fight for their status and power.

3. The bipartisan federal commission investigating the 9/11 attacks on the United States released its final report, faulting U.S. intelligence agencies for their systems of secrecy. The commission said excessive secrecy led to "compartmentalization" of records, making it virtually impossible to connect the dots of a deadly plot.

The Chicago Cubs discovered that word of mouth is being accelerated by Web-based media. Six Apart learned that being open with customers is a virtue for growth, but, if taken away, the repercussions can be painful and time-consuming. And the 9/11 Commission said the lives of citizens are literally dependent upon a democracy that remains true to transparency.

Web 1.0 Versus Web 2.0

If "Web 1.0" was primarily one-way communication between Web-site owner and visitor, then Web 2.0 is multiple-way communication among Web-site owner and visitor, and visitors with other visitors. All of this leads to a tangible, citizen-marketer byproduct of Web 2.0 imaginations: mashups.

"Mashup" is a Web buzzword to describe a hybrid combination of two or more data sources that, when combined, create a new product or improve an existing one. Two of the most prevalent types are data mashups and entertainment mashups.

Data mashups are typically created by software developers who often combine the mapping technologies of Yahoo, Google or MSN (all of which have opened their mapping systems to programmers) with their own data or data that's freely available. Entertainment mashups often come from free yet capable programs that allow everyday people to play and "remix" videos or songs with other videos and songs.

The rise of citizen marketers is being fueled by two distinct technological realities: speedy broadband connections and affordable digital tools. The prices for software, audio equipment and digital or video cameras have dropped dramatically, enabling millions of people to become more proficient online-content creators, publishers and broadcasters. ■

Everyone Is a Publisher; Everyone Is a Broadcaster

As Gutenberg's printing press revolutionized the world of the 15th century and thereafter, so too did radio and television dramatically alter the landscape of 20th-century culture. Today, social media are forcing traditional media to reconsider their dominant, one-way publishing and broadcasting models as they struggle to bridge the gap between control and participation.

Blogs

In the beginning, blogs were online journals — the equivalent of a diary entry. Millions of blogs have since been created, and they're on the radars of big companies, if not drawn up in the playbooks; senior executives from General Motors, Hewlett-Packard and Amazon.com blog regularly and engage in discussions with everyday people.

Just as Gutenberg's printing press did 600 years ago, blogs are democratizing the control of information and knowledge by diffusing it to a wider swath of people. Today, knowledge is being replicated at rates beyond the scope and capability of print. If every blogger is a publisher, then every blog is also a platform — a stage in the middle of the virtual piazza. The challenge now is to get people to pay attention.

(continued on page 5)

Everyone Is a Publisher; Everyone Is a Broadcaster

(continued from page 4)

Podcasts

Podcasting makes possible what has eluded radio listeners since the dawn of broadcasting: It's an easy way to subscribe to a show and then pause, rewind or fast-forward without relying on cassette tapes. The FCC is excluded from regulating its content — with a computer and iTunes, anyone can be a broadcaster and reach tens of thousands of listeners without the FCC's permission.

Niche markets are being served in ways meant to appeal to busy businesspeople who travel with iPods, the icon of podcasting. Video podcasts are cousins to audio podcasts. One of the most well-known amateur video podcasts is RocketBoom, a daily three-minute take on Internet news and culture. Produced by a staff of four, the show had 300,000 subscribers after its first two years. That's more viewers than almost any single local newscast in America.

RSS

RSS is short for Really Simple Syndication, but the emerging user-friendly term is *feed*. Blogs, podcasts, discussion forums, even parts of entire Web sites, like Amazon.com, are subscribable with RSS. For the creators of amateur content, feeds democratize the worlds of publishing and broadcasting in at least four distinct ways:

1. Feeds do not consume energy.
2. Feeds are free.
3. Feeds are almost instantaneous.
4. Feed subscribers are a tangible asset.

MySpace and YouTube

MySpace and YouTube command most of the attention about social media, social networks and why online communities form. The two Web sites have democratized the tools of self-expression. For teenagers, MySpace is the new mall. In July 2006, one research firm said MySpace had reached a new plateau: It was the most-visited U.S. Web site and accounted for 4.5 percent of all U.S. Internet visits. Google caught MySpace fever and signed a deal in the summer of 2006 to pay MySpace $900 million to put Google's search and advertising services on the site.

When YouTube came out of nowhere in November 2005, launched by two twentysomething entrepreneurs above a pizza parlor in San Mateo, Calif., it became the predominant online video-sharing site in about six months. YouTube reflects the leading edge of social networks. ■

Six Lessons From the YouTube Story

1. YouTube was designed and built with community as its founding principle. Features like visitor-created tags, voting and comments are the social media tools that democratize involvement.

2. YouTube made sharing content easy. This gave it credibility with early users and signaled it wasn't trying to control the experience or merely drive users back to its Web site.

3. YouTube was loaded with statistics. That serves two roles: It is evidence for professional and amateur analysts to discuss popularity, and it's a feedback tool for video creators on their creative or marketing abilities.

4. YouTube encouraged its users to personalize their public profile pages. Like MySpace users, YouTubers can decorate their profiles.

5. YouTube's user interface was restrained and simple. That design consideration created a universally pleasing aesthetic for professionals and amateurs, young and old.

6. YouTube's search functionality, although not its strongest point, consistently bested Google Video's functionality. YouTube lets visitors sort their research returns by title, date added, view count and rating.

Hobbies and Altruism

The story of Surge began in 1997, when Coca-Cola launched the beverage with a razzle-dazzle Super Bowl commercial. It caught the attention of Eric Karkovack, who was then 19 years old. Two years later, Surge lost its marketing fizz.

By February 2002, most bottlers had stopped producing it. With the help of another fellow Surge enthusiast — Avery Lund — Karkovack launched SaveSurge.org on February 1, 2002. The site features a discussion forum, recipes, lists of where to find Surge and form letters to send to Coke on behalf of the cause.

If you think Karkovack and his carbonated band of soda activists don't fit mainstream expectations of how people spend their free time, you're right. Some people might call them lunatic fringe. The grassroots nature of Karkovack's work may not equal a marketing campaign in 920,000 convenience stores, but that's not the purpose of citizen marketers. Their focus is often an attempt to transcend brand awareness into action by creating amateur networks of affiliation. ■

For information about what happened to SaveSurge.org, go to: http://my.summary.com

The Power of One

Casey Neistat purchased a first-generation iPod in early 2002. After 18 months of daily use and after the warranty expired, the rechargeable lithium-ion battery wouldn't charge anymore. Apple could fix the iPod, but it would cost $255 plus a mail-in fee, almost equal to the cost of a new machine.

Neistat's older brother, Van, also a longtime Apple fan, "thought this was really un-Apple." So they created a stencil that read, "iPod's Unreplaceable Battery Only Lasts 18 Months." They spray-painted the stencil over dozens of iPod posters in New York City as Van filmed Casey doing it. They posted the video — called "iPod's Dirty Secret" — to their Web site and notified 30 friends, who sent it to their friends. Within six weeks, the video had been downloaded over a million times.

Then Apple called. Apple had a new battery-replacement program. For out-of-warranty iPods, it would replace the battery for a $99 fee. (Apple later reduced it to $59.) The guerilla work of the Neistat brothers paved the way for future customer protests by employing easy-to-use multimedia tools and the inherent word of mouth of social media.

Spreading Memes

Why do things spread? One explanation is the meme, an idea or custom that penetrates a culture via word of mouth or imitation. What makes the work of citizen marketers important is that broadband and social media tools expedite the spread of memes.

One reason why citizen-created memes spread is that they often follow the four stages of successful meme replication:

1. **Assimilation.** The meme is noticed, understood and accepted by someone, who becomes the host of the meme.
2. **Retention.** It's embedded in the memory.
3. **Expression.** The idea can take some form, such as language, text, pictures or even in unconscious behavior, such as the way someone walks.
4. **Transmission.** The host passes the meme on to one or more people.

With the foundations of a meme in place, what are the mechanics of its spread among social media?

- Bloggers spread a story that has a surprising development.
- The story is filled with numerous and concrete details.
- The story documents a tangible form of injustice.
- The story reaches a plateau of recognition among a number of well-known blogs.
- The story reaches a worldwide plateau.

When anyone can be a content creator, publisher, broadcaster or citizen marketer, there's bound to be more stuff to know, more stuff to entertain us. In the bigger picture, how do we separate the interesting stuff from the merely imitative? It is up to the community to determine what's interesting. ■

Finkelstein Versus Comcast

In the summer of 2006, Brian Finkelstein's Comcast Internet connection kept dying. A technician arrived to replace the broadband modem. When the technician dialed the company's support line to activate the replacement modem, he was put on hold for 90 minutes. While the technician was on hold, he fell asleep on Finkelstein's couch. Finkelstein filmed the technician, posted it to YouTube and mentioned it on his blog. A month later, the video had been viewed 750,000 times.

The day after Finkelstein posted his video, a regional vice president at Comcast called. He was going to come by with a team of technicians to fix the problem himself. But it was too late. Google had captured the story, the outrage and the reaction, and cataloged it indefinitely.

How to Democratize Your Business

Jake Nickell and Jacob DeHart have created a model of democratized participation that has propelled their T-shirt manufacturing business to become a $20 million company in five years. Customer-citizens create the T-shirt designs, then discuss the designs and vote for their favorites on the company's Web site, Threadless.com. T-shirts that make the cut are then manufactured a few weeks later. The community does this on a Web site that is part voting booth, coffeehouse, art gallery and dorm.

Applied to other industries and their business models, the Threadless model of a collaborative citizenry could make it possible for a company to create a more reliable forecasting system for choosy customers. It could help identify a lemon before it becomes an expensive lemon. The key is to build a community with a stake in outcomes.

Responding to Citizen Marketers

What inspires citizen marketers to create content on behalf of companies, brands, products or people? Inspiration, like lightning, is hard to predict. Creating a sufficient brew of personal relevance that inspires citizen marketers or 1 Percenters is the job of leaders who have an intimate knowledge about their customers' motivations, desires and habits. With citizen marketers and 1 Percenters crashing the gates to create content

(continued on page 7)

How to Democratize Your Business

(continued from page 6)

about companies, brands, products or people with or without official approval, this leaves companies with a variety of options to respond to citizen marketing attempts:

1. Say nothing privately or publicly to the people involved.
2. Make behind-the-scenes overtures but say nothing publicly.
3. Provide terse recognition.
4. Encourage company employees to participate.
5. Threaten or take legal action.
6. Build programs or communities specifically for them.
7. Incorporate their ideas or work them into your production system.

Items 6 and 7 prompt a question: What if a company discovers it has citizen marketers or wants to build a community of them? How to begin? Besides Threadless, several companies have been leading the way on democratizing engagement. The programs typically fall into the "3 C's" of working with citizen marketers: contests, co-creation and communities.

Contests

The more successful contests that generate citizen-created media involve brands or products with well-known histories and active fan communities. Here are several examples of company-sponsored contests designed to turn everyday people into citizen marketers.

1. Converse Gallery. The athletic shoemaker invited its customers to submit 24-second films inspired by the decades-old Chuck Taylor brand. Almost three months later, filmmakers had submitted 1,800 short films from 15 countries. Within a month of the gallery's launch, traffic to the Converse Web site surged 66 percent. Shoe sales on the Converse Web site doubled, and overall company sales increased 12 percent in the quarter compared to the previous quarter.

2. Ban This! While talking with a group of teens one day in 2005, the makers of Ban deodorant learned that their marketing wasn't very interesting. A "Ban _____" contest invited Web site visitors to select a photograph, or upload their own, and fill in the blank. Three months later, it had 4,000 submissions. When the "ads" of the nine semifinalists were featured on the Ban Web site, traffic shot up 150 percent. After a three-year decline, sales of Ban rose 13.6 percent.

3. Spread Firefox. The Mozilla Foundation launched a campaign in December 2005 to promote the Firefox browser's latest version. It encouraged fans with webcams to record a brief testimonial for the browser or to create a more elaborate 30-second ad for the browser. Mozilla received 600 webcam testimonials from 41 different countries, and for the ad contest it received 280 submissions. Downloads of the Web browser went from 100 million in October 2005 to 200 million by July 2006.

Co-Creation

When a company co-creates, it involves customers in a partnership to produce a product or service. Here are a few examples of companies that have co-created products with citizen marketers.

1. "Hips Don't Lie." In 2006, Epic Records asked YouTube fans to submit music videos of themselves lip-syncing to Shakira's song "Hips Don't Lie." After culling submissions, the record company created a mashup video that zoomed to the No. 1 spot on Yahoo Music. "Hips Don't Lie" eventually became the most-played pop song in American radio history.

2. "Awesome!" When The Beastie Boys wanted to commemorate their October 2004 sold-out concert at Madison Square Garden, the band gave 50 fans video cameras and instructed them to shoot whatever they wanted, as long as they did it with passion. It took editors a full year to comb through 100 hours of material, and the resulting film debuted at the 2006 Sundance Film Festival to mostly positive reviews.

3. The Vespa Way. Piaggio Group is the Italian manufacturer of Vespa scooters. From its research, it knew that 65 percent of prospective motor scooter buyers visit the Vespa USA Web site. But they also found that 56 percent of their prospects visited other sites to see what people were saying about the scooters. Piaggio asked two of its customer evangelists to blog about their experiences as Vespa owners. Piaggio sees the Vespaway blog as an extension of traditional scooter clubs.

Community

Companies that create their own communities are democratizing their call centers. If a company is lucky, the community will hack it enthusiastically and build it into a very vertical Wikipedia of knowledge. If that happens, then the company has created two real tangible assets: an expanded knowledge base and an identifiable database of citizen-owners.

Sociologists say there are three core components to understanding the dynamics of community:

1. Consciousness of kind
2. Shared rituals and traditions
3. A sense of moral responsibility to the community.

(continued on page 8)

How to Democratize Your Business

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Here's how other companies have democratized their communities, what spurred the development and the early results they've been able to achieve.

1. Discovery Education. Hundreds of thousands of U.S. teachers can download digital video clips directly from companies like Discovery Education in minutes and drag them into PowerPoint files. The Discovery Educator Network (DEN) united educators who believe in digital media as a teaching tool. A year after the DEN launched, product usage increased 114 percent. Renewals jumped from 82 percent to 99 percent.

2. QuickBooks Community. With the help of a contractor, Scott K. Wilder launched QuickBooks Community in 2005 as a low-profile project. It was a forum for the 3.4 million users of QuickBooks — from the novice to the expert accountant — to share and exchange ideas, ask questions and provide peer support. After a year, the QuickBooks community had 70,000 registered users and was hosting 100,000 visitors per month.

3. Channel 9. In 2004, Microsoft launched Channel 9 at channel9.msdn.com. Access includes hundreds of video interviews that the Channel 9 team members have conducted with Microsoft developers, product managers and executives about the company and its products. Channel 9 attracts a lot of spectators: By July 2006, it was hosting 4.5 million visitors per month.

What Threadless established from its first day as a company, and what Microsoft, Intuit and Discovery are working toward, is establishing *community as a core competency*.

Snakes on a Plane

Samuel L. Jackson, a reliably bankable actor, agreed to star in a movie called *Snakes on a Plane*. Filming for the August 18, 2006, release wrapped in the summer of 2005. But by the end of the year, buzz about *Snakes on a Plane* started to spread. Movie fans became citizen marketers.

What set *Snakes on a Plane* apart from other films was the early feedback from self-selected, highly interested film fans. Fans were expecting violence, graphic snakebites and plenty of profanity from Jackson. One problem was that the film had already finished principal photography. So in early 2006, the filmmakers reshot parts of the movie to incorporate the fans' ideas.

In a column for *Esquire* magazine, the pop-culture and music writer Chuck Klosterman said collaborating with fans makes *Snakes on a Plane* "the Wikipedia version of a movie." He also argued that artistic decisions by consensus don't work any better than giving one person complete autonomy. So why do it? To reduce risk. As John Heffernan, the film's screenwriter, put it, "You'd be a fool not to give the audience what they want."

Snakes on a Plane earned $33 million after four weeks; however, it's rumored to have cost $30 million to produce. If anyone in Hollywood was expecting all the word of mouth to be a magic bullet for marketing and set records for its opening weekend, expectations were set too high.

The willingness of everyday people to get involved and participate will not replace traditional marketing, nor will it solve all existing marketing problems. It is a supplement. It may spell the difference between profit and loss, recognition and obscurity. ■

SOUNDVIEW RECOMMENDED READING LIST

If you liked *Citizen Marketers*, you'll also like:

1. ***Made to Stick* by Chip Heath and Dan Heath.** The Heath brothers provide a practical guide to effective communication and explain how great ideas tend to stick around.
2. ***Wikinomics* by Don Tapscott and Anthony D. Williams.** The authors address how the Internet's social network offers new, decentralized ways to produce content, goods, services and profit in the emerging world of massive peer collaboration.
3. ***Small Is the New Big* by Seth Godin.** Godin has compiled entries from his blog, discussing current marketing and the source of new ideas.

The Future of Marketing

Social media makes it possible for one person to launch a domino effect of word of mouth that quickly sets off triggers of interest or alarm. The most successful work in this new world of media comes from a place of passion and authenticity, not calculated deception or stealth marketing.

Those who think and plan in terms of campaigns are often unconcerned with what matters most toward true, unadulterated growth: loyalty. The citizen marketers are demonstrating their loyalty by devoting their time and resources toward their hobby work.

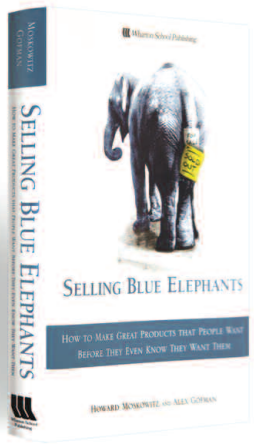
The hobbyist work of citizen marketers is based on keeping it real. They demonstrate a conscious or unconscious belief in social altruism, driven by a belief system that says the more a citizen marketer contributes to the greater good, the more valuable their contribution becomes.

Participation is the future of marketing. Votes equate demand, and citizens determine the future. Their governance is real, not just hype. Their involvement is their loyalty. Like a meme with all the built-in instructions, it turns out that loyalty is contagious. ■

· Book 3 of 106 ·

2916 Citizen Marketers.qxd

SOUNDVIEW Executive Book Summaries®



by Howard Moskowitz and Alex Gofman

CONTENTS

Introduction
Page 2

Hewlett-Packard Shifts Gears
Pages 2, 3

Maxwell House's Calculus of Coffee
Page 3

Dialing Up Delicious: Discoveries From Vlasic and Prego
Pages 3, 4

Discover More About Your Competitors Than They Themselves Know — Legally!
Pages 5, 6

Bridging Cool Design With Hot Science
Page 7

Mind Genomics
Page 7

RDE Defeats Murphy's Law and 'Bares' the Stock Markets
Pages 7, 8

How to Make Great Products That People Want Before They Even Know They Want Them

SELLING BLUE ELEPHANTS

THE SUMMARY IN BRIEF

Really great products and really huge successes *don't* come from focus groups. And if you simply rely on trial and error, or guesswork, you'll lose far more often than you'll win. Now, there's a solution: Rule Developing Experimentation (RDE), the first systemized, disciplined, solution-oriented business process of experimentation.

In *Selling Blue Elephants*, RDE's creators reveal how to systematically design, test and modify alternative ideas, packages, products and services, as well as how to discover offerings your customers will be passionate about even if they can't articulate the need, much less the solution.

Moskowitz and Gofman show readers how RDE works, as well as how the process has succeeded in companies ranging from Hewlett-Packard to Campbell Soup Co., from MasterCard to Maxwell House. The information gleaned from RDE sheds light on what a company has to do to ride the wave, get the next set of customers and anticipate the future.

The authors have systemized their approach, striking a beautiful balance among a readable scientific foundation free from mind-numbing statistics, featuring hands-on experience without that boot camp or coached feel and principles — plus case histories — that are entertaining and enlightening.

IN THIS SUMMARY, YOU WILL LEARN:

- How RDE reveals the "hidden rules" that will define your next breakthrough product.
- How to create prototypes that answer the right questions, fast.
- How to use automated tools to streamline your research process and get actionable results in just days.
- How to extend the value of RDE throughout your entire enterprise.
- How companies such as Maxwell House, Vlasic and Prego all used RDE to their advantage.
- What the new science of Mind Genomics can do for RDE.

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by Howard Moskowitz and Alex Gofman

Introduction

You just received an assignment to launch a new credit card for your bank. How do you make consumers pick your offer out of hundreds of look-alikes? Your marketing department suggested conducting a survey of a targeted group of consumers. As you can guess, the results of this market research turn out to be predictable: The consumers want 0 percent APR, no annual or transaction fees, and, of course, a number of meaningful, expensive benefits that are easy for them to earn and redeem.

Can you act on these findings? Are they feasible? Can your company afford the solution? The challenge is that, in many cases, consumers cannot articulate exactly what they need, want or like. Is there a way to solve the problem? In focus groups, developers and marketers are often stymied, despite their best efforts. However, the solution comes quickly when the developers and marketers take their time to identify and experimentally explore the factors that could drive consumer interest — whether features of a credit card, sweetener for a soft drink or specific message for an advertisement.

Show the customers several systematically designed prototypes, and they will tell what they like, what they do not and what does not make any difference to them. Now you have a clear way to create rules for winning offerings or new best-selling products by combining those features into the best possible combinations — even if no consumer ever specifically tested them. This is the process of Rule Development Experimentation (RDE).

Different types of RDE are surprisingly similar to each other. These are the steps to follow:

• Think about the problem and identify groups of features that compose the target product (offering, etc.).

• Mix and match the elements according to a special experimental design (a schema of putting together elements) to create a set of prototypes. This is typically done automatically by a tool that creates a unique individual design plan for each respondent, resulting in individual models of utilities for each respondent.

• Show the prototypes to consumers. This is usually an automated Web survey or taste exercise in a facility.

• Analyze results (build individual models) using a regression module. This analysis is automated. RDE tools provide a table of utilities (individual scores of elements), the building blocks of your new products.

• Optimize.

• Identify naturally occurring attitudinal segments of the population that show similar patterns of the utilities.

• Apply the generated rules to create new products, offerings and so on.

RDE breeds market success through knowledge by clearly and dramatically revealing how specific factors drive consumer acceptance and rejection. Best of all, RDE prescribes for business what to do, rather than just leaving suggestions as hypotheses. ■

Hewlett-Packard Shifts Gears

During the late 1990s, HP faced a sustained erosion of its position in the market, despite the fact that its products were comparable or even superior to those of its rivals. It faced its most daunting challenge among future customers: teens and young adults. HP decided to retool its development and marketing strategy to build a new decision-making structure, which it envisioned as follows:

• Based on evidence, not supposition.

(continued on page 3)

The authors: Dr. Howard Moskowitz, a well-known experimental psychologist in the field of psychophysics and inventor of a world-class market research technology, is CEO of i-Novation, Inc., as well as president of Moskowitz Jacobs, Inc.

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Hewlett-Packard Shifts Gears

(continued from page 2)

• Applicable to a wide range of marketing issues.

• Fast, streamlined, inexpensive and accessible not only to the marketers, but also to engineers, designers and anyone involved in making decisions about products, markets and promotions.

• Capable of generating actionable rules to resolve the problem, not just state it.

HP used a specially created proprietary Web panel that identified specific problems, structured them and put them into the RDE Internet tool. The system performed on "automatic," mixing and matching the features of HP's ideas to create vignettes and presenting them by Web survey to respondents for evaluation. The RDE automatically generated actionable rules about what consumers liked and didn't, and advised what to say to them to trigger interest in the product, how to say it and to whom. ■

For additional information how RDE helped HP, go to: http://my.summary.com

Maxwell House's Calculus of Coffee

The oldest known examples of RDE come from food and drink. General Foods (now part of Kraft Foods, Inc.) used RDE to understand coffee. New rules about the tongue of the coffee drinker emerged and this disciplined — and *not always* popular — experimentation led to more profits and, of course, market success.

Prior to RDE, the early work on coffee blending relied on elite experts with "golden tongues." With changing tastes and coffee beans varying, Maxwell House found itself looking for a *business-based system* to guide the coffee blender at the plant so their product would be the same, highly acceptable, and profitable. A system was needed to protect the corporation — it is the system that incorporates the knowledge, not just a few potentially hard-to-replace experts.

Another difference sets the stage for RDE. The times of the single "perfect coffee" are long gone. The modern social phenomenon of coffee-drinking culture and fierce competition have resulted in an ever-growing number of blends and flavors. Globalization has made the situation even more difficult to handle because the taste of the customer in every locality differs.

The hardest part of the project was the effort to make the product "right" — to improve it so that the brand might survive to fight again another day. RDE worked admirably, for it took the problem out of that unbearable situation in which the solution could not be easily specified and instead prescribed a set of knowledge-building steps. Maxwell House increased coffee sales by more than 15 percent at the expense of its competitors. ■

Maxwell House's Steps in RDE to Crack the Coffee Code:

Step 1. Recognize the problem and decide to take action to discover what specific problem the company faces. One of their competitive audits revealed that some of their products didn't perform as well as they should have.

Step 2. Create and test many systematically varied test products. Product developers had to discover what combination of beans and roasts would appeal to their consumers. The work had to be systematic, not haphazard. The most efficient RDE-based approach in product development requires the developer to systematically vary the physical formulation. Don't be quick to judge. Test everything.

Step 3. Test the prototypes with consumers and collect their ratings. Maxwell House researchers ran taste tests, and the result was a data set that would be used for more than a decade.

Steps 4, 5 and 6. Stack the deck for success: Discover the different "tongues" in the population (analysis, optimization and segmentation). A deeper finding revealed three different segments of consumers, depending on their liking of bitterness. All three groups in this taste test said they wanted a rich, robust cup of coffee. In their minds, the coffee they wanted was strongly flavored, but their definition of "strong" was different. This was a key learning from RDE. Management concluded it was not a product problem alone; it was a problem of differing tastes as well.

Step 7. Learn from the experiments: Discover rules for better combinations of beans that make superior coffee. Maxwell House created a coffee model and used the model to synthesize the best new coffee.

Dialing Up Delicious: Discoveries From Vlasic and Prego

RDE goes beyond better products to open entirely new business opportunities. The Vlasic Company, maker of pickles for decades, had one problem: product knowledge and preferences. Most people eat pickles, but not

(continued on page 4)

Dialing Up Delicious: Discoveries From Vlasic and Prego

(continued from page 3)

frequently. Furthermore, no one is particularly brand loyal to a pickle the way they are to coffee, cola or cigarettes. Vlasic began with competitor taste tests, which suggested that Vlasic pickles were tasty but "something" was missing. But researchers studied the data that escaped everyone else: Almost all the commercially available mass-merchandised pickles on the grocery shelf tasted very weak or moderate. Yet more than half of the taste-testers gave high-liking ratings to the few strong-tasting pickles included in the test. Product developers and marketers had inadvertently concentrated their efforts on producing a pickle that only satisfied only about 40 percent of the market.

Using RDE, Vlasic created 40 experimentally designed prototypes and tested them with consumers. These tests hit pay dirt, showing clear evidence that customers wanted a better-tasting, stronger-tasting pickle. But like Maxwell House, Vlasic also discovered there wasn't one pickle customer, but three distinct pickle customers: everybody wanted a crunchy pickle, but preference varied between strong, medium and weak flavors. Shortly afterward, Vlasic introduced its line of pickles varying from Low Salt to the Zesty pickle, which turned out to be the best-selling pickle to date.

Pasta Sauce as You Like It: A Story of Prego

The story of RDE with pasta sauce begins with a disappointing taste test run by Campbell Soup Co. If anyone knows tomatoes, it's Campbell Soup, but at the time they were feeling their way in the world of tomato pasta sauce, then dominated by Ragú. The problem was the *taste of America*. It was not clear what customers wanted in a pasta sauce.

Observing and talking to consumers in their homes revealed a startling and disconcerting pattern. Many people said they would not leave the product intact the way the company made it. Each participant wanted to share personalized recipes. They all doctored the product somehow.

The product development group identified six ingredients they believed to be drivers of liking, created 45 different combinations that the RDE design called for and ran the study. The most exciting result was that there were three clear segments of pasta sauce consumers, and each could be won over by a sauce that scored 65 or higher on a 100-point scale. But there was much more. When consumers were asked what they wanted as the next generation of pasta sauces, many suggested sauces with new ingredients.

Using the knowledge as a springboard, Prego introduced a line of pasta sauces: regular/traditional, spicy and one to appeal to a segment that wanted texture. Of those three, the last was the most important. At the time, there was no extra-chunky pasta sauce in the supermarket. And most people did not even know they liked it until they had tested it.

Over the succeeding years, Prego used this RDE model to "dial up" new sauces with ingredients, just as General Foods "dialed up" coffees and Vlasic "dialed up" pickles. Ragú watched Prego invade its territory. Prego's success changed Ragú from a few sauces to many sauces, just to stay competitive. The sector that had a few choices just 15 to 20 years ago has grown into a burgeoning industry by itself. Over the next decade, that new category proved to be worth hundreds of millions of dollars to Prego. ■

How to Make People Feel Good Even When They Pay More

The competition to acquire spending customers is fierce among credit card issuers. How can you make a new card successful? What do you say to someone to get him or her to apply for and use a credit card? What type of rewards do you offer in a category that has become pretty much of a commodity, with bank after bank coming up with credit card ideas and advertisements? Ultimately, most efforts fail.

Credit Cards in Hong Kong: How HSBC Figured Out the Right Offer

Credit card giant MasterCard, Inc. teamed up with the Hong Kong Shanghai Bank (HSBC) to issue a co-brand or affinity card connected with the upcoming World Cup in soccer, a topic-based opportunity to create a new credit card. They had a two-week window. The following steps show how MasterCard used RDE in a highly competitive, nerve-wracking situation that called for quick, solid, results-oriented thinking and messaging.

Step 1: Ideation stage. Identify the problem, get ideas, edit them and put the modified ideas into silos. Keep in mind that with an RDE study, the more elements MasterCard tested, the more likely it would be that the results would create a card that customers wanted.

Step 2: Combine the elements into short test concepts (mix-and-match) and instruct customers to rate these different combinations. The RDE systematically varies the

(continued on page 5)

How to Make People Feel Good Even When They Pay More

(continued from page 4)

combinations. In the ideation stage, the group came up with eight different silos, but the RDE experimental design selected a specific three, four or five silos for a particular combination and presented one element from each selected silo. Over time, respondents tested all elements.

Step 3: Execute the study in Hong Kong and collect consumer data. The nice thing about RDE is that once the design is selected and interviews are set up, the process is automatic, rapid and productive. The credit card study took only three days, with a minimum of effort.

Steps 4-7: So what was learned and what was the outcome? The outcome was a credit card launched in time for the World Cup. The card achieved year-one expectations in month one, and did twice as much in acquisition as was planned. At that time, six banks launched different World Cup cards; only the HSBC MasterCard survived, thanks to the fast, simple and inexpensive RDE exercise.

Jewelry for Mother's Day

Shaw's is one of the companies owned by Sterling Jewelers, Inc. The objective of its RDE project was to develop a set of messages that would increase the likelihood that a Shaw's customer would buy a significant piece for Mother's Day. The secondary objective was to increase the monetary size of the purchase.

It has been estimated that nearly 17 billion catalogs are mailed to consumers every year — roughly 59 catalogs for every man, woman and child in the United States. How can a businessperson make catalog offerings or promotions more successful? Are there magic "Open Sesame!" words to tap into the minds of consumers? Are there different messages for different people?

The silos for this RDE were: customer perception, emotional benefits, brand recognition, display descriptors, jewelry descriptors, customer service, inventory assurance, value and promotions, with a total of 167 elements. The art of RDE in messaging is creating these elements.

Participants were contacted from lists of customers and came into the site, where they looked at different concepts on the computer screen. The goal was not to sell the participant a piece of jewelry, as much as it was to discover what messaging would bring the customer into the store.

In jewelry, there are two radically different mindsets: optimists (segment 1) and pessimists (segment 2). Shaw's was interested in what specific messaging would drive the purchase.

After gathering additional information from the participants, the second step involved creating a "decision rule" or method by which each participant was classified belonging to one of the segments. The third step created two mailing pieces, one optimized for the optimists, and the other for the pessimists. The fourth step set up four target groups:

- 10,000 optimists who received a brochure designed for optimists
- 10,000 optimists who received a brochure designed for pessimists
- 10,000 pessimists who received a brochure designed for optimists
- 10,000 pessimists who received a brochure designed for pessimists

Historically, the typical mailing generated about a 1 percent response rate and an average purchase of $1,339. Sending the right brochure to the right segment increased the number of people buying (42 percent improvement for optimists and 27 percent improvement for pessimists). Just as important, the sizes of the purchases increased by several hundred dollars. ■

Discover More About Your Competitors Than They Themselves Know — Legally!

E-zines (electronic newsletters) were originally published in the fanzine tradition (enthusiasts writing about a subject they love), nowadays most e-zines are published for profit. An e-zine is considered to be the most effective online marketing tool with the highest return on investment.

E-zines and Competitive Intelligence: What Works?

The strategy of *deconstruction* is to look at what everyone is doing and discover what works and what doesn't. A fast search on Google reveals hundreds of different e-zines and links to other similar material. It is simple to acquire many public pieces of information about the topic that competitors publish. You might end up with hundreds of these screen shots, each with its own look and a series of different features and messaging.

The question for the Internet publishing company is which one of these different ideas works, and how well? It's also important to keep in mind that the material put out by different e-zine publishers is their best guess. Looking at competition means looking at what competitors *think* will work, rather than just wild guesses about what *might* work.

(continued on page 6)

Discover More About Your Competitors Than They Themselves Know — Legally!

(continued from page 5)

RDE cuts these competitive Web sites into their components (this process is called *content analysis of the ideas*) and determines which ideas really work. The company's ideas do not have to be used; the ideas could be created from focus groups and invention sessions. The goal here is not to create new ideas, but rather find out whether the competitors — and, indeed, which specific competitor — actually got it right. ■

Rubik's Cube of Consumer Electronics Innovation

The RDE process embraces and nurtures speed. Can the whole approach be made even more democratic, faster and easier so that anyone, anywhere in the world can use RDE to understand the mind of the consumer virtually overnight or, say, within 24 hours? The answer to streamlining RDE is yes.

RDE at the Heart of a Streamlined, Combinatorial Approach to R&D

An easy way to understand streamlined development is to imagine a scenario and then work back to what is needed for that specific scenario to happen. For example, one scenario focuses on a start-up company in Asia. The company, Abacus (real name as well as product name, Gamester, are disguised), is in the business of creating, commercializing and selling off new consumer electronics products. After initial market research, these entrepreneurs discovered that the majority of inventive efforts followed a consistent pattern: scan the environment for ideas, bring new ideas to consumers in focus groups around the world and then create prototypes. Engineers were in charge here, so the approach was develop, measure, launch.

Perhaps there was a better way. It first became clear that conventional ways to create ideas were too slow. Scanning the Internet revealed that people were inventing new products and services for consumer electronics at an alarming pace.

How Abacus Restructured the Invention Process

Abacus used the following three principles to restructure the invention process to make it simpler, faster and less expensive:

Principal 1: Democratize — The RDE method has to be based on an Internet tool that can be used anywhere, any time, by anyone — even by someone with minimal experience.

Principal 2: Think genomically — Let RDE identify winning ideas from many different consumer electronics products and, by so doing, create a "database of the consumer mind" for electronics. At the same time, let the RDE experience generate other ideas so that the consumer participant becomes an *active co-creator,* not just a passive judge.

Principal 3: Think of innovation as recombination — After identifying the winning ideas in separate, small and easily run RDE studies, combine these winning ideas into a set of new-to-the-world product concepts and test them in a final RDE study.

From Strategy to Specifics: How Abacus Did It

Here are the seven steps that Abacus took using RDE:

Step 1: Create or choose a general structure for silos that applies to different product areas.

Step 2: Select component ideas to "mash together" in the genomics-inspired system.

Step 3: Invite potential customers to log onto a Web site to participate.

Step 4: Create (automatically) and test new product ideas with consumers. Participants rate one concept after another, pretty rapidly, without paying much attention, giving their "gut feeling" about the ideas. The strength of RDE is that it works because the experimental design reveals what is important to the participant, whether the participant is even aware of the reasons for his choices.

Steps 5-7: Learn results and generate rules for actions.

From Abacus' view, the mashing exercise produced many interesting findings and opportunities to create a new product. The developers grasped the meaning behind the information:

1. Basic interest in Gamester is moderate for total as well as for segments.
2. Abacus can and should create different products, targeted to the segments.
3. Abacus has used its customer's mind to create a product.

Because Abacus mashed together properties genomically in a simple system, the participant's "mind" is the real tool that creates products, albeit through the help of the Web program. ■

For additional information on how Abacus was able to create new product concepts with RDE, go to: http://my.summary.com

Bridging Cool Design With Hot Science

Unfortunately — and all too frequently — design moves separately with the product features, but fails to focus on users — or perhaps even ignores them for the sake of "art." Although this design might initially attract some customer attention because it is so different, it could alienate the very people it was meant to entice. Can RDE evolve from working with *ideas* to working with *designs* so the discipline it imposes on the process enhances creativity in the direction most desired by consumers?

RDE makes the designer's job easier and more efficient by calculating and analyzing the algebra of consumer minds, albeit with visual designs as the test stimuli instead of verbally expressed ideas.

RDE in Action: Magazine Covers for the 'Fixer-Upper'

Eye-catching magazine covers are a key driver of newsstand sales. These covers are designed for at least two purposes: to establish an image about the magazine by conveying a look/feel, and to drive purchase and readership. A magazine cover that attracts the buyer's attention in the critical moment when the buyer looks at the selection, increases the chances that the buyer will reach for the specific issue.

One example deals with a magazine for the do-it-yourself homeowner. The RDE challenge was to discover what aspects of the cover invited the reader to consider buying a magazine on the newsstand. The RDE project was both strategic (get rules to make the editorial group smarter) and tactical (what's up for the issue three months from now).

Each feature of the magazine cover can be thought of as a transparency, or a cake layer. The computer browser superimposes these transparencies according to the recipe dictated by the RDE design, which creates different packages or magazine covers. Each new combination defined by the RDE design corresponds to a new package or magazine cover. The participant never sees the individual transparencies, just complete magazine covers.

What Does the Magazine Editor Get Out of a Graphics RDE?

The first results emerged very quickly after the RDE servers automatically analyzed response patterns from 657 participants. When it came to winning elements, the story was primarily cover photos. To know exactly how a cover will engage a reader, RDE uses a simple method: measure the time elapsed between the start of the exposure, when a participant sees the cover; and response, when the participant rates the cover for interest. RDE traces the response time to different magazine elements (stare time).

Two other questions RDE can answer:

1. Are there aspects of the magazine that capture attention but are basically turn-offs? These are the elements that have negative interest but positive stare time.

2. Are there aspects of the magazine that people look at for short periods of time (not engaging) but are turn-ons? We see this in cover photos. People do not stare a lot at the photos. They look at them quickly and then they make their decision. ■

Mind Genomics: Consumer Mind 'On the Shelf'

Today's marketers and developers need off-the-shelf, almost shrink-wrapped, systematized knowledge — organized insights about the customer's mind in specific topic areas. There is a need for database information of the type RDE provides, but not limited to one topic area or constrained by one product.

What is so special about a database that comprises different types of elements (product feature, brand name, emotion, availability and so on), a database that goes beyond one product to encompass many, and a database whose elements are already quantified by RDE before anyone thought to ask? Is there a need for the encyclopedia of the consumer mind that transcends simple information (what exists) by adding a relevance metric to that information (what is attractive)?

This encyclopedia of the consumer mind is the foundation of the emerging new science of mind genomics, modeled on the science of genomics and the technology of informatics. The goal of this new science is to better understand how people react to ideas by using a formalized, structured, fact-based approach. ■

RDE Defeats Murphy's Law and 'Bares' the Stock Markets

Open any newspaper or news magazine today and you are certain to see something written about energy. What information do energy producers, public relations agencies and advertising specialists crank out to the public? How do they deal with a world outside their control, where they are confronted with messy situations and have to craft good copy on Web sites and in news

(continued on page 8)

RDE Defeats Murphy's Law and 'Bares' the Stock Markets

(continued from page 7)

releases? They simply want to use the right messaging, appropriate for their company, to influence public opinion. What will RDE do to help?

With public utilities, messaging varies, ranging from specific information about available products to the language of reassurance about the utility. Their Web sites are constructed both for persuasion and reassurance. We looked at what 10 utilities were saying around the time that California experienced its rolling brownouts.

For the total panel, no single PR-type message stands out. The only reasonable messages talk about service and lowering bills. These winning messages should not come as a surprise — they are what everyone wants. For males, it's about service and money; for females, it's primarily about money. The pay dirt for PR comes from dividing these consumers into three different groups.

- Segment 1 wants a dependable service.
- Segment 2 wants to take control.
- Segment 3 wants to feel that they are choosing a utility that goes out of its way to help the disadvantaged, etc. This segment is especially responsive to PR-type messages and represents a powerful target worth influencing.

Behavioral Economics and Experimental Analysis of Attitudes: Making Sense From the Vioxx Case

In 2004 when the painkiller Vioxx (a blockbuster for Merck) was possibly implicated in heart attacks, anyone holding pharmaceutical stocks was in for a rough ride as the stocks were battered. How could RDE apply in a situation where the rating is no longer "acceptance," but rather "sell versus hold versus buy" the stock?

If a shareholder or a manager of a hedge fund reads a vignette about the FDA statement and corporate reaction, and rates it in terms of his or her propensity to buy, sell or hold the stock in question, is there any way to predict the likely future shareholder response (buy versus sell the stock from other investors)?

Step 1: Define the problem and prepare the materials. It is necessary to go beyond Merck's Vioxx into other high-potency painkillers, as well as over-the-counter (OTC) medications. Next, gather messaging information available from corporate Web sites, limited to what an investor might find using Google and what might be a first choice for a shareholder or professional. Then reduce the information to a limited set of phrases.

Step 2: Mix-and-match the elements according to an experimental design to create a set of vignettes. This step is automatically done by the RDE tool. Each vignette is accompanied by a rating question asking the respondent whether he or she would sell, hold or buy the stock based on what he or she reads.

Step 3: Recruit and collect the ratings from the respondents. In this study, one of the classification questions dealt with the amount of money to invest so data could be analyzed by those with a high versus low net worth.

Step 4: Analyze the results of the study and identify what messages in general drive intent to buy or sell a stock. Results show that FDA messages by themselves do not drive buying or selling. Brands or companies play a much bigger role in expected buy/sell ratings. What the company says it will do can make a difference to the shareholder. Agreeing with the FDA and putting some type of caution on the drug "quickly enough" can increase expected buying.

Is There Any Limit to What RDE Can Do?

So you must ask, "Is RDE a magic bullet?" On one hand, in a world of guessing, systematic experimentation has to win in the long run simply because it is fact-based. There's no reason for the universe to change its rules because someone is making systematic observations. The odds are that RDE can do a lot — bounded, of course, by the ingenuity of the user. It will not make an artist out of a hack and it will not reveal the secrets of the universe to someone who prefers guessing to measurement and aimless hypotheses to disciplined fact-finding.

On the other hand, RDE will deliver consistent success simply because of the way it's structured. RDE forces the user to think about alternatives in a way that creates a discipline. Thinking is critical. No matter what people in corporations say, previous experience does not always predict what will win and what will fail. When people think, take measurements and look at what is happening, the rest happens like magic. ■

SOUNDVIEW RECOMMENDED READING LIST

If you liked *Selling Blue Elephants*, you'll also like:

1. ***Citizen Marketers* by Ben McConnell and Jackie Huba.** "Citizen marketers" are forming growing communities of enthusiasts and evangelists, getting the word out about what products they love or hate.
2. ***Outside Innovation* by Patricia B. Seybold.** Innovation is what keeps companies at the top of their fields, and the best way to innovate is to involve customers in every aspect of design.
3. ***Treasure Hunt* by Michael J. Silverstein.** The author explores how people are reshaping the consumer-goods market by trading down to low-price products and services, trading up to premium ones, and avoiding the boredom that characterizes the middle.

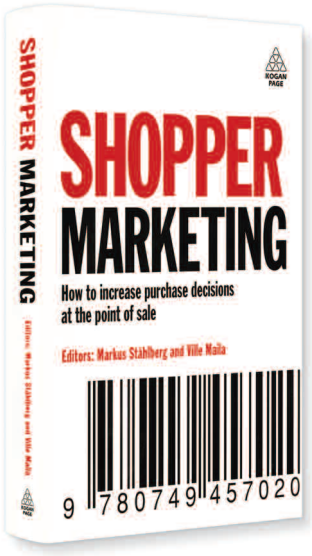
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Marketing: Strategies



Shopper Marketing

How to Increase Purchase Decisions at the Point of Sale

Edited by Markus Ståhlberg and Ville Maila

THE SUMMARY IN BRIEF

The aim of "shopper marketing" is to turn shoppers into buyers at the point of purchase. A relatively new area of marketing, it is attracting increased investment each year — and according to surveys is growing even faster than Internet advertising, with an expected annual growth rate of 21 percent by 2010.

Research has shown that there is plenty of opportunity to influence customers' decision making in the store, so there is much at stake: At least 70 percent of brand choices are made in the store. Some 68 percent of purchases are not planned in advance. Only 5 percent of shoppers are loyal to one brand of a product group.

Shopper Marketing will show you how to make the most of point-of-sale marketing. The information it contains comes from articles written by many of the field's top experts from around the world, and it provides practical advice regarding shopper needs and trends, retail environments, effective packaging and much more. This summary is a must-read for all marketing, sales and retail practitioners, as well as for students of sales and marketing.

IN THIS SUMMARY, YOU WILL LEARN:

- How shopper marketing has grown to be a significant global marketing phenomenon.
- How shopper behavior is changing.
- How to move beyond vague, commonplace marketing buzzwords and phrases by learning directly from the top shopper marketing practitioners.
- How to tap into a more in-depth understanding of new areas of shopper marketing.

CONTENTS

Science of Shopping
Page 2

Seven Barriers to Development of Shopper Marketing
Page 3

Bringing Shopper Into Category Management
Page 4

Tailing Your Shoppers: Retailing for the Future
Page 5

The Conversion Model for Shopper Research
Page 6

Winning Shoppers With Cause Marketing
Page 7

A Physical Relationship With Consumers
Page 8

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THE COMPLETE SUMMARY: **SHOPPER MARKETING**

Edited by Markus Ståhlberg and Ville Maila

The Editors: Markus Ståhlberg is the CEO of Phenomena Group Ltd. Ville Maila is the planning director of Phenomena Group, which is the first shopper marketing company to be founded in Europe. Phenomena Group specializes in shopper marketing campaigns and is the global leader in package promotions. The firm operates in 40 countries.

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Science of Shopping

As retailers, you must be tactical: You must know who your customer is, and you must create a window display that he or she will understand. For instance, Kiehl's, which sells all-natural bath and body products, uses its store windows as a pulpit for highlighting social issues, a practice perfectly aligned with the priorities of its customers.

Shopping behavior researcher and Envirosell CEO Paco Underhill proposes the following to modern retailers: Let's liberate our design teams. Let's take our lessons from Absolut Vodka's legendary advertisements; Calvin Klein's dark, clever ads; and Benetton's stridently correct ones. Windows can be like literature. It's OK if not everybody gets the story you're telling. What is important is that the target customer gets it.

Point of View on Shopper Marketing

Gordon Pincott is the chairman of global solutions at Millward Brown, one of the world's leading marketing research companies. He points out that a 2007 study conducted by Deloitte in the United States suggests that the portion of marketing budgets devoted to point-of-purchase activity doubled from 3 percent in 2004 to 6 percent in 2007, and is expected to reach 8 percent by 2010.

When consumers enter a store as "shoppers," they arrive in a particular mood, having chosen this particular retail outlet to fulfill their particular mission. They arrive with opinions concerning quality and value. But, even more importantly, they arrive with well-developed preferences for brands, based on associations built up over time from advertising messages, word of mouth and personal experience. On average, around two-thirds of people know what brand they want to buy before they go into the store. About three-quarters of these "intenders" follow through on their plans. For shopper marketing to be effective, then, it needs to work with the predispositions people bring with them to the store.

Integration

We need to integrate our thinking and our actions so that what we do in the store dovetails with what we do outside.

There are two keys to unlocking the power of shopper marketing. The first is to develop communications within the point of purchase that acknowledge that the mindset and motivation of a person shopping are very different from the mindset of someone watching, reading or listening to ads at home. The second is to build presence in the store, with a robust understanding of the brand associations that already exist in the minds of consumers as the result of communications outside of the store.

Shopper marketing should be a seamless part of the marketing discipline, considered and developed in conjunction with all the other marketing elements. ●

Shopper Marketing: The Discipline, The Approach

Jim Lucas is the director of the shopper marketing group at Draftfcb, one of the largest global advertising agency networks. He writes that, over the next few years, retail will change quickly and dramatically. To survive, the store has to become its own brand. Strong

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brands provide a unique shopping experience and differentiate a store from its competition, and create shopper loyalty. For manufacturers to survive in an environment where retailers are devoting more time and space to talking about their store brand, the manufacturer must align with retailers in creating a unique shopping experience.

In view of this situation, shopper marketing can be thought of as a discipline (generating insights and understanding shoppers) and as an approach (an intuitive understanding of shoppers that allows us to act).

The 3 Ss Approach

The overall process can be thought of as follows:

• **Shelf.** The shelf serves as our starting point. Shelf may refer to a category, a department or an aisle. The challenge is: How can retailers and manufacturers improve the shopping experience, e.g. relevant assortment editing, more intuitive shelf organization, better education, enablement or inspiration, at the shelf?

• **Shopper.** A focus on the shopper not only provides the best source of insight, but serves as an important tool for aligning the retailer and manufacturer. The shopper helps unite retailer and manufacturer in terms of both their shopper understanding and their ability to deliver relevant communications in-store. A useful way to study the shopper is to map the path to purchase. This mapping typically goes beyond the store to help identify critical junctures in the purchase process where relevant information and experience can be best delivered to shoppers.

• **Store.** The store is a medium. Like other media, it has a format, an audience (shoppers) and editorial content (retail brand and/or shopping experience). Today's store is a brand. Thus, each retailer has a different focus.

Go-to-Market Calendarization

The calendar plays a critical role in the go-to-market process. The calendar incorporates shopper insights, retailer focus and brand news throughout the year. Typically, individual calendars are developed for each key retail account. By using a calendar approach, marketers ensure that each event in a calendar supports the overall shopping experience or store as a brand. Align the needs of the shopper, retailer and manufacturer on the calendar and leverage the equities or assets of each.

Seven Steps Toward Effective Shopper Marketing

Luc Desmedt is a sales development specialist at LD & Co. He writes that shopper marketing has become a strategic priority for most manufacturers. In order to help brand manufacturers implement effective shopper marketing, LD & Co. has developed a pragmatic approach building on seven steps:

Step One: Start with the corporate and marketing objectives and strategies. Whatever is communicated to the shopper at the point of sale needs to be fully consistent with the brand strategy and in line with the brand communication via other media channels.

Step Two: Make the right choices. The decision as to which level of focus and attention will be attributed to which retailer should be based on a careful screening of each retailer, taking into account three key criteria: the economic value of the retailer to the manufacturer, target customer value and collaborative opportunities.

Step Three: Get an in-depth understanding of the current business situation at the key retailers. Shopper marketing can only be effective if the activity succeeds in combining the brand's interests with the category opportunities for the retailer. In order to detect these opportunities, an in-depth business analysis of the category at the retailer is a must.

Step Four: Get an in-depth understanding of key

Seven Barriers to Development of Shopper Marketing

Here are seven barriers that have hindered the development of shopper insights and ultimately shopper marketing:

1. Organizational structure and budget allocations based on old priorities.
2. Not many leading marketing executives who are also qualified shopper marketers.
3. Lack of real shopper insights and shopper research.
4. Legacy processes and the challenges of current advertising process timing.
5. Using current standards of measurement for in-store activity.
6. Using retail as media is not easy, not turn-key like buying media. Finding the win-win-win for consumers, retailers and marketers is very difficult.
7. Retailers are not really media moguls. Their first priority is to sell more products, to more people, more often — *not* to monetize their stores as true media.

retailers' organization, objectives and strategies. Retailers will be motivated to give full support to an initiative when they see clear benefits for themselves: activities that help them in achieving their marketing objectives, and that respect their operational standards and ways of working.

Step Five: Know the shoppers and their shopping behavior. Basically every manufacturer of consumer goods today understands that consumer insights represent the basics for successful product development and marketing support. The same goes for shopper marketing.

Step Six: Develop a shopper marketing strategy and plan as part of tailored and complete account plans. Shopper marketing activities are part of a larger, synergetic framework. It should be the ambition of every shopper marketer to develop and implement activities that use the impact of all the manufacturer's efforts at and around the point of sales.

Step Seven: Execute with excellence and measure the results. The most crucial part of the process, ensuring a perfect execution, is then to be started. In reality this means paying attention to a variety of small details to make sure that the right products get to the point of sales at the right time and in the right place.

Bringing Shopper Into Category Management

Category management expert Dr. Brian Harris, founder and chairman of the Partnering Group, writes that shopper marketing, like category management, represents an opportunity to use the competitive strengths of companies that believe in early-mover strategies for competitive advantage. These competitive strengths arise from forward-thinking management in combination with the impact of a number of other influences, including information and technology advantages, emerging competitive threats and superior collaborative capabilities. In the case of category management, the initial adopters typically also had a history of innovative leadership in the adoption of other new approaches and methods.

In the case of shopper marketing, the continual search for competitive advantage will again lie at the center of interest for this new concept. Again, it will be relatively small numbers of retailers and manufacturers that will lead the adoption and disproportionately influence the shape of this emerging management approach.

Shopper marketing will capitalize on the new insights that are now possible into consumer shopping habits and behavior. These insights will come from new data sources, especially data obtained from loyalty cards and shopper research. Leadership advantage in the use of new tools for analyzing these data, such as shopper segmentation tools; and for collecting these data, such as in-store kiosks, intelligent shopping carts and in-home scanners, will provide the foundation for unlocking these powerful new insights into shopping behavior. These insights will provide the information needed to influence shopper behavior at the point of maximum impact — at the point-of-purchase decision making. This is the essence of shopper marketing.

Connecting, Engaging and Exciting Shoppers

Australian marketing expert Michael Morrison and journalist Meg Mundell write that shoppers are "tuning out" when faced with traditional modes of in-store marketing. Their declining receptiveness poses a major dilemma for brands: How can they build strong, lasting customer relationships?

Today's top brands are meeting the challenge by taking a personal approach: They set out to forge an emotional in-store connection with shoppers. Experiential shopper marketing (or emotional branding) signals a shift from simply selling products to selling experiences. This new and burgeoning field harnesses the power of the fives senses to connect, engage and excite shoppers:

- **Sight.** Crayola's vibrant flagship store in Kansas City uses the emotional impact of color to powerful effect. Within the store's bright, open-plan interior, color not only imbues the space with a sense of energy and fun, it also operates as an orientating device, product identifier and invitation to play.
- **Sound.** Abercrombie & Fitch carefully tailors its in-store music to match the tastes and preferences of its target market, using a customized playlist to create an interior soundscape in close harmony with the brand's own image — upbeat, energetic, fun, youthful, carefree and high-volume.
- **Smell.** Supré, an Australian-based fashion chain, took part in a 2007 study to investigate how in-store atmospherics impacted on shopping behavior and satisfaction levels. A pleasant but subtle vanilla aroma, particularly when paired with loud music, was found to exert a positive influence on the emotional state of shoppers, enhancing both the retail ambience and the shopping experience.
- **Touch.** Apple's flagship stores are designed to encourage shoppers' physical, tactile and personal engagement.

• **Taste.** At the Dean & DeLuca store, an up-market food provider in SoHo, New York, numerous tasting samples engage visitors directly in the food experience and encourage them to purchase.

These examples of successful shopper marketing strategies highlight a definite shift toward a new shopping paradigm, one that is increasingly personalized, connected, active and experience based. Through engaging the five senses, emotional branding connects with shoppers on this more immediate level. ●

Tailing Your Shoppers: Retailing for the Future

It should be the key objective of any retailer to make shopping a natural experience — seamlessly woven into how and where customers now live and work. AnnaMaria M. Turano, an executive director at the management consulting firm MCAworks, writes that the future of retailing lies in the idea of "tailing" — following the target customers' behavior patterns and designing retail concepts to mesh better with customers' daily activities, such as commuting, chauffeuring their family, managing their household and running errands.

The proliferation of online shopping was critical in driving retailers to understand that shopping does not need to be confined to their physical storefronts; customers appreciate the ease, convenience and privacy of being able to shop online. However, e-tailing is just a small stepping stone to the future of retailing. Customers will still balance shopping in-store versus shopping at home, depending on what and when they are buying.

Retail success will be based on how well you know and act upon how your customers behave. Understanding how they shop is not enough to be competitive; retailers must understand how their customers live and evolve their retail concepts accordingly.

By "tailing" customers, retailers can identify the pain points of shopping (e.g. out-of-the-way locations, noisy stores, confusing layouts, long checkout queues) and redesign the overall shopping experience to better integrate with how customers actually live and want to live. Work and household management is hard enough; shopping shouldn't have to be. ●

Retail Media: A Catalyst for Shopper Marketing

Gwen Morrison is the CEO, the Americas and Australasia, of The Store, which is the global retail practice of the communication services firm WPP. She writes that one significant outcome of in-store media developments is an improved understanding of how to engage shoppers from the perspectives of the creative-generated content and design. We know shoppers are not in the same mood or mode as consumers at home, and the same shopper varies in his or her needs and behaviors during different trips. The initial shortcomings of creative content delivered in retail networks underscored the do's and don'ts when it comes to connecting with shoppers.

Here are a few basic principles:

• *Put the right message in the right place.* The ultimate benefit of in-store communications is that we are able to target shoppers in specific departments, at the point of decision.

• *Deliver the right message at the right time.* One great advantage of in-store media is flexibility. It offers the chance to customize promotional offers to the types of shoppers in the store at any given time. With new tools that match in-store advertising with register data, the dynamic opportunity of digital media will be realized.

• *Inspire the shopper.* As the industry begins to pinpoint time and place for effective content, it is important to recognize the context. Some product categories are more conducive to information-based imagery and content. For example, as shoppers wait in line at a pharmacy, there is ample opportunity to inspire them with broader ideas about health, wellness and lifestyle that can result in significant incremental purchases.

The consolidation of retail and the emergence of in-store media are contributing to a new shopper-centric landscape. Richer understanding of the potential of all retail touch-points is driving a more complex brand framework, from home to shelf to register. ●

Integrated Communications Planning for Shopper Marketing

David Sommer is managing partner for the consulting firm Mediaedge:cia. He writes that his definition of retail media includes all of the places where marketers can use retail as a channel to engage consumers: Think direct mail pieces sent out by the retailers to a targeted list. Think frequent shopper card programs.

His definition of marketing at retail also includes all of the ways marketers can engage consumers using retailers (their stores, their mailing lists, their relationships) as a communications channel. With this in mind, marketers must carefully evaluate and measure all of the value they

gain from each engagement of shoppers through the retail channel. ●

The Conversion Model for Shopper Research

Clemens Steckner is a managing partner of the market research company g/d/p Research Group. He explains that more than 10,000 products compete to catch the eye of shoppers in a typical supermarket. The consumer selects 10 or 20 products to take home, but how does he or she make this choice?

Shopper research deals with the process of searching for a product, making a decision and purchasing directly at the point of sale (POS). Most purchase decisions are not made until the customer is in the shop. The jumble of products and marketing measures runs the risk of causing shopper confusion, with the result that no purchase is made. Optimizing the purchasing process, for instance by providing clearer orientation, makes for contented customers who are also more willing to part with their cash.

Shopper Insights

Shopper research considers the various aspects of the purchasing process. Only when the sales figures are viewed together with objectively identifiable purchasing behavior and conscious and unconscious decision processes can a true insight be gained into the purchasing process. These insights can be used to improve POS strategies, ranging from the placement and presentation of goods to pricing and product design, thereby ensuring a smooth purchase without distractions, high conversion rates and minimal loss of potential buyers. The conversion model helps in recognizing optimization potential at the POS. The purchase process is broken down into individual conversion stages, from frequency and attention to information, comparison and purchase. For each of these conversion stages, both missed and achieved conversion potential need to be analyzed.

It is worth carrying out regular optimizations — shorter search times lead to greater customer satisfaction and a greater willingness to spend. Retailers and industry both benefit from this. And, not least, shoppers do too, because it makes shopping more fun. ●

Execution: What Is Shopper Marketing in Action?

As more and more retailers ban in-store materials, the only opportunity for marketers to stop shoppers is gradually becoming the use of the package as the sole means of communication. Marketing expert Markus Ståhlberg writes that, when used correctly, package promotions are the most efficient means of increasing purchase decisions because of the 100 percent store coverage they will achieve.

This leads to the most intriguing phase of the process from the marketing perspective. The shopper has, for one reason or another, stopped in the proximity of products that can potentially fulfill his or her need. The marketer has approximately five seconds to convince the shopper to buy the brand. The product needs to stand out from dozens of almost identical products and give the shopper a reason to buy it. The reason to buy the product equals the claim. There are basically three types of claims: brand-related claims, discount-related claims and promotion mechanism-related claims.

There are two factors determining the core of the claim: the promotion mechanism and the incentive. Promotion mechanisms can be roughly categorized into premiums, competitions, monetary mechanisms and charity. The design of the optimal mechanism and thus the optimal claim is based on the selected objective and on the desired level of investment in the promotion.

Selection of the incentive is closely tied in with design of the mechanism, but it is equally important in achieving the desired results. With the incentive factor, there are basically two guiding issues in relation to the mechanism and desired investment level: quantity and quality. Based on many studies, money is the most attractive prize for shoppers in all target groups.

The next step is to ensure that the promotional claim is easy to understand and seductive to the shopper, in that order. ●

Using Emotional Insights in Shopper Marketing

MARS Advertising Inc. provides retail, consumer and channel marketing and networking services. MARS CEO Ken Barnett writes that his company's approach to shopper marketing is a one-two punch of art and science. The approach his company takes fuses both intuition and truth, pushing retailers farther while pulling the shopper closer. Marketers now have to include their behaviors while they are shopping. MARS strives to unearth the key emotional insight to form a clear picture of who the shopper is as an individual.

To create phenomenal shopping experiences, the mar-

keters at MARS have broken down The Shopper's Journey℠ to a series of seven key steps in the process:

1. *The awakening.* Before a shopper begins his or her quest, there is a key event that paves the way for the journey ahead. It's when mass marketing aligns perfectly with mass need. Those who are buoyed by these waves of messages will heed the call: compelling a consumer to become a shopper.

2. *The call.* The adventure begins with the hero receiving a call to action. This is when the consumer becomes a shopper — when he or she steps outside the masses and becomes an individual with a purpose or goal.

3. *The crossing.* The hero must cross the threshold between the familiar world and an unfamiliar world. The shopper has decided to pursue his or her quest. The crossing is all about turning those first steps into action.

4. *The path.* Once inside the store, the hero encounters a dream landscape of ambiguous and fluid forms. Here, shoppers are most susceptible to brand impressions and the shopping environment, looking for cues and inspiration to help them find the path leading to the fulfillment of their desires.

5. *The reckoning.* Here we have the moments preceding the shopper's delight. Presented with various choices, the hero lingers. This is where the knowledge and strength of the hero are tested.

6. *The prize.* The shopper becomes fully enlightened to how a particular brand can either satisfy the need or fulfill the desire. The shopper makes a decision and basks in the decision having been made, feeling "right" with it. The shopper has earned the prize.

7. *The homecoming.* The shopper returns home with the prize. The product must follow through on its promise or else there will be disappointment and bitterness. Whatever the brand can do to perpetuate the delight with information, inspiration, entertainment and other relevant purchases will strengthen the brand's promise. The shopper's delight will then radiate outward to friends, family and co-workers. ●

Winning Shoppers With Cause Marketing

Susan Gaible and Carol Cropp, the founding principals of the marketing firm PowerPact, LLC, write that a cause strategy incorporated into shopper marketing efforts will drive loyalty. They define shopper marketing as all influences on consumers once they pick up their bags and head to the store. Shopper marketing programs based on cause strategies create long-term bonds to the hearts, minds and wallets of today's shoppers.

Here are some quick tips on creating a winning cause strategy at retail:

- **Find an issue your core customer cares about.** Learn what issues shoppers are most passionate about. When brands and retailers connect to shoppers on an emotional level — through cause marketing — shoppers pay attention.
- **Be in for the long term and integrate.** The strongest cause-marketing programs are the ones that have two key ingredients: integration and commitment to the nonprofit organization over the long term. An integrated campaign requires genuine buy-in from all levels of an organization.
- **Identify the actionable insight.** Nailing the core insight is key to a successful cause-marketing strategy, especially for in-store communication. An actionable insight must be measurable.
- **Engage the local community.** Manufacturers prefer national programs, and retailers prefer local or regional programs. The key is to create national programs with local relevance.
- **Avoid compassion fatigue.** People can become disengaged and desensitized. One good way to prevent compassion fatigue is to develop cause programs that are transparent and engage consumers on a personal level.
- **Measure, measure, measure.** Don't just measure results. Promote results — internally and externally.
- **All stakeholders need to see progress, and marketers need to see what is working**. Measurement must be defined for all parties involved — the brand, the retailer, the nonprofit organization and the shopper.
- **Allow your program to evolve.** Don't be afraid to change. The best programs are nimble. Test, learn and adjust. ●

Shopper-Oriented Pricing Strategies

Retail pricing expert Jon Hauptman, from marketing strategy firm Willard Bishop, writes that retailers today are searching for ways to enhance their price image while attracting more shopper visits, improving shopper loyalty and driving sales growth — profitably. Progressive retailers have done this successfully by developing and implementing shopper-oriented pricing strategies based on two fundamental concepts: understanding

and managing "pricing tipping points" and strengthening each of the "six dimensions of price image."

Pricing tipping points represent a new way for retailers to manage price image efficiently and effectively in today's increasingly competitive marketplace. They represent the maximum price gap shoppers will tolerate before shifting their spending to other stores. The exact levels are based on the actual prices shoppers see in the store, combined with their experiences and satisfaction with all other elements of the value equation, e.g. location, assortment, quality, service and so on.

To compete effectively, supermarkets don't have to match competitor prices. Instead, they can identify and manage their tipping points by examining shopper perceptions of — and tolerance for — price gaps among retailers.

Six Dimensions of Price Image

The six dimensions of price image covered in a comprehensive shopper-oriented pricing strategy include:

1. *Everyday shelf prices.* The strategy provides direction, including price-setting objectives and rules for the regular shelf prices shoppers see day in and day out.

2. *Promotional prices.* The strategy must also determine the role that promotions play in the overall price mix at the total store level.

3. *Known-value item prices.* These represent the prices for the most important items in the store, i.e. the items for which shoppers are most likely to know the price, and that disproportionately affect price reputation.

4. *Per-unit/value prices.* Price image is also influenced by the best values — measured on a price-per-unit-of-measure basis — available in each major category across the store.

5. *Merchandizing.* A comprehensive pricing strategy offers a plan for using the power of end-caps and other special displays to highlight great promotional prices and shelf merchandizing to draw attention to strong values available in each category.

6. *Price communication.* Many retailers spend thousands of staff hours and millions of dollars conducting sophisticated pricing analyses and implementing state-of-the-art pricing technology but are not poised to receive full credit from shoppers for all their efforts and investment. ●

Packaging Can Be Your Best Investment

Russ Napolitano is executive vice president, business development, at the branding firm Wallace Church. He writes that when people mention such brands as Coca-Cola, Tide, Absolut, Dove and Crayola, to name just a few, there is a very good chance that an image of their packaging comes to mind. When packages such as these become visual icons and such an important part of the brand's overall DNA, how can anyone argue that packaging cannot be one of your brand's smartest investments? Whether it is the physical package shape (its structure) or the color, imagery or typography, or a combination of these, many brands are identified by consumers through their packaging.

You should realize that your brand's packaging is still one of your most efficient marketing tools for reaching your target consumers. You can still renovate or launch new packaging for less than 10 to 25 percent of the total cost to produce a television advertisement, produce and run a print ad or execute a promotion and/or a display program. Packaging will also have a longer shelf life, making it an even more cost-efficient method for reaching your consumers. ●

A Physical Relationship With Consumers

From the time they notice your brand on the shelf and then purchase it, store it, use it and reuse it over and over again, consumers have formed a personal relationship with, and an attachment to, your brand through its package. Packaging is the one medium that results in a physical relationship with consumers.

The packaging also makes that first impression on the consumer. Consumers will often decide whether or not they are going to purchase your product through their first impression, which is usually made through the package.

Packaging plays an integral role and has a major impact on shopper marketing. For many brands the packaging usually sets the tone for all of the other communications efforts, establishing the brand's overall look and feel.

RECOMMENDED READING LIST

If you liked *Shopper Marketing*, you'll also like:

1. ***Buyology* by Martin Lindstrom.** Subtitled "Truth and Lies About Why We Buy," this book uses Lindstrom's neuroscience research to overturn much of the logic about why customers buy certain products.
2. ***The Brand Bubble* by John Gerzema and Ed Lebar.** Led by findings from Young & Rubicam, the authors guide readers through a five-stage process for reorganizing a company around its brand.
3. ***How We Decide* by Jonah Lehrer.** In this 2009 bestseller, author Jonah Lehrer takes a fresh yet informed perspective on the fascinating subject of how we make up our minds.

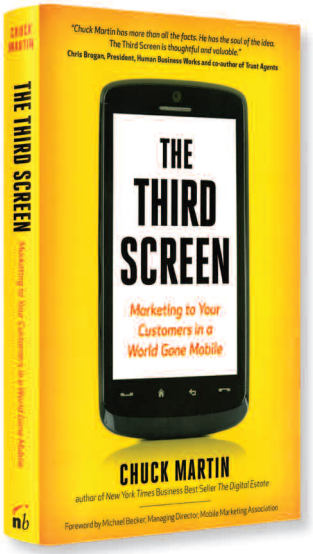
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The Third Screen

Marketing to Your Customers in a World Gone Mobile



by Chuck Martin

THE SUMMARY IN BRIEF

With the "first screen" — television — companies sent ads directly into consumers' living rooms. The "second screen" — the personal computer — increased interaction between companies and consumers and allowed for immediate customer feedback. The "third screen" — the mobile device — changes the game in an even more revolutionary way.

The Third Screen defines the strategies and tactics businesses will need in a world gone mobile. Marketers and businesspeople who don't understand the untethered consumer — on the move, always on — risk becoming obsolete. This breakthrough book links the technological developments of m-commerce to the behavioral changes that accompany them, and reveals how key mobile innovators (representing large and small brands) are becoming the mobile platform providers of the future.

Best-selling author Chuck Martin guides readers through the uses of messaging, apps, location-based marketing and the components of social media that have "gone mobile." The new laws of inbound mobile marketing are laid out in full, equipping brand managers, chief marketing executives and business owners looking to connect with their customers with the full range of mobile marketing options.

IN THIS SUMMARY, YOU WILL LEARN:

- How brands are partnering with mobile startups to change the face of marketing as we know it.
- How the age of the smartphone is redefining the role of the consumer.
- How marketers must do more than send out a mass ad and hope for the best.
- How to stay relevant to your customers as they go about their lives.

CONTENTS

Introduction: Mobile Is Game Changing
Page 2

The Rise of the Untethered Consumer
Page 3

Real Time Moves to All the Time
Page 4

There's an App for That: The New Broadcasting
Page 5

The Finding: Search on Steroids
Page 6

The Push-Pull of Mobile
Page 7

The New Laws of (Inbound) Mobile Marketing
Page 8

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THE COMPLETE SUMMARY: **THE THIRD SCREEN**

by Chuck Martin

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Introduction: Mobile Is Game Changing

The first screen, television, revolutionized the way marketers reached consumers, allowing a company to touch millions with well-crafted and tested messages that the company controlled. The marketer was in the driver's seat.

The second screen, the personal computer, fostered interactivity; it allowed companies to communicate with and sell to their customers, easily gaining customer feedback and even permitting customers to provide input on the development of products or services. The model moved from mass marketing to participatory marketing, where consumers could tap into extensive online networks of information about a company's products and services.

The third screen — the smartphone — enables customers to communicate directly with each other more easily and to share information and opinions not only in real time but also as they move from location to location. The challenge and opportunity for businesses is to become part of those conversations and to add value to them.

The Untethered Consumer

The move to a world gone mobile is not just about technology; it is about behavioral change.

If we told people a decade ago that they would be typing messages with their thumbs, they would not have believed it. Yet today, this is common not only with multitasking teens but also with busy businesspeople using BlackBerry smartphones, iPhones and Droids. People are reading books on iPhones and mobile marketers will further change consumer behaviors by facilitating shopping and purchasing directly from mobile phones, often on location.

Technology without behavioral change would be relatively meaningless, and marketers and businesspeople who don't understand the implications of the untethered consumer risk obsolescence.

The Mobile End Game

There are several fundamental characteristics of the mobile landscape that offer companies new opportunities to leverage. These characteristics provide marketers with different ways to interact with their customers.

Brick-and-Mortar Advantage. The third screen will forever transform the concept of one-to-one marketing, in terms of how a company talks to its customers. Mobile allows companies to communicate with the untethered consumer as he or she shops.

Platforms Win. Among the main drivers of a world gone mobile are the technology platforms on which businesses and untethered consumers ride. Platforms are widely accessible by mobile phones so that consumers can easily tap in and access any relevant or desired content or information at any time.

Less Is More. Businesses need to "Think Small." Thinking small is not about small ideas but about quick, focused delivery. On the phone, it's more practical to view a short video clip.

The Mobile Chicken and Egg. Mobile will drive mobile. As more consumers find new capabilities of their smartphones, they will show these features to others. As more features are discovered, more will be created. The creation of more features — ranging from dis-

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counts that can be scanned to applications that make daily life easier — will lead to more adoption by more people. As more people get smartphones, more features will be used, driving the creation of yet more features.

The Rise of the Untethered Consumer

Mobile consumers are freed from a desktop computer for access to information or their networks. With total digital mobility, they are always connected and can do virtually anything with anyone, anytime, anywhere. Empowered by the third screen, these are the *untethered consumers*, and they have computing power in their hands wherever they go.

The untethered consumer constantly consumes content from his or her smartphone, no matter where he or she is. Untethered consumers rely on their peers for recommendations and they trust the recommendations of others more than the promotional messages from the companies that make or market the products. This system of user opinions goes beyond social networking as consumers reach out to networks of others who may have purchased a particular item, heard certain music or seen specific movies.

When an untethered consumer loves or hates something, he or she will let others know in real time. These consumers instantly determine from others the collective view of products and services. And after receiving these recommendations from others, purchasing via the third screen will become commonplace in the United States, as it already has in some countries.

Mobile Is Personal

One of the new dynamics presented by a world gone mobile is a change in perspective. Because the smartphone is so personal and individual, each user tends to view the market from his or her personal mobile perspective. Marketers seeking larger mobile budgets should be aware of this shift from mass-experienced to personally experienced marketing, because those controlling the budgets may view proposed mobile strategies through their own personal mobile lens, based on the way they use their own phones. Their perspective on what consumers may or may not do with their mobile phones in the future may be limited (or exaggerated) by what they do with their own phones.

The m-Powered Customer

In a world gone mobile, the individual customer has more control than ever before. The mobile customer can check prices on location, compare items against competitors' offerings and get on-the-spot recommendations from friends and peers. He or she can find anything directly from a mobile device and connect with others instantly by various means. We call this totally enabled, roving, mobile-empowered customer the *m-powered consumer.*

This m-powered customer can also be reached at certain times in specific locations. Never before could both of these pieces of information be factored into marketing, and it opens the door for marketers to customize their campaigns accordingly.

No matter the brand, every company in every category will have to find its own play in mobile, because their customers, no matter the demographic, are there.

Untethered consumers become totally empowered with features and functions that companies are making available to them via smart phones.

Follow Your Customers

It is essential that businesses follow their customers' mobile use patterns and preferences. Otherwise, a business could end up creating a mobile product or service that doesn't match the behavioral characteristics of its own untethered customers.

Smartphones Rule

The growth of smartphones is well documented and is expected to continue. The key driver of this growth is the functionality provided by smartphones. Customers can find information faster, they can receive personalized services based on their current location and they can perform actions on their phones while on the go that they had previously done on their personal computers or other media devices.

Enter the iPhone Era

The turning point in mobile came with the launch of Apple's iPhone, with its following wave of hundreds of thousands of applications, which led to a dramatic increase in mobile Web browsing. The third-generation network (known as 3G) introduced higher-speed networking, which allowed Web surfing and audio/video transmission. As more fourth-generation networks (known as 4G) are deployed, with speeds five to 10 times faster than 3G, significantly more interactive data and video will move into the marketplace. This higher networking speed will combine with a new generation

of computer processors that will speed smartphones even more. Smartphone sales will soon exceed sales of personal computers.

The impact of the iPhone in a world gone mobile cannot be overstated. Research revealed that many in the mobile industry — especially technology and platform providers — admit that the introduction of the iPhone totally changed their businesses. The same was heard from both small and large brands, especially those that decided to create new applications and started by using the capabilities first provided by the iPhone.

The iPhone showed not only what sophisticated phones could do, but how easy it is to download applications from a centralized location, the Apple App Store: funds could be automatically deducted from an iTunes account if the application required a fee, a setup already familiar to vast numbers of users who downloaded songs.

The Smarts of the Smartphone

Much like a new high-definition TV, a new smartphone can be such an improvement over a previous regular phone that the new owners may not fully explore all of its features and capabilities. The good news for marketers is that this will change over time due to several drivers:

- Businesses will conduct research to determine what mobile customers want most.
- As network speed increases, features will be more easily accessed and used.
- App developers will continue to innovate.
- People will see others using functions they didn't have and inquire about them.
- Customers will see the added value of using apps and mobile Web features to make their lives easier.
- More businesses will enter the market to keep up with their competitors' offerings.

One of the key drivers of an increase in smartphone use is the availability of more and more apps that do an almost unlimited number of things. However, there are smartphone features that individuals use significantly more than they use apps. A study by Knowledge Networks shows that apps are a secondary consideration in general use of smartphones, following features such as messaging, Web use, search and photography.

Real Time Moves to All the Time

The mobile consumer never sleeps. Well, at least they don't all sleep at the same time. Consumers at televisions and computers take a break. They physically get up and leave the device or they turn it off. Not so with mobile. In a world gone mobile, all information is available to all, all the time, creating new business challenges, including how to market in real time and how to market all the time.

The original concept of real time carried with it the implication that a transaction could be immediate, but that it was company-driven, so that the real time would be the actual time people were there at their computers. In the third screen revolution, real time becomes all the time, with untethered consumers expecting to be able to act and interact in a true 24/7 environment; the phone is always there. With all-the-time expectations, consumers are driving companies to modify cycles of development, creation, production and delivery of products and services so that they more closely reflect the needs of the always-on mobile consumer. And those needs are totally on the customer's timeframe.

Information Resides in the Smartphone 'Cloud'

Just as printed newspapers became less relevant as a source of news and information because of the Internet, the third screen will transform the way that information is gathered and shared. In the third screen revolution, information becomes dynamic and resides in cyberspace. So-called *cloud computing*, where information resides on dynamic networks on the widely scattered servers of companies like Google, Microsoft and IBM, is quickly becoming the engine of mobile computing.

Untethered consumers store information, such as calendars and contacts, on these networks and expect to be able to access their information from any location. The challenge for businesses is to make information about their products and services available at all times in this mobile computing model, and to keep the information dynamic and constantly up to date. Untethered consumers who are shopping expect to access inventory databases directly to see who has what products at what price at any given moment. Some companies have figured this out and are starting to make this data available to mobile customers.

The Mobile Time-Shifting Conundrum

People at work are glued to their mobile phones. On a typical day the majority of business leaders (54 percent) spend less than an hour a day without their phones, and more than one-third of them (36 percent) have their cell phones turned on and with them at all times during their waking hours. These figures are not driven by size of company, as those working in both small and large

companies spend similar amounts of time without their cell phones.

"Relying on mobile technology has become a survival tool, like a Swiss Army Knife," says one manager, "For e-mail, Web services, directions and advice on where to eat, I would have to relearn how to live without it." ●

Customer Engagement in a World Gone Mobile

With the rise of the untethered consumer, the substantial growth and use of smartphones, and freedom from time and location limits being added to the mix, mobile marketing requires an approach different from that of earlier marketing methods. The concept is not about mobile marketing as much as it is about marketing in a world gone mobile.

Looking at the smartphone as just another sales or marketing channel misses the scope of the mobile revolution. Mobile is not incremental, it is transformational. It takes the concept of customer engagement to a new level, where the customer is totally in the driver's seat and each interaction is unique in the interplay between customer and business or brand.

The good news for marketers in a world gone mobile is that all businesses start at the same point. For a company to be effective and create customer engagement in a mobile environment, it must provide clear value. While that value in the short term may be a discount or coupon, mobile customers will ultimately expect more from the companies offering products and services to them.

Mobile Business Goal Alignment

The marketing strategy for interacting with the untethered consumer should align with the goals of the business and should take advantage of the new opportunities presented by mobile capabilities. The first step in this process is to evaluate the current and future mobile use of current and future customers.

Different demographic groups can be associated with specific mobile phones or platforms, so the first step is to determine what your customers use, that is, the phones they own and the mobile platforms they use, such as Apple, Android or BlackBerry. One way to determine customer use patterns is to conduct a survey that simply asks customers what kinds of phones they use and whether they have smartphones. Another approach is to launch a mobile website and track the difference in traffic compared with the regular website. It is likely that a percentage of any given audience will have smartphones; the question is whether that percentage represents a small or large slice of your particular customer group. It is also possible that the best customers of your business use one dominant category of phone, such as a smartphone. You should then research what your customers are actually doing with their mobile phones. The types of actions they perform can provide an indication of the manner in which they might be most comfortable interacting.

Over time, the majority of the market will migrate to smartphones, depending on price consideration and various other factors. And it is the smartphone that is driving the mobile revolution. This is because of the value proposition of smartphones: The computing power and sophistication of smartphone technology can provide consumers with unique abilities to gather tailored information on location, helping make their lives better and easier. ●

There's an App for That: The New Broadcasting

Unlike the Web, mobile is not about visiting and interacting at websites, though that is one of the activities of untethered consumers. Mobile is about tapping into technology-based platforms while on the go; it's about downloading and using specific, customized features that enhance the mobile consumer's productivity, performance and even entertainment breaks while leveraging locations and time as never before.

Mobile Content and Context as King

The mass migration to the Web in the mid-'90s turned much of the passive recipient model on its head. Now consumers could find content from almost anywhere at any time. They found what they wanted and consumed it when they wanted. But like previous media, for the most part they had to consume content while tethered to a device, such as the computer where they conducted the search. Anything could be printed to be read later in a different location, but it was still a relatively stationary mode of content consumption. Even so, the amount of available content increased exponentially.

Watching TV and Reading on a Phone

Every new medium tends to initially replicate some features from past media, and mobile is no exception. When audio capabilities became widespread, books were converted so people could listen to *books on tape*. Same content, different delivery mechanism. A similar move is

occurring with mobile, as both video and print media, including television shows, news, books, magazines and promotional materials, are being converted for consumption on phones. The migration of video and text to mobile is one of the changes least disruptive to people's behavior because they are already conditioned to look at their phone screens for various reasons, such as regularly checking for e-mail, text messages or the weather.

On Location, On Location, On Location: LBM

There are times when the m-powered consumer is at a location and a company can provide value in the form of helpful information, even if the customer is not in a position to make an immediate purchase. Location-based capabilities built into smartphones allow companies to provide relevant information to a potential customer immediately or even lets the customer store multiple locations that he or she can access later.

For example, a customer with a smartphone may "check in" to a location through an app that includes location-based tracking. If the customer agrees, his or her location can trigger marketing messages about relevant products or services based on that particular location, and which appear within a certain timeframe. Marketers can use this customer detail as background information, so that when a customer contacts a company, the company is already prepared to be of service. The company can automatically pull up stored information, such as the location of the customer in relation to a store or even in terms of proximity to real estate for sale.

Marketing in Place

We call this approach of using location information in advance of a customer contact *marketing in place*. The location information from the untethered consumer's phone is used to better equip a business with useful information even before the company is contacted by the customer, to make later company-customer interaction more efficient and effective.

As an example, ING Direct, the largest direct bank in the United States, looks to capture location information and use it to make interacting with customers easier for them, a good example of *marketing in place*. Location-based technology can identify the location of a potential customer in relation to a particular house for sale, since the location of the house for sale is already known. "For us, location is crucial," says JJ Beh, Mortgage Strategy and Planning Lead, ING Direct. "With reach, you get recognition, but when it comes to consideration or monetizing leads, targeting matters more. Getting in front of that consumer at the right time matters."

With the ING smartphone app, a person standing in front of a house he or she is considering buying can automatically notify ING of the property location, since the smartphone would transmit that location and it would be paired with the location information of the property for sale. The customer could save that information to be used later. "This leads to all-around, advance conversations," says Beh. "When users want more information on the property they're looking at, the mobile application would pull the MLS data on that particular property and display it, and should the user decide to contact the real estate broker/agent, he or she clicks *call* the agent and the app sends the property listing data to the agent, courtesy of ING Direct," Beh says. "Here there is an opportunity for ING Direct to seed or improve lender-to-real estate broker relations."

The Finding: Search on Steroids

Looking for information on a computer is often quite different from looking for information on mobile. When people search on a computer, they have an idea of what they're looking for. A student may be searching for information for a school paper. A business executive could be researching a competitor's products. Someone might be looking at a Staples catalog to view the weekly sales items. In essence, the searches are what I call *premeditated searches*. In a premeditated search, the person has some inkling of what he or she's looking for based on what his or her needs are. These searches involve more general characteristics than those that are typically needed on mobile.

As we've seen with other transitions to mobile as a medium, there are usually first and second generations. The first generation simply takes the way searches are being done on computers and transfers the method to mobile. This means using search engines, such as Google, Bing and Yahoo, to click through to various Web pages, which come up as results of the search. It is only natural for the first generation search tools to rely initially on existing technologies imported from the previous medium. However, the imported methods fail to take full advantage of all the aspects of mobile.

On mobile it is not so much about *searching* as it is about *finding*. People on the go don't need to know all the available options everywhere, they typically need to know what's near them now. The second generation of mobile search — the *finders* — takes advantage of the capabilities of mobile phones to help focus the results.

Following are just a few examples of some of the finders:

Yelp. Founded in 2004, Yelp is one of the best-known finding apps due to its more than 11 million reviews from people who have patronized local businesses. Yelp sells ads to local businesses and provides information on restaurants, banks, grocery stores, gas stations and more, based on the locations of untethered consumers.

Aloqa. Aloqa is a mobile service that uses the consumer's current location to proactively and continually list on his or her phone places, events, movies and other activities that likely will be of interest based on his or her preset preferences. If requested by the consumer, Aloqa can send a range of notices, including when the customer is near a Starbucks, for example, or a coupon when he or she is near a certain store.

Urbanspoon. This service displays detailed listings of restaurants, many of them high-end, and shows where tables are available, letting the mobile user make a reservation, all in real time. ●

Social Goes Mobile

Untethered consumers have the ability to let friends and others know where they are, what they are doing and when they are doing it. They also want to be aware of where *their* friends are, what *they* are doing and when *they* are doing it. Mobile makes all this possible.

Internet use is not just about access to the almost infinite amount of information and knowledge available, it's about communication with new and old friends through digital interactions. It's about connecting to others. And for marketers, there is opportunity (and challenges) in knowing when and how to participate or add value to their customers within these connections.

Since friends decide how to communicate with friends, they ultimately select which mobile social media platform works best for them. Marketers then have to decide where their customers and potential customers digitally reside and determine how to reach them in those venues. One of the key reasons marketers need to participate in these mobile connections is because it is where their current and potentially future customers digitally congregate.

Mobile as Social Platform

There is no doubt that mobile will become a dominant vehicle for social networking. More than 200 million people already access Facebook through their mobile phones. Also, people who use Facebook on their mobile devices are twice as active on Facebook as non-mobile users, and there are more than 200 mobile operators in 60 countries working to deploy and promote Facebook mobile products.

About one-fifth of mobile phone owners in the United States have used a social networking site on their phone in 2010, double the number from the previous year. And those with smartphones are significantly heavier users of social media on mobile, with more than half of smartphone owners using mobile social media compared to fewer than one in 10 of those with regular phones.

As is the case with social media in general, Facebook is the largest draw on mobile, attracting 89 percent of those using social media via mobile, with 39 percent using MySpace via mobile, 29 percent using Twitter and 12 percent using LinkedIn. Untethered consumers use their phones to post comments, visit friends' profiles, update their statuses, browse profiles, receive updates by text messages, post photos, search for friends and add events.

Traditional social networking platforms are moving to mobile, which will be larger than PC-based social networking, because of its ease of use and always-on nature. Mobile applications have been created for the social media platforms, such as Facebook and Twitter, facilitating more social networking on the fly and in real time. Social media is generating a great deal of buzz in business today, and the convergence of social networking and mobile devices is a natural progression that will likely lead to a sort of "social networking on steroids." ●

The Push-Pull of Mobile

Mobile is both a push and a pull medium. As a marketer, you can push information, such as advertising messages and offers. It's not quite broadcast, because the messages are more tailored to specific categories of untethered consumers rather than pushed out using the mass-market approach of television commercial broadcasts.

On the other side, m-powered consumers can pull information, such as product ratings or information updates, from almost anywhere at will. They can pull information from one another, from product reviews and from your company, assuming you have promotional material that provides the customer with value.

One of the most effective ways for marketers to interact with mobile customers is by exchanging messages with those willing to communicate with your company.

The Pull of SMS Marketing

While the exponential growth of smartphones contin-

ues, there are times when it's appropriate to deploy traditional SMS (Short Message Service) or text messaging, even if the majority of your customers are using the most sophisticated of handheld devices. This is a great example of the Using Phone Technology (UPT) approach, which allows you to reach significantly more people because almost anyone can receive text messages, while not everyone can download a sophisticated location-based app.

Marketers know that to send SMS messages, they must get the potential customer to opt in, or agree to receive specific types of messages from them. This process prevents consumers from receiving unwanted messages or spam on their cell phones. Untethered consumers view their mobile phones as personal and they do not want uninvited people or businesses intruding in that space.

To opt in, customers text a word selected by the marketer to a code that is generally five or six numbers in length. For example, a marketer might ask a customer to text "Contest" to 642432. A marketer typically would include this code in traditional advertising, place it on the company's website and, depending on the company, include it on product packaging. This type of opt-in program is much easier for large brands with wide distribution because the invitation to opt in can be easily spread. A smaller business also can spread the word with in-store signage, e-mail messages or notes printed on receipts.

When customers opt in, it means they have found you and asked (or at least agreed) to hear about a specific topic, product, service, opportunity or event. They agree to interact with you, up close and personal.

The New Laws of (Inbound) Mobile Marketing

Perhaps the most significant hurdle for mobile will be achieving the large-scale adoption of the new capabilities by those who have not yet moved to smartphones. These consumers may be technologically challenged, budget restrained or resistant to changes in the way they interact, shop or behave.

It's Not About the Phone, It's About the Value

However, as more people see the value of smartphone features demonstrated by other mobile users, they may want to achieve similar results. When they see other shoppers scanning items and getting on-the-spot discounts, they can become instant converts. It's not about the phone, it's about the value. Marketers cannot afford to wait until all of their customers adopt mobile or they will have a hard time catching up. Consumers are already moving ahead at great speed and driving the market. And mobile is the ultimate measurement vehicle because a message can be tied directly to customer action. If a customer clicked or tapped a commercial message, the marketer can determine at what location and what time that action occurred.

But it still comes down to the value the company is providing its customers through their phones. Knowing when those customers are active and where they are going gives businesses a totally new opportunity to match time, distance, supply and demand, since each of those is now measurable. Those who do this win.

Companies must recognize that the mobile revolution is more than just an additional sales channel or one more place to advertise. It involves fundamental changes in consumer behavior at all levels, and it changes and heightens expectations of customers.

The ultimate impact of this global phenomenon called mobile will be bigger than the impact of television or the personal computer. It is everywhere, it is personal and it is always on. Welcome to the world of the third screen.

Location-Based Marketing

Marketers will need to service mobile customers on the customers' timeframe and based on their location. But there are different types of locations — geographical and psychographical. While geographical location refers to where a person is located physically, psychographical location includes the likely mindset of the customer at the time. This knowledge can help marketers determine the most relevant messages to send, based on the likely intent of a customer at any moment and location.

RECOMMENDED READING LIST

If you liked *The Third Screen*, you'll also like:

1. ***Trust Agents*** **by Chris Brogan and Julien Smith.** This book will show you how to build profitable relationships with trust agents, or become one yourself, in the world of social technology.
2. ***Real-Time Marketing & PR*** **by David Meerman Scott.** The author reveals how to act and react flexibly as events occur, position your brand in the always-on world of the Web and avoid embarrassing mistakes.
3. ***The New Experts*** **by Robert H. Bloom.** Bloom identifies four decisive customer moments as part of a customer-centric solution in order to think like a buyer, deliver the benefits buyers want and achieve profitable growth.

· Book 6 of 106 ·

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Featured Book Review

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Corporate Rebels With a Cause

How Counterculture CEOs Are Leading a Bottom-Up Revolution

Review by Nan Bauroth

Every time the business world turns around, some radical, free-thinking biz-kid is upsetting a Fortune 500 company by operating on anything but conventional B-school wisdom. Even more unsettling, the new or sometimes reinvented entities spawned by these unconventional CEOs appear seemingly out of nowhere, disrupting industries across the board.

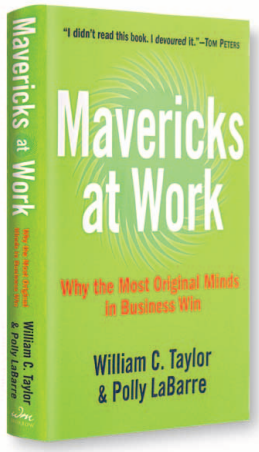
Fortunately, *Mavericks at Work: Why the Most Original Minds in Business Win* makes sense of this new corporate chaos theory — but buckle your seat belt because you're in for a ride. Within the first chapter, *Fast Company* magazine co-founder and founding editor William C. Taylor and former senior editor Polly LaBarre catapult you into a world of companies masterminded by CEOs operating on a decidedly different plane.

In only a few pages, it becomes obvious that to survive in this strange new dimension you will have to forget everything you've ever learned about how to create or run a company. In the view of the authors, the only way to succeed going forward will be to rethink the whole logic of how your business gets done — from strategy, to marketing, to human resources, to the workplace environment. The more unorthodox your approach, the better.

Take, for example, the time-honored adage about the fallacy of being different for difference's sake. It turns out that for the companies profiled in the book, being different — as in *far out* — has made all the difference in the world.

As for adherence to P.T. Barnum's sales philosophy that there's a sucker born every minute, maverick CEOs don't buy that attitude; they operate on the heretical principle that the company with the *smartest* customers wins.

To give credence to their argument, the authors rocket through an eclectic group of upstart companies they view as hotbeds of original leadership thinking. Cases in point include an animation studio, an ad agency, a teddy bear manufacturer, an airline, a sandwich-shop chain, two banks, a circus, a fashion store, a construction company, a TV network and even a gold-mining enterprise. To add to the rush, the authors spike each chapter with jolts of unorthodox and winning concepts from newbie brand names like Starbucks and The Apple Store.



MAVERICKS AT WORK
by William C. Taylor and Polly LaBarre
Published by William Morrow/HarperCollins, Copyright © 2006, 316 pages, $26.95, ISBN 0-06-077961-6

No one would argue that the reason so many companies are falling victim to disruptive technology and concepts is a myopic "me-too" mentality in which their strategy is based solely on their current competition. In today's suddenly-without-warning world, however, the player most likely to steal your business will be outside your known circle, and in some cases, outside your industry.

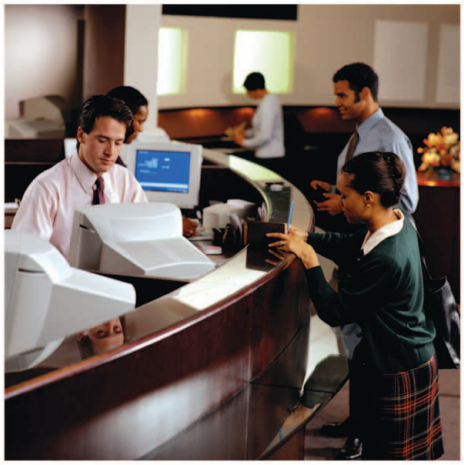
Rethinking Your Competition

The authors explain that you must turn your company into a cause. In effect, think of your strategy as advocacy. Become a crusader, and even a consumer activist, with a big idea your company can stand for. For Southwest Airlines, that idea was to democratize the skies — a low-cost, minimalist but tons-of-fun-onboard concept that upended the entire airline industry.

Taylor and LaBarre are also enamored with Arkadi Kuhlmann, president and CEO of ING Direct USA. A traditional banker by training, Kuhlmann revolted against the establishment by playing off the anger

"His upside-down solution is an Internet-style bank. Instead of encouraging spending and debt, ING Direct USA encourages people to put money away, 'to lead Americans back to saving.'"

people feel toward credit card companies and banks that rip them off (or at least think they do). His upside-down solution is an Internet-style bank. Instead of encouraging spending and debt, ING Direct USA encourages people to put money away, "to lead Americans back to saving."



The offering appeals to the mass market because it has a simple menu of basic savings products with no fees and little paper. The absence of bricks and mortar also enables ING Direct USA to guarantee higher interest rates to depositors.

On the surface, the notion of defining — or redefining — your company as a cause may sound revolutionary. But what about Merck? Or GE? Or United Airlines? Were not the founders of some of these blue chips on a mission to benefit humankind, whether it was to eradicate disease, illuminate the world or circle the globe? The trouble may be that over the years, these giants either lost sight of their calling or failed to reinforce their sense of purpose with the public and, as a consequence, became vulnerable to challenge.

The advice from the authors, though, isn't for your company to have an undeniable sense of purpose so much as "a sense of purpose that provokes: a strategy that tends to be as edgy as it is enduring, as disruptive as it is distinctive, as timely as it is timeless." In other words, you have to become an industry bad boy — the exact term Kuhlmann applies to himself.

Before you charge ahead in the competition with your rivals, you need to ask the following:

Do you have a distinctive and disruptive sense of purpose that sets you apart from your rivals? Never confuse high ideals with modest ambitions. This is war, and despite high-minded missions, companies run by maverick CEOs tend to be the most aggressive around.

Do you have a vocabulary of competition unique to your industry and compelling to your employees and customers? Commerce Bank publishes its own dictionary of "Commerce Lingo," which defines internal talk like their "One to Say Yes, Two to Say No" rule. (Any employee can say yes to a customer, but must check with a boss before saying no).

Are you prepared to reject opportunities that offer short-term benefits but distract your organization from its long-term mission? Scott Bedbury, a marketing guru behind Nike and Starbucks, developed his "Spandex Rule of Branding," i.e. sometimes you have to turn down customers who could pay the bill but don't fit the strategy.

Can you be provocative without provoking a backlash? In a rare red flag, the authors warn about the perils inherent to corporate whippersnappers getting in the face of a fat-cat competitor. Lesson in point: Marc Andreessen and Mike McCue, founders of Netscape Communications, double-dared Microsoft in the PC business. The ferocious counterattack forced them to flee into the arms of America Online.

If your company went out of business tomorrow, who would really miss you and why? Credited to strategy guru Jim Collins, this question forces you to be honest about whether you provide a product or service, a fantastic workplace or an emotional bond with customers that absolutely no one else can match.

Walking in Stupid Every Day

Creating a killer strategy is just the start. Next you've got to reinvent innovation. Although the strategy behind open-source deals has been amply covered by leading thinkers such as Clayton Christensen and Henry Chesbrough, the

benefit of *Mavericks*' take on this subject is that the book reports practical applications of open innovation in unexpected places, such as the gold mining industry.

As Taylor and LaBarre tell it, Rob McEwen, former chairman and CEO of Goldcorp, Inc., went out on a limb by going open-source to win a long standing gamble the company had made on a mine in Ontario, Canada. He and his team of geologists were confident that rich ore deposits lay below the surface but couldn't find the key to unlock them. So this maverick CEO took the step of posting all the company's internal data and software relating to the potential find on the Internet, and then offered a $500,000 reward to be divided among 24 semifinalists and three finalists who could help the company find its next six million ounces of gold.

The concentrated power released by this challenge staggered McEwen and the entire industry. More than half the targets submitted were new to the company — and many have proved profitable — while the first-place winner delivered a software graphic depiction of the ore body so innovative that it blew everyone away.

After relating this provocative example, the authors follow more grassroots approaches to innovation, pointing to companies like Maxis, which turned the fanatical enthusiasts of its best-selling computer game, *The Sims*, into a product-development team. The big idea is that top-down development is out; bottom-up, distributed community involvement is the way to innovate your products and marketing concepts.

All this participation by the public sounds great in theory. But is it possible to make a profit if your products are in a perpetual beta state driven by the whims of the consumer moment? Where does the politically charged issue of outsourcing fit into the grassroots movement? Taylor and LaBarre don't provide an answer for those dilemmas.

Their mantra might as well be, "Just get over it." The ultimate decentralization of companies is here to stay and already dramatically altering the leadership landscape. One insightful example they quote is Dan Wieden, co-founder of ad agency Wieden + Kennedy and the genius behind Nike's hallmark slogan, "Just Do It." Although Wieden oversees 600 people, his attitude is that he is anything but the smartest guy in the room. As he sees it, his job is "to walk in stupid every day," a mind-set that ensures he and his entire staff stay attuned to innovative and unexpected creative solutions.

Getting Down With Your Customers

Taylor and LaBarre get to the heart of how companies run by maverick CEOs are making big bucks by forming connections with customers in ways never thought imaginable. In short, it's about the emotions. You have to make customers feel passionate about your product or service. To do that you have to understand where your customers are coming from.

Winning examples of memorable bonding techniques include Apple Store's "Genius Bars," which offer free, in-person tech support for customers willing to wait, and Commerce Bank's "Penny Arcade," a place in each lobby where customers can get coins in their piggy bank or glass jar counted, free of charge.



Another fascinating history the authors cover is that of Vermont Teddy Bear, which, under the inventive leadership of CEO Elizabeth Robert, transformed a staid, unprofitable business selling traditional teddy bear merchandise in expensive stores into a direct-marketing and online mammoth. Her off-the-wall strategy? Advertise on Howard Stern to sell $85 teddy bears in the weeks before Valentine's Day to men

"The big idea here is that top-down development is out; bottom-up, distributed community involvement is the way to innovate your products and marketing concepts."

the company cheekily calls "Late Jacks."

Robert also turned the tables on customer service by providing real people in 1-800 call centers. These "bear counselors" spend 2.5 million minutes a year advising buyers on every detail of the purchase decision, right down to the wording on the enclosed card.

Developing a cult following and a sense of community are similarly critical in driving the success of brash new brands like Jones Soda, which initially distributed its product through such unlikely alternative points as tattoo parlors, skateboard and snowboard outlets and comic-book stores.

To boost the buzz, the company launched a Web site where bands that appeal to this crowd can post their songs and customers can download the music for free. Every month the photos and Web sites of 20 bands are chosen to appear on soda bottle labels, a shrewd, real-time marketing strategy that Jones Soda CEO Peter van Stolk insists keeps the company brand "relevant."

To be sure your brands can compete in this free-for-all marketing environment, you need to know whether you've mastered the building blocks:

- **There's always a demand for something distinctive.** Who would have thought there was room for another soda?
- **Not all customers are created equal.** Vermont Teddy Bear tailors its second big line, PajamaGrams, to customers who are predominantly women, known as "Early Jills."
- **Brand is culture, culture is brand.** There's a correlation between a company's identity in the marketplace (how it relates to customers) and its workplace performance (how it relates to employees).
- **Advertising to customers is not the same as connecting with customers.** Big-bucks advertising programs are definitely out with maverick CEOs. They prefer to bond with customers. When it comes to creating brand value, dollars-and-cents thinking doesn't always make sense. You can't place a dollar value on the goodwill created by "Genius Bars" or "Penny Arcades."

Factoring in the People Equation

This is where the rubber meets the road in original thinking, where for all the pizzazz companies such as Google and Cranium generate, the people they employ either make or break them — in a nanosecond.

So how do you find and retain people that fit your maverick culture?

According to the authors, you do this by adopting nonconformist recruiting, orientation, training and reward systems that speak to this generation. We're talking about employees and upper management becoming performance artists. In a media-addicted society, all the world's a stage. This includes your headquarters, storefronts, branches and, as Southwest Airlines has ably demonstrated, even a plane 30,000 feet in the air. In effect, your whole business becomes a reality show.

Look at Commerce Bank, which stages a fully scripted Broadway stage production of its company "Oscars" each year starring top employees, who look forward to the event every year. Or, how about Pixar Entertainment? This company adopted Walt Disney's idea of developing an in-house curriculum of 110 courses, including filmmaking, sculpting, creative writing and even belly dancing, to encourage the muse, professionally and personally.

Mavericks at Work is chock full of inventive, if not zany, ideas like these. They come from upstart companies that have devised them to lure and motivate the people they need to inspire with a consuming passion for their product or service.

The book's only weakness is the authors' tendency to sometimes come off like dot-com bubble-gummers gushing over every New Age, West Coast concept or company that appeals to anyone under the age of 30 with body piercings. But, taken as a whole, *Mavericks at Work* is a valuable read for those in marketing, as well as aspiring entrepreneurs and CEOs desperately seeking to reinvent their company. Like it or not, this is where business is. ■

The authors: William C. Taylor is a co-founder and founding editor of *Fast Company* magazine. He writes the "Under New Management" column for *The New York Times* and has published essays and interviews with CEOs in the *Harvard Business Review*.

Polly LaBarre was a senior editor of *Fast Company* for eight years, where she wrote articles on creativity, personal success and strategy, as well as co-hosted the magazine's Real Time conferences.

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3230 The New Experts .qxd

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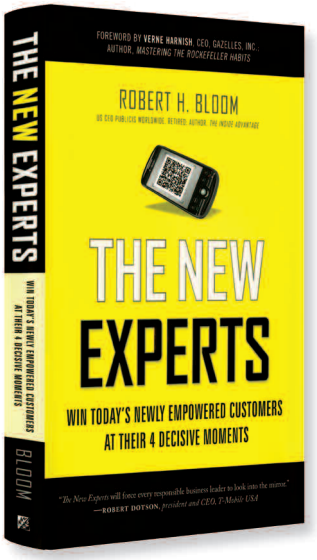
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Marketing: Strategies

The New Experts

Win Today's Newly Empowered Customers at Their 4 Decisive Moments



by Robert H. Bloom

THE SUMMARY IN BRIEF

The new generation of Internet-empowered customers is armed with three lethal weapons: instant access to information about every potential purchase, immense choice and real-time comparisons of competitive prices.

These weapons have permanently changed the purchase behavior of customers — they no longer care where or from whom they buy. The result is an irreversible decline in customer loyalty for almost all companies — in almost all industries. For instance, in 2009 only 20 percent of U.S. car buyers were brand loyal.

The New Experts provides a practical solution to this brutal reality: Deliver what matters most to these new experts when it matters most — throughout their purchase progression at their "4 Decisive Customer Moments": the Now-or-Never Moment, the Make-or-Break Moment, the Keep-or-Lose Moment and the Highly Profitable Multiplier Moment.

In *The New Experts*, business strategy expert Robert Bloom delivers a customer-focused solution that reduces costly customer churn and increases profitable conversion, retention and advocacy. This strategy requires little or no investment when your organization is fully behind it and when it is applied consistently.

IN THIS SUMMARY, YOU WILL LEARN:

- Wisdom born from experience in the business trenches can be translated into action immediately, easily and affordably.
- How to convert prospects into customers and customers into repeat buyers and then into brand advocates.
- How to capture new customers — even today's empowered customers — at the four moments when they are most vulnerable.
- How to turn today's most serious business challenge into your business-building advantage.

CONTENTS

The Revolution in Buyer Behavior
Page 2

Your 4 Decisive Customer Moments
Page 3

Preference Gives You Advantage
Page 4

Now-or-Never — Your First Brief Contact
Page 5

Make-or-Break — The Lengthy Transaction Process
Page 6

Keep-or-Lose — The Customer's Continued Usage
Page 7

The Multiplier — Repeat Purchase, Advocacy and Referral
Page 7

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THE COMPLETE SUMMARY: **THE NEW EXPERTS**

by Robert H. Bloom

The author: Robert H. Bloom is a widely respected authority on business growth and the author of *The Inside Advantage: The Strategy That Unlocks the Hidden Growth in Your Business*. Bloom advises firms of every type and size on their growth strategies. He was U.S. chairman and CEO of Publicis Worldwide.

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For additional information on the author, go to http://www.summary.com or www.thenewexperts.com.

Introduction

Most business leaders believe that their current unsatisfactory financial performance is chiefly a result of the recent and current harsh economic realities and the birth of powerful new global competitors. These problems, while severe, are masking a far more enduring problem. Many companies will not thrive — or survive — in the coming years because all businesses are suffering from a more serious and enduring problem that has hidden beneath our former prosperity and our current troubles.

The problem — namely, the upheaval in the fundamental buyer-seller equation — was concealed by the recent boom years during which sellers could sell anything to buyers who were eager to buy everything they could — or as it turned out, could not — afford. The excesses of yesterday — irrational investments, extravagant lifestyles, unwarranted business expansion and abundant financial results — obscured the emergence of the buyer's newfound power and authority.

Businesses — of every size and type — have been, are now and will continue to be impacted by this monumental *revolution in buyer behavior.*

Today's buyers — empowered by the Internet, assured by the enormous choice in every segment of commerce and capitalizing on the acute vulnerability of sellers struggling in this new selling climate — have taken control of the entire purchase progression.

Here are just two startling examples of the results of this monumental alteration of customer behavior:

• In 2009, only 20 percent of car buyers were brand loyal, compared to 80 percent in the 1980s, according to CNW Marketing Research.

• In 2009, only 36 percent of business travelers claimed that they were brand loyal, compared to 42 percent in 2007, according to Forrester Research.

Growth is the most universal problem in business. But growth is only possible if marketers and sellers can persuade newly informed and assertive customers to buy from them, and that is becoming increasingly difficult to do. This development is the most dangerous situation that businesses have ever experienced.

The Revolution in Buyer Behavior

Buyers no longer care who they buy from.

This revolution in buying habits did not happen suddenly. No one could have anticipated, however, that this change would occur during the long period when sellers were in control of the purchase progression — of products, of credit, of information and even when, where and how products could be purchased. Sellers controlled every aspect of the buyer-seller relationship — so why should anyone have doubted their power?

When sellers were in control, retailers, not credit or debit cards, were the only source of credit for the goods and services you wanted. Retailers dictated the terms under which you could purchase goods from them, and it was difficult to shop around for better terms elsewhere because, if better terms could be found, the approval process was often lengthy and complex — sellers were the primary influence in your credit decisions.

When sellers were in control, car dealerships, not the Internet, were the only places buyers could obtain information about the cool convertibles they desired. Car dealers controlled what you knew and, more important,

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Rebecca S. Clement, Publisher; **Sarah T. Dayton**, Editor in Chief; **Andrew Clancy**, Senior Editor; **Edward O'Neill**, Graphic Designer; **Chris Lauer**, Contributing Editor

limited your access to what they did not want you to know — sellers were the primary influence in your purchasing decision.

When sellers were in control, buyers who were desperate for cash over a long holiday weekend when their banks were closed did without cash; there were no ATMs just around the corner. Banks determined where, when and how you were able to gain access to your own money — sellers were the primary influence in your financial decisions.

Today, buyers are in control. This reversal of supremacy has placed every business around the globe in a perilous situation.

This inverted equation has created a revolution in buyer behavior.

The solution is to master the four moments when customers are most easily influenced either to buy from you or to move on to buy from one of your competitors. The first step is to understand the transformation of your buyer.

How the Buyers Took Control

Suddenly, or so it seemed, technology came to the aid of buyers.

Technology enabled customers to become better and more quickly informed, and sellers, eager to capitalize on the newly informed buyers, gave them more and more choices. Sellers offered buyers new options — sizes, colors, methods, flavors, packaging, hours of operation, styles and terms. Responding to the demand for more information and more points of comparison, sellers provided new ways to access their products: multiple locations; 800 numbers that facilitated 24/7 purchase; and Web sites that could be accessed from anywhere and at any time, Web sites that delivered gobs of valuable information about products and services. Buyers then had a vast number of vendors from which to choose, as well as access to technology that could help them assess their many new options.

This confluence of technology and choice started customer loyalty down the slippery slope — ultimately, customer loyalty died.

Here's the brutal reality of the revolution in buyer behavior:

Buyers no longer care which seller they buy from — which gives buyers all the power.

Here's why:

- Buyers know all too well that their favorite search engine will instantly connect them to dozens of seller Web sites where they can compare every aspect of the choices they are offered.
- Buyers know that they will find the best value somewhere in the marketplace because the marketplace is full of options.
- Buyers are empowered by the reality that they are in control.

But buyers do care about fulfilling their needs and making the best purchase decision — and that is how you can win them over at four critical customer moments.

Emotionally Driven Purchasing

Buyers are most responsive to a seller's influence when powerful emotions force buyers' decision making — when buyers are in the process of purchasing something important to them. That something important can be expensive and vital, such as a new fleet of trucks, or inexpensive and seemingly unessential, such as a fresh bouquet of flowers for Mom on Mother's Day. Both purchases — the trucks and the flowers — are important to the buyer at that crucial moment when he or she has an intense desire to purchase.

Unfortunately, most sellers do not understand how the recently transformed buyers think and feel in these moments. Most sellers have forgotten how critical these vulnerable customer moments are to them, as sellers. Most sellers do not realize that these are the moments to make the most of their influence over their potential customer.

These emotionally driven purchasing events are *the* Decisive Customer Moments — the vulnerable and impulsive customer moments when you can most easily induce the buyer to choose your firm over your competitors. All businesses have 4 Decisive Customer Moments — four fleeting opportunities when they can make their firm 1st choice and beat out the competitors. To capitalize on these four decisive moments, sellers must change the way they think and act.

First you must understand the key to your success as a seller in this era when buyers are in control of the purchase progression: At these fragile moments, the seller must think like a buyer.

To create profitable growth, you must be able to think like a buyer and deliver the benefits your buyers want at the 4 Decisive Customer Moments. ●

Your 4 Decisive Customer Moments

A purchase is not when money changes hands. It is not the instant when the register spits out the bill or the

moment when the credit card slip is handed to the customer or the ceremonial signing of the long-negotiated construction contract.

Customer purchase is a lengthy progression — for every kind of product and service, and for purchases of any amount.

A purchase is a progression for the buyer — regardless of whether it is an enormous, long-considered purchase, such as a contract for the construction of a skyscraper, or a small, impulse purchase, such as a package of gum at the airport to help spare an earache during takeoff.

A purchase is also a progression for the seller — the transaction is not finished when the last piece of Sheetrock is installed in the skyscraper or when the gum is unwrapped for takeoff. After the skyscraper is complete, the building may require expansion or remodeling. After the plane is in the air, the consumer still wants to enjoy the gum's fresh taste or may desire another taste sensation later in the long, boring flight.

When Sellers Can Persuade Buyers

Along the purchase progression, there are occasions that are critical to both buyer and seller. Although the buyer is in control of every step of this purchase progression, there are 4 Decisive Customer Moments when sellers can persuade buyers to purchase from their firm.

The four invaluable occasions are:

1. The Now-or-Never Moment — your first brief contact
2. The Make-or-Break Moment — the lengthy transaction process
3. The Keep-or-Lose Moment — the customer's continued usage
4. The Multiplier Moment — repeat purchase, advocacy and referral

You can make your business 1st choice at each of the 4 Decisive Customer Moments.

- **Decisive Moment #1: Your Now-or-Never Moment.** The buyer's all-too-brief first point of contact with your business is your Now-or-Never Moment. It is impossible to overestimate the importance of your prospects' initial contact with your company. Contacts not converted into customers at your Now-or-Never Moment will vanish — probably forever.
- **Decisive Moment #2: Your Make-or-Break Moment.** The lengthy transaction period between the buyer and your business is your Make-or-Break Moment. If you are like most business leaders, you never stop worrying about pending sales because you know from experience that far too many transactions fall through at the Make-or-Break Moment, the extended period of consideration, negotiation and decision to purchase.
- **Decisive Moment #3: Your Keep-or-Lose Moment.** Your Keep-or-Lose Moment is the period when your buyer is actually using your business' products or services. After they conclude a transaction, most business leaders breathe a sigh of relief and start concentrating all their resources on their next big sales opportunity. Of course, you must pursue new prospects aggressively and continuously, but it is equally important to nourish and maintain your relationship with a customer while that current customer is using, consuming, enjoying and relying on the product or service he or she purchased from you. Maintaining performance is essential at your Keep-or-Lose Moment.
- **Decisive Moment #4: Your Multiplier Moment.** Your Multiplier Moment is your conversion of a one-time customer into a repeat customer and an advocate and referral source for your company. Customers' repeat purchases from your firm and enthusiastic recommendations of your firm will *produce transactions that require far less investment and will create far more profitable revenue*. This is why your business must sustain its performance long after the completion of the transaction and throughout your pivotal Multiplier Moment.

Buyers are now in control of your entire purchase progression. Failure to sustain your performance at all 4 Decisive Customer Moments can be a recipe for business failure. ●

Preference Gives You Advantage

The first thing to understand about preference is that it is not loyalty. Loyalty is steadfast devotion. Loyalty is an unquestioning commitment.

Preference is about choosing one option over another option or over numerous options because of the valuable benefits the customer receives from one seller during the purchase progression. Preference is not indiscriminate. Preference is not a random choice.

Preference, in the context of business, is deliberately making a choice to obtain a real or perceived benefit — a benefit the customer values enough to let it influence the decision about where and from whom to purchase.

Creating Customer Preference for a business or brand — regardless of its size or type — delivers a potent

advantage to the seller:

Preference creates a realistic opportunity for your business to be your buyer's 1st choice.

Enter the 'Competitive Set'

To be clear, Customer Preference, and even being 1st choice — does not mean that a buyer will overlook issues critical to her — such as price or convenience — to do business with a particular company or to buy a particular brand. It simply means that the buyer will initially place your firm in her "competitive set" — the very small group of brands that she favors and from which she will choose very deliberately. Example: You prefer Heineken, but if it isn't available, you won't leave the restaurant to find it. You will consider Sam Adams or Amstel before making a final choice. Example: You prefer John Deere, but to get a better deal, you will consider Case or Caterpillar before making a final selection.

Even without the promise of "permanent devotion," most sellers would jump at the chance to be the preferred choice or, even better, to be the 1st choice in today's fiercely competitive marketplace.

To understand preference, you must know that it is highly individual and personal. Each buyer's purchase decision begins with an individual assessment of the numerous choices available in almost every category of business. The buyer sorts through the many choices and decides where to buy based on the tangible and emotional benefits received and on personal preferences. This final decision can be captured in a statement like the following:

"My preference is based on how good you are at meeting my wants, needs and aspirations and reducing my apprehensions, concerns and fears. I have a lot of choices, and I will decide where to buy after looking at all my options. Given all my options and all the factors in my purchase decision, I prefer you."

Create Customer Preference

Customer Preference must be created throughout the purchase progression because the buyer's assessment occurs every time you are in contact with your customer — at each of the 4 Decisive Customer Moments.

Understanding that preference is the buyer's perception of preference, not the seller's is an essential first step in regaining some measure of advantage in the transposed buyer-seller equation.

What is a "customer benefit"?

A customer benefit is something that is useful, helpful or desirable — a wanted service, a product attribute or a purchasing experience that you, the buyer, consider advantageous from your personal perspective.

When there is no immediate benefit, there is no Customer Preference for the seller. To create preference, sellers do not have to sell a better promise than competitors sell; they must own a better benefit to promise.

A different benefit that is substantive, not hype, will create Customer Preference for your brand or business and make it 1st choice with your buyers.

Sellers do not have to build their brand to create preference; they have to build the benefit their brand stands for. ●

Now-or-Never — Your First Brief Contact

Imagine that a potential customer has contacted your business for the very first time. This person is in touch with you because he or she has already searched for your product or service online, is very knowledgeable about it, knows the range of prices in the marketplace and is *now actively seeking what you are selling.*

This prospect intends to buy from you or one of your hungry competitors; however, he or she is approaching you with wants, needs and aspirations and with apprehensions, concerns and fears.

Now imagine your company's response to this first contact. How will you provide far more than the product and service this prospect is seeking? How will you deliver the help, advice and performance this individual requires and expects at his or her first point of contact with your firm? Visualize how you will create Customer Preference at your Now-or-Never Moment.

Is your business ready for your fleeting, critically important Now-or-Never Moment?

If you are not yet sure that you can create Customer Preference for your business when a prospect contacts you for the first time, you are not alone — you are in the same situation as far too many other business leaders whose historic way of thinking and selling was only effective when sellers were in control. Yesterday's compliant, naïve, loyal buyers no longer exist.

Creating Customer Preference is a very effective strategy, but like all ambitious strategies, it will not work unless it is an integral part of the seller's customer-centric strategy. The usual cause of failure is lack of discipline and creativity. You can significantly increase the probability of converting a prospect into a customer by preparing yourself and every part of your organization to

generate Customer Preference at your fragile first encounter with a prospect.

If you are not consistently converting prospects into customers at their first point of contact with your firm, your investments will be wasted and your competitors will win the new customers you seek.

What you lose when you do not win at your Now-or-Never Moment underscores your need to throw out your obsolete selling model and reinforces your need to adopt a new customer-centric business model.

The first step, as always, is to think like a buyer.

Your Web site and word-of-mouth marketing are the two most important weapons in your arsenal for engaging customers, particularly profitable ones.

Your Biggest Opportunity and Vulnerability Is Your Web site

Your Web site is likely to be the most meaningful source of first encounters with your firm. Every day, your firm's Web site becomes more important to the success of your enterprise, regardless of its size or type, because more and more people are using technology in their buying regimen.

Your critical Now-or-Never Moment can be seller-positive if your Web site captures the buyer in the first few seconds after the buyer clicks on. When the seller's home page does its work, it is the seller's biggest opportunity to transform a prospect into a customer.

Make-or-Break — The Lengthy Transaction Process

Is your company consistently converting prospects into buyers? Do you measure your rate of conversion? Are you taking every possible action to optimize your conversion ratio?

The prospect you met for the very first time at your Now-or-Never Moment and converted into a potential customer is now ready to make a purchase. This person has done his or her homework online, feels empowered and will buy from you or from a limited selection of competitors who are just as determined to make the sale as you are.

This is your Make-or-Break Moment, because the extended period of consideration, negotiation and decision to purchase is when far too many transactions fall through. And your ability to turn prospects into customers at the lengthy moment of transaction will make or break your business.

You must create Customer Preference for this potential buyer at your Make-or-Break Moment if you want to grow your revenue.

You now have this potential customer within your grasp. How do you determine what he or she really wants to buy and, more important, what emotions are driving his or her purchase decision?

When you discover his or her state of mind concerning this purchase, you will be able to exert your influence and persuade this prospective customer to buy from you instead of your competitors.

Satisfying the Buyer's Needs

The seller's new role is customer engagement. In the context of today's buyer-seller equation, "engagement" means substantive interaction and involvement, but it does not mean codependency. These independent buyers do not want sellers to be aggressive and arrogant, nor do they want sellers to be passive and uninvolved, nor are they looking for a lifelong friendship. They want, expect and demand the seller's attentiveness, expertise and service when it benefits them most — at their decisive moment of purchase. They want sellers to offer them benefits that include but extend well beyond financial benefits. They want sellers to offer them meaningful solutions that directly relate to their wants, needs and aspirations, and to their apprehensions, concerns and fears.

When buyers — even those buyers who feel empowered and in control most of the time — are in their purchasing phase, they seek and welcome the sellers' engagement. "Do I like and trust this seller better than other sellers?" is the fundamental question that's always running through buyers' heads.

Buyers initially assess sellers' abilities and willingness to deliver this engagement at their first point of contact, but it becomes a crucial factor in their decision to move through the extended consideration, negotiation and transaction phase. This is why most transactions are such a long process and why you have a valuable opportunity

Performance

Without consistent performance for customers *after a sale is closed* — when the product or service is actually being used — a business is unsustainable, because this is the moment of truth in the battle to reduce customer churn. Yet many businesses cease to exist because they forget this core mission. Today, the firms that thrive are those that constantly deliver the performance that customers expect, deserve and have paid for.

to create Customer Preference at the Make-or-Break Moment.

You can create Customer Preference at your Make-or-Break Moment by demonstrating that you will remain consistently engaged.

However, the moment your ability to engage your prospect stops, you will most likely lose the sale.

Rules of Customer Engagement

If you are willing to change your behavior to adapt to your buyer's changed behavior, engagement will enable you to consistently create Customer Preference at your Make-or-Break Moment.

Sellers must simply follow these rules of customer engagement:

- Engagement is not the buyer's job, it is the seller's job.
- Engagement doesn't just happen — it must be made to happen. It must be a practiced discipline, and training is essential.
- Engagement must not be interrupted by other business issues, other customer involvement or any other distractions — the buyer wants to feel that he or she and the firm he or she represents are the only stars in the galaxy.
- Engagement that's backed up by something in writing — a warranty, a phrase in the contract or a card with your home number — is more valuable than a handshake or a promise.
- Engagement from a senior executive is far more valuable than from the salesperson the customer is dealing with. ●

Keep-or-Lose — The Customer's Continued Usage

It is the most overlooked opportunity in business.

Your customer has paid for your product or service and is now using, consuming, driving, wearing, talking on, practicing with or surfing on it. Most important of all, your customer is relying on it.

Now — when your product or service is paramount with your customer — is the best time to reinforce the Customer Preference you created during the purchase progression. This often-overlooked action costs little or nothing and will help you generate repeat purchase and advocacy from this customer.

Compare your modest effort and expense to retain this valuable customer with your considerable effort and expense to secure a new customer, and you'll understand why your Keep-or-Lose Moment is so important to your company's bottom line. "Customer churn" is the most common and most destructive cause of bottom line shrinkage.

During your customer's prolonged usage period — the decisive Keep-or-Lose Moment — you must achieve three objectives:

1. Ensure that your customer is benefiting from your product or service, that performance expectations are met or exceeded and that the service and support you promised are being delivered.

2. Communicate with your customer from time to time to keep your company or brand uppermost in the customer's memory bank and demonstrate your personal commitment and involvement. There is no substitute for the seller's expression of interest in the customer's level of satisfaction.

3. Lay the groundwork for your customer to become a repeat buyer and advocate so that you can take advantage of your highly profitable Multiplier Moment.

Far too many business leaders do not follow through on each of these objectives at their Keep-or-Lose Moment. Despite their good intentions, they allow the daily grind of business and their ambition to win yet another new customer to interfere with their need to perform for, communicate with and create preferences among the customers they have already fought so hard to secure. When they fail to follow through — when they allow customer churn to erode their profits — they lose the potential to generate the highly profitable revenue that accrues from repeat purchase and customer referral.

The Keep-or-Lose Moment is your least expensive and most valuable opportunity to retain customers, generate repeat purchases and motivate advocacy and referral. ●

The Multiplier — Repeat Purchase, Advocacy and Referral

Now is your chance to reap the rewards of your investment in creating Customer Preferences.

The Multiplier Moment is the successful conclusion to your customer's purchase progression and the return on investment from all your hard work during the three Decisive Customer Moments that preceded it. It is this highly profitable moment — the solution to your customer churn problem — when your customer buys again (and again); advocates for you; and refers you to business associates, friends, family and anyone who seeks a product or service like yours.

At this Decisive Customer Moment, you will generate

multiple sales from your investment in a single customer, a customer for whom your firm is 1st choice.

To secure this highly profitable new revenue at your Multiplier Moment, you must achieve four goals:

1. **Continue to assure that your customer receives consistent performance.** Of all your too-numerous responsibilities, customer performance is paramount — it remains the priority mission of every business leader because performance is what your customer wants, expects and has paid for. *Be obsessed with performance for your customers.*
2. **Continue to communicate with your customer to maintain top-of-mind awareness.** To be your customers' preferred resource — the firm they patronize often and recommend to others — your customer must think of your firm before any other firm when using your product or service or when contemplating a purchase of another product or service that you offer. Your customer is always tempted to try a new brand, to consider a new way of working or to be receptive to a highly persuasive appeal from your competitors. If you do not occupy the largest space in your customer's mind, some competitor will take your place.
3. **Use your personal equity with your customer to motivate him or her to buy more and more often from you.**
4. **Use your personal equity with your customer to motivate him or her to advocate for you and refer you to those businesses and/or individuals he or she can influence.** Your personal equity with your customers is the source of opportunity to expand your revenue from customers and gain their advocacy and referral.

Your Personal Equity with Customers Is Valuable

Personal equity with a customer is built on the aggregate investments you made throughout the customer's prolonged purchase progression: the creation of Customer Preference at first contact with your firm, the frequent engagements with the customer, the consistent performance you delivered to the customer and the top-of-mind awareness you maintained with the customer.

When you make this commitment, you will have developed a bank of personal equity with the customer — personal equity that you can and must leverage to your advantage.

Personal equity can be earned by consistent performance over time. ●

The Urgency to Make Your Business 1st Choice

Changing is the essential ingredient in enduring business success. Change is rewarding — personally and professionally. That need to change how you think and work is not only essential; it is also urgent. Changing is urgent because your customers have already changed how they think and how they buy from you.

The change in customers' buying behavior was both swift and profound and has affected businesses all over the world. Yet this change will seem modest by comparison with future changes in customers' desire and ability to control how they purchase and from whom they purchase. The future will belong to companies and brands that have an imaginative, disciplined, customer-centric business model. Just imagine how these two recent developments, still in their infancy, could affect your business in the future:

1. GM's exploration of an agreement with eBay to sell cars on the Web.

2. Digital Forming has developed technology that enables customers to "co-design" the interior of the Fiat 500, the style and fit of their Nike sneakers and the colors of Ray-Ban Wayfarer sunglasses. Technology will continue to empower your customer to think and buy differently.

Being customer-centric is not a temporary exercise; it is a permanent way of thinking and working. The revolution in buying behavior will continue to evolve and strengthen. Businesses of every size and type must play catch-up — fast.

Changing how you think and work is no longer an option. Reducing customer churn is no longer an option. Moving to a customer-centric business model is no longer an option. If you want your business to be your customer's 1st choice, you must create and sustain Customer Preference for your firm at all 4 Decisive Customer Moments. You now know how to think like a buyer and act like a seller — do both now, before your competitor does! ●

RECOMMENDED READING LIST

If you liked *The New Experts*, you'll also like:

1. ***Citizen Marketers* by Ben McConnell and Jackie Huba.** This book was the first to document the communities of enthusiasts getting the word out about what products they love or hate.
2. ***Exceeding Customer Expectations* by Kirk Kazanjian.** The author looks at Enterprise Rent-A-Car and its strategic management practices that boosted it to the top of its industry.
3. ***Meatball Sundae* by Seth Godin.** Seth Godin offers the definitive guide to the 14 trends no marketer can afford to ignore.

· Book 8 of 106 ·

32BS10 Overpromise and Overdeliver

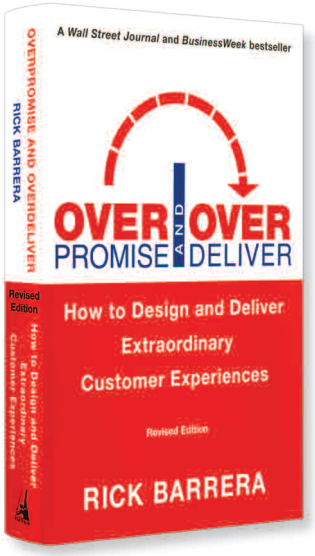
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Bonus Summary

Overpromise and Overdeliver

How to Design and Deliver Extraordinary Customer Experiences (Revised Edition)



by Rick Barrera

THE SUMMARY IN BRIEF

How did extraordinary companies such as Apple, Pottery Barn, American Girl and Zipcar come out of nowhere to virtually take over their respective markets from bigger and wealthier competitors? Not by spending a fortune on marketing. All they did was keep their promises — dangerously ambitious promises. These companies used a radical new formula: They *overpromised* to lure customers in and then *overdelivered* to keep them.

In *Overpromise and Overdeliver*, marketing guru Rick Barrera uses groundbreaking research and case studies to show how these word-of-mouth-driven successes have mastered what he calls TouchPoint Branding — the art of making sure that every point of contact between a company and its customers is well executed and fulfills an over-the-top brand promise. Barrera explains how aligning three types of customer contacts — Product TouchPoints, System TouchPoints and Human TouchPoints — can create dramatic market differentiation.

The companies featured in this summary start with an extraordinary product supported by smoothly running systems and add satisfying human contact.

In a crowded business environment in which everyone seems to be shouting the same message at peak volume, overpromising and overdelivering is the best way to stand out.

IN THIS SUMMARY, YOU WILL LEARN:

- How to use an approach that turns also-rans into winners.
- How to craft your own unique overpromise based on a complete understanding of your market.
- How to take full advantage of the primary points of interaction between a company and its customers.
- How anyone can create extraordinary customer experiences.

CONTENTS

Overachievers Overpromise
Page 2

What's a Brand Overpromise?
Page 3

How Do You Build Your Overcompromise?
Page 4

How Do You Optimize Your Product TouchPoints?
Page 5

How Do You Optimize Your System TouchPoints?
Page 6

How Do You Optimize Your Human TouchPoints?
Page 6

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THE COMPLETE SUMMARY: **OVERPROMISE AND OVERDELIVER**

by Rick Barrera

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INTRODUCTION

By definition, an overpromise is a pledge to deliver a product or service that is radically different and has more relevance to your targeted customers than anything your rivals are touting. When you follow up on your already world-beating proposition by also overdelivering on it, you further multiply the distance between you and your competitors.

How do you go about overdelivering on your brand overpromise? The secret is to get all three of your customer contact points — product, system and human, called TouchPoints — aligned and focused on the goal of delivering extraordinary customer experiences.

The Importance of Overdelivering

Let's assume that your overpromise is all about ease of use. Your espresso maker, let's say, will do the job it is designed to do with no fuss or bother, without having to resort to flipping through a manual, changing a brew setting, grinding beans, measuring and tamping the grind and cleaning up spills and drips after the coffee is extracted. The Product TouchPoint that specifically delivers that overpromise is your prepackaged coffee pod. All a customer has to do is pop in the coffee packet, push the switch and — presto — steaming espresso flows into the cup.

The espresso maker may be a huge hit with your customers, but if you want the kudos to keep coming and your competitors to keep lagging, you must align your System and Human TouchPoints to deliver the same level of great experience customers get from your Product TouchPoints. That means you must make sure that users of your machine can easily obtain the prepackaged coffee that supports the overpromise. If the packets must be ordered by phone or via the Internet (a System TouchPoint), you'd better see to it that the ordering system is accessible 24/7 and that it's fast, efficient, accurate and easy to navigate. If you use live operators (a Human TouchPoint), they must be quick to answer a call, patient, pleasant and well-trained in taking mistake-free orders.

The first time a customer can't use your machine because an order of the prepackaged coffee packets is lost or delayed, your long-term success is endangered. Next thing you know, that espresso maker will end up on a basement shelf alongside a raft of other once-wonderful gadgets and appliances. In other words, if either your System or Human TouchPoints prevent you from overdelivering, your overpromise loses its punch.

The Rules for Overdelivering

Whether your company is big or small, the rules for overdelivering on your overpromise are the same: You must have an unwavering willingness to lift up your brand by polishing your TouchPoints to perfection and infusing them with the same surpassing qualities that define your overpromise.

Any organization, no matter its size or its mission, has the power to overpromise and overdeliver.

PART ONE: OVERPROMISE

Overachievers Overpromise

Zipcar is a company that provides a new twist on an old service: It rents vehicles by the hour rather than the day.

In 2003, four years after Zipcar was founded, it had

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placed dozens of vehicles in parking lots or gas stations in Boston, New York and Washington, D.C. To reserve a car, members logged onto Zipcar.com, chose their pickup time and car model, then walked to the closest lot. A wave of their Zipcard across the windshield unlocked the car; the ignition key was inside. Then off they drove, with everything covered — including insurance and gas — by a low hourly fee and mileage charge.

Today, Zipcar has grown at an incredible pace: from 150 cars in three cities to 5,500 cars in 50 cities; from 4,000 members to 225,000; from revenues of $2 million to more than $100 million. And the company continues to grow at a double-digit rate each year.

Promises Made and Topped

Part of what makes companies like Zipcar and others so successful is their ability to craft unique, attention-grabbing promises that radically differentiate them from their competitors. These companies don't just promise, they overpromise — and they align key elements of their organizations to overdeliver.

Zipcar offers to give people "wheels when you want them," and with less aggravation and expense than anyone else. American Girl promises dolls that enchant girls and teach them how to live a life of substance. Servpro makes sure that franchisees have the best training and overall preparation in the restoration field. And in a crowded business environment in which everyone seems to be shouting the same message simultaneously at peak volume, exciting, breakthrough overpromises like these are the best way to stand out from the crowd.

An overpromise must have two characteristics. First, it must be radically different from competitors' pledges. Second, it must be highly relevant to customers.

Establishing Brand Overpromises

New companies must develop unique brand overpromises to battle their way into the marketplace. Established businesses, faced with fighting off upstarts and differentiating themselves from rivals, have to periodically overhaul their brand promises to adjust to changes in markets, competitors and customers. After brand overpromises have been established, leaders must get their entire organizations aligned to deliver flawlessly on those promises and, above all, consistently every day with every sale or interaction.

Why? Because a promise is, by definition, a serious commitment — a pledge to do or deliver something by a particular time, without fail.

By overpromising, you put your whole reputation for honesty on the line. It says that you are confident your brand will perform at a level beyond your competitor's and you've made a solemn contract with hundreds of thousands or millions of customers. If even a few customers find you reneging, their contempt may well spread like a California wildfire. A wise leader knows that trust is the hard currency of business success. The price for squandering trust — sabotaging a brand's covenant with customers — is always too high to pay.

What's a Brand Overpromise?

A generic promise has no meaning to the customer. It has to be specific, and outstanding; it needs to be an overpromise. First, discover who your potential customers really are. Second, tell them how your product or service is different and why they should buy it. Third, align your TouchPoints to do exactly what you promise, in other words, overdeliver — always.

How? Brilliantly. Your investors and employees deserve nothing less.

Back to Basics

How do you develop an overpromise for a business or brand? As with just about every successful venture in life, it has to start with the basics. In this case, that means truly understanding the meaning of "brand."

The great adman David Ogilvy defined brand as "the intangible sum of a product's attributes: its name, packaging and price, its history, its reputation and the way it's advertised." A brand may also denote the product's purchasing experience, financing, ease of use, after-sales support, warranty and lasting value.

Brands carry emotional impact; they connect with a customer's identity and deep aspirations. They can speak to a buyer's personality, communicate his or her social status and fulfill deep-seated emotional needs. In the end, your brand sets you apart from the competition by the values and attributes your customers believe a particular product or service possesses and conveys, including its origins and associations.

Defining the Overpromise

A brand overpromise expresses all the things that set a brand apart from the competition, all the characteristics that make it distinctive. But some people confuse brand promises with vision and mission statements, when in actuality they have little in common.

Vision and mission statements are usually created for the benefit of employees, investors and other stakeholders and are intended to define the organization's competitive space, purpose and goals. A brand overpromise

is specifically for customers and is built around a product or service. Vision and mission statements may resemble an overpromise in that they signal to customers how the organization will conduct itself, and that's certainly important. But this benefit is only incidental to the real purpose of the statement.

A true overpromise should describe what the product or service will do for your target audience, how it is different from competing offers and why a potential customer should buy it. An effective overpromise sums up the essence of the brand. Whether simple or profound, the overpromise must be so radically different from what everyone else in the market is promising that the customer hears you even though you aren't shouting. In other words, great overpromises cut through the chatter because they speak directly to customers about an issue that matters deeply to them.

How Do You Build Your Overpromise?

A winning overpromise — whether it's brand-new or a rejuvenated version of a previous promise — isn't born of a sudden flash of inspiration. If it is to truly differentiate you, it must be built piece by piece. Attention must be paid not only to the intricacies of products and services, manufacturing and marketing, but to all the constituencies that must be on board to achieve a breakthrough. That means current and potential customers, employees, shareholders, distributors and suppliers. After all, you will have to live with the overpromise for some time; align all TouchPoints with it; arrange the entire organization around it; and overdeliver on it. All stakeholders whose suggestions and support have an impact on your company's success must be part of the conversation.

To begin the journey to a complete understanding of your existing brand promise, consider the questions that follow:

• **What is the essence of your business? Why was the company started? What was the founder's vision? What did he or she plan to do better than anyone else? Are you fulfilling that vision now?** This first line of questioning is a way to get the coordinates, to zero in on the real reason so much of your life is being devoted to making the organization you work for work.

• **What are your brand's most important attributes? What do customers think of when they hear your company's name?** Customers' attitudes have been influenced by word of mouth, by advertising and public relations, by their feelings toward the store where they bought the product or perhaps by a conversation with customer service personnel.

Sherwin-Williams Keeps It Simple

Cleveland-based Sherwin-Williams kept its brand overpromise simple when it created a new plastic container for its Dutch Boy paint. The new container obliterated the inconvenience and aggravation of the old ones. How? With its twist-off lid and no-drip spout, the "Twist & Pour" simplified an unnecessarily messy and complex job. Customers couldn't get the improved product quickly enough.

• **Why do customers buy your product or service? Why don't they buy your competitor's product or service?** Asking customers why they buy from you can help to identify the kinds of people who are best served by your product or service. Chances are, they won't be the ones that were in mind when the brand promise was created.

• **Why don't non-customers buy your product or service? Why do they buy your competitor's?** Learning that some aspect of an overpromise, or of its supporting products and processes, is driving away a substantial number of potential customers should inspire some serious repair work.

• **What emotions do customers feel when they buy and use your product?** Pottery Barn's overpromise is more laden with emotion than most because it sells products for the home, a place that people care about deeply. Pottery Barn's overpromise acknowledges that furnishing and decorating a home can be stressful by presenting the company as a kind of home decorating mentor.

• **If your brand was a person, how would you describe him or her? In the same vein, how would you describe each of your competitors?** Think about the market in which you sell and your target customers.

• **How do your employees perceive your brand?** Nothing is more important to a company's success than convincing employees to invest more rather than less, because what you are after is their discretionary efforts on behalf of your brand.

Putting It All Together

Here are the questions you really want the answers to: What is your reputation? What are you known for?

What one thing about your company most matters to customers? Then build your overpromise around it.

If you don't like the answers to these questions, you'll need to think deeply about what you want to be known for in the future and how your overpromise will articulate that clearly to customers and potential customers. You'll then be able to tackle the work of realigning each of your TouchPoints to overdeliver on your overpromise.

How Do You Make Your Brand Overpromise Unique?

An overpromise is by definition unique, and that requires a bright idea — a differentiating characteristic. The bright idea will be the product of your deepening understanding of overpromises and the work you do to find out what your customers really want.

Adopt a special attitude toward brainstorming the right bright idea. Set aside the caution you apply when making decisions on weighty issues. A more freewheeling approach is needed. The purpose of the exercise is to free your imagination.

- **Probe the gaps in customers' lives to uncover what they really want.** Start by finding out what your customers need right now and what they think they will need in the future. What you're looking for is information about people's lives and how they think their futures will unfold. The goal is to hypothesize about long-term trends, because it takes time to gather the resources necessary for developing the ideas, processes and products that will comprise your new overpromise.
- **Butt heads with conventional wisdom in search of overpromise opportunity.** In business, all sorts of assumptions and conventions must be challenged and examined for opportunity. You and your competitors may agree on the standards that determine, say, a product's composition, price or size. But each area represents an opportunity to develop an overpromise.
- **Look past your current target market and focus on a new group if opportunity beckons.** To spur inventive thinking about new markets, consider any customers whose attraction to the current product was a surprise, as well as those people whose interests you don't, and never tried to, understand. Then imagine what aspects of the product might prove valuable to each group and how they would use what is being offered.
- **Rigorously review your business model.** Be the pioneer, break the new ground, reinvent your business model by linking it with a dramatically new overpromise. Of course, that requires fresh thinking and a willingness to embrace a change.
- **Keep it simple and watch a more substantial overpromise emerge.** Whether changing a specific product, a marketing approach or a supply chain, simplification can lead to a powerful overpromise.

Keeping things simple, whether it's a product or a business plan, means dispensing with distractions and confusions. It means getting to the point, focusing on what can deliver the best results.

PART TWO: OVERDELIVER

How Do You Optimize Your Product TouchPoints?

TouchPoints are points of contact between you and your customer that help you overdeliver on your overpromise.

Product TouchPoints can also be Service TouchPoints, so the term Product TouchPoints encompasses both. A service, after all, is a product — a product of your company's ingenuity, its systems and processes and especially of those employees who actually provide it. Most services today also include tangibles — a report of findings from a consulting firm, say, or an investment plan from a full-service broker, or a will from an attorney. But a few do not, such as a delivery service.

And Product TouchPoints include not only the actual product or service itself. TouchPoints also encompass product availability and ease of purchase. Product TouchPoints also cover information about the product, competitive offerings, packaging, shipping methods, financing options, warranties, parts-and-service availability, return policies, recyclability and so on.

Even though Product TouchPoints are where your company's overpromise comes to life, disconnects between products and promises are all too familiar: stain removers that don't work, weight-loss diets that add pounds, magazine articles that fall short of their cover headlines.

Another reason why Product TouchPoints deserve special attention is that they get people talking — for better or worse. In fact, personal experience with a brand and word of mouth are what drive revenue growth today. Indeed, they are not only the top two reasons why customers choose a brand, but they are also important marketing tools because they simply work faster, more effectively and less expensively than any other approach.

Three Lessons When Designing Product TouchPoints

Consider these three lessons when designing Product TouchPoints:

1. Make it easy. Today's customers have limited time and are under severe pressure to get a job done quickly. Speeding them along at the Product TouchPoint can keep them coming back.

2. Use technology in ways that truly matter to customers. Harness technology to deliver information to employees where and when they need it.

3. Playing it safe can be risky. Sometimes it is safer to make a new overpromise, to stand out with a Product TouchPoint that makes your company a unique, totally differentiated business. ●

How Do You Optimize Your System TouchPoints?

System TouchPoints are nonhuman interfaces — in other words, contacts between a company and its customers that don't involve direct interaction with the product or service it sells or its people. Think of the automated phone system through which subscribers can temporarily stop and restart newspaper delivery without ever speaking to a person; the E-ZPass (East Coast), I-Pass (Illinois), AutoPASS (Norway) and other toll collection systems used on numerous highways and bridges around the world; an ATM, kiosk or vending machine; or one-click ordering on Amazon.com. If customers come to your retail store or office to do business, these, too, are System TouchPoints.

Like all other TouchPoints, System TouchPoints are moments of truth for a business, an opportunity to fulfill its distinctive overpromise. Doing so successfully requires System Touchpoints to deliver simple, convenient and trouble-free transactions. Additionally, they must meet two important criteria: consistency and scalability. That is, they must be reliable and capable of accommodating additional demand as your market expands.

TouchPoints or TorturePoints?

Despite the clear potential of System TouchPoints as a tool for overdelivering on your overpromise, a caveat is in order: Such efforts can, and often do, go wrong. And when they backfire, they can turn a positive customer experience into a negative one, turning proponents of your brand into critics. In other words, System TouchPoints can become TorturePoints for customers. One sure sign of a TorturePoint is a system designed for the company's benefit, such as cost control, access control, inventory control or fraud prevention, rather than the customer's benefit, meaning ease of use.

Not every TouchPoint in your arsenal, and particularly not the System TouchPoints, needs to play a starring role. In fact, with System TouchPoints, you almost want them to disappear. For example, lighting is a critical System TouchPoint in a retail store, but you don't want your customers looking at fixtures. You want them looking at merchandise.

Resist the urge to make each and every System TouchPoint a "Wow!" Use your good judgment to determine which ones work best when they're little noticed or even completely invisible.

Three Lessons for Designing System TouchPoints

Here are three lessons for designing System TouchPoints:

1. Beat competitors that consistently fail to satisfy customers' basic expectations by designing System TouchPoints that enhance and support a unique overpromise. You will quickly dominate the market, at least until rivals can match your moves, by which time you should have raised the bar even higher.

2. Be prepared to change all associated processes substantially when you launch an unusually innovative System TouchPoint. A major new System TouchPoint can open the way for more.

3. Handle disruptive changes with care. When new System TouchPoints threaten to upset existing procedures, let them — but be sensitive to those most affected by the changes. ●

How Do You Optimize Your Human TouchPoints?

Despite its unpredictability, the Human TouchPoint remains essential to the ongoing mission of overdelivering on a brand overpromise, and people employed in the right ways can bring enormous value to a brand. Numerous occasions arise in which a customer needs a personal touch. When a situation is complicated or ambiguous, when patience, flexibility and initiative are required to hold on to a customer or win a new one, rely on front-line people to save the day. That's when the Human TouchPoint is the best solution, essential really, for overdelivering on a brand overpromise.

Beware of Overreliance on Human TouchPoints

It's true that Human TouchPoints are critical in virtually every business, but they do have their limits. Many organizations rely on their front-line people more than they should, which implies that other TouchPoints, par-

ticularly the System TouchPoint, aren't being optimized.

Look around your business. How much of what your people do must be done by individuals? In many companies, people regularly handle functions that could be consistently delivered more simply, effectively and less expensively in other ways. Doing so would free up employees to deliver far higher value to customers. Worse yet, they are consigning their company's fate to the vagaries of unpredictable relationships.

Recognizing the pros and cons of Human TouchPoints, you must assess where you stand. Have you assigned sufficient resources to support your salespeople and service representatives? Does your company's culture inspire them to achieve?

Three Tips for Designing Human TouchPoints

Here are three tips for designing Human TouchPoints to help fulfill your brand overpromises:

1. Prepare the script. If you want your front-line people to behave in a particular manner — and surely you do — give them a script to follow. Make it as detailed as you think necessary, but err on the side of giving too much rather than too little information.

2. Hire to the script. Any normally capable person can read the manual and follow directions. For your Human TouchPoint to reach its full potential, you need to hire and train people who will live your overpromise-aligned manual.

3. Train to the script. Newcomers to the ranks of your front-line staff must be trained to master your manual for overdelivering. Your salespeople should also be indoctrinated in the spirit that informs the script and the brand overpromise — in other words, they must understand the context, not just the text.

A Case in TouchPoint: Lexus

Early on, flawless performance (a Product TouchPoint) and an unprecedented level of personal service (a Human TouchPoint) would be key elements of the Lexus brand promise.

Product TouchPoints, the Lexus Way

For customers, Lexus' first Product TouchPoint is the feeling you get when they slide into the driver's seat — the unspoken "aah" that comes with experiencing the height of luxury. That feeling is reinforced by a wealth of subtle details, ranging from buttery-soft leather seats and the rich gleam of the wood-trimmed interior to the Lexus' hushed, silky ride and smooth handling. All of these details are the product of never-ending questioning, research, testing and reworking. Nothing is too small to escape notice.

A sure sign of Lexus' unwavering commitment to quality came in the first months of production in 1988, when cars began arriving in California with noisy fan belts. Lexus stopped the line and shipped no cars from Japan until their belts were quiet.

How Lexus Creates a Great First Impression

To start customers off with the right impression, Lexus cues its Human TouchPoint from the top: Many new owners get a personal call from an employee at the company's U.S. headquarters in Torrance, Calif., welcoming the buyer to the Lexus family and making sure everything about the purchase has been satisfactory.

System TouchPoints, the Lexus Way

From the beginning, Lexus designed its System TouchPoints to make sure customers had a flawless experience every time they interacted with the company, particularly when their cars needed servicing. Lexus' high-end European competitors were especially vulnerable when it came to service.

To exploit its rivals' weaknesses, Lexus management seized on a superior dealer network that turned out to be the carmaker's most important System TouchPoint. Parent company Toyota's reputation for quality drew hundreds of dealer applications when word spread that it was planning a luxury car. Lexus enticed even more dealers by offering unprecedented levels of support.

The dealerships themselves have been designed to convey solid luxury and to appeal strongly to the targeted buyers. Inspired by the serenity of Japanese gardens, Toyota designer Jim Sherburne came up with a distinctly untrendy design for a building with a stone facade above a smooth expanse of glass and a stone pillar at each end. To convey integrity and reliability, the look extends to all sides of the building. The size and style of lettering are restricted, and no banners or pendants like those found at many a car dealership are visible.

Human TouchPoint, the Lexus Way

As with most luxury products, the Human TouchPoint is crucial to Lexus' success. Human contact is inevitable in selling and servicing cars, and it has

to be pleasant, courteous, attentive and responsive to a customer's every need if Lexus is to satisfy and retain its targeted buyers.

Every Lexus employee who comes into contact with customers — which means just about everyone — is instructed in the precepts of the Lexus Covenant. Sales associates are also required to attend the Lexus Promise class and earn formal certification before they are allowed on the showroom floor. And unlike sales associates at many luxury car dealers, they are trained to treat every potential customer in a courteous and helpful manner; there is no room for open skepticism about a person's wherewithal or a sarcastic attitude intended to make a customer feel grateful just to get a test drive. Instead, Lexus dealers and sales associates welcome potential customers as guests, and they go to great lengths to solve customer problems of every kind. ●

A Case in TouchPoint: Apple

A dedication to superlative design informs every corner of the Apple empire from its offices to its packaging, from its Web site to its products. Over the years, Apple CEO Steve Jobs has settled on the phrase "insanely great products" to describe his vision for Apple.

Product TouchPoint: Aligned to Deliver 'Insanely Great Design'

The metamorphosis of Apple from also-ran to a breakaway leader began in 2001 when Jobs had the pleasure of introducing four major initiatives (three of them Product TouchPoints): iTunes, the iPod, the OS X computer operating system and the first Apple Store. It was a tour de force, an almost unimaginable feat that kicked off the company's invasion of the digital media world. OS X made life easier for Macintosh owners, and the Apple Stores would become a major revenue stream. But it was the combination of iTunes and iPod at the Product TouchPoint that would transform Apple's fortunes.

In each case, Jobs succeeded in overdelivering on an overpromise that differentiated Apple from the crowd — and doing so with a compelling Product TouchPoint.

System TouchPoints: A Portal to Another World

In creating its System TouchPoints — the retail stores and Web site leap to mind — Apple has once again overdelivered on its overpromise of insanely great design. Log onto Apple.com, and the word "cool" leaps from your lips. As for the Apple Stores, when you pass through the portal of an Apple Store you feel as though you've entered a magical space. The atmosphere is like a modern museum — bright, airy, uncluttered, inviting. The products are sitting out on tables and dozens of people of every age and condition are trying them out, having fun with them. You can't resist joining them.

At the System TouchPoint, Apple sucks you in with one non-intimidating experience after another. You start fooling around with the iPod, then a new Mac, then you think you might want to make a movie or create a book — and suddenly you're through another portal into the iLife. Once again, Apple has managed to overdeliver on its overpromise of insanely great design.

Apple.com achieves the same end. There's a rare vividness, freshness and clarity about these pages. It's no mean trick to package dozens of products, hundreds of applications and hundreds of film and video offerings in so colorful yet elegant a fashion. Beyond that, you can see the effort that goes into the pages every day to connect the viewer with the world of Apple.

Human TouchPoints: A Touch of Genius

Apple's retail stores have been a triumph in terms of differentiating the brand at the Human TouchPoint.

There are two basic levels of employees at the stores. The specialists are the relative newcomers who wander about in their blue T-shirts answering visitors' questions and guiding them around the place. The geniuses are kings. They get to wear a black shirt, like Steve Jobs, and to sit at the Genius Bar where customers solicit their help with problems. It's a much better gig, with a high paycheck as well as greater status, but geniuses have to demonstrate their full knowledge of essentially everything about everything Mac. Specialists get to be geniuses by studying hard and showing their ability to get along with customers.

It's a great way of inspiring your front-line people to peak performance at the Human TouchPoint. ●

RECOMMENDED READING LIST

If you liked *Overpromise and Overdeliver*, you'll also like:

1. ***Differentiate or Die* by Jack Trout with Steve Rivkin.** Differentiate your company in ways meaningful to customers and hard for competitors to copy. Jack Trout gives you essential tips to succeed.
2. ***How to Drive Your Competition Crazy* by Guy Kawasaki.** Kawasaki is a master at driving innovation and inspiring companies to think in a unique, customer-centric way. This is his guide to disrupting the market and gaining your place.
3. ***Exceeding Customer Expectations* by Kirk Kazanjian.** While providing key case studies, Kazanjian gives strategic management practices to boost your company to the top of its industry..

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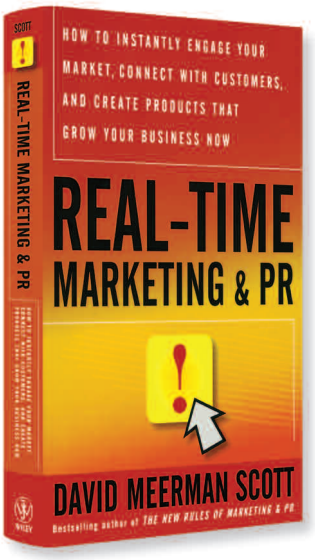
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Real-Time Marketing & PR

How to Instantly Engage Your Market, Connect With Customers and Create Products That Grow Your Business Now



by David Meerman Scott

THE SUMMARY IN BRIEF

Wake up, it's revolution time! Gone are the days when you could plan out your marketing and public relations programs well in advance and release them on your timetable. It's a real-time world now, and if you're not engaged, then you're on your way to marketplace irrelevance.

"Real time" means news breaks over minutes, not days. It means ideas percolate, then suddenly and unpredictably go viral to a global audience. It's when companies develop (or refine) products or services instantly, based on feedback from customers or events in the marketplace. And it's when businesses see an opportunity and are the first to act on it.

Caught up in old, time-consuming processes, too many companies leave themselves fatally exposed by flying blind through this new media environment. You don't have to be among them. Marketing expert David Meerman Scott provides a clear path to navigate and succeed in the changed business landscape.

Real-Time Marketing & PR reveals the proven, practical steps to take your business into the real-time era. Find out how to act and react flexibly as events occur, position your brand in the always-on world of the Web, and avoid embarrassing mistakes and missteps.

IN THIS SUMMARY, YOU WILL LEARN:

- How to develop a business culture that encourages speed over sloth.
- How to crowdsource product development, naming and even marketing materials.
- How to engage reporters to shape stories as they are being written.
- How to deploy technology to instantly engage with customers and buyers.

CONTENTS

Grow Your Business Now
Page 2

Laying Down Some Real-Time Law
Page 3

Engage the Media at Their Convenience
Page 4

What Are People Saying About You *This Instant*?
Page 5

Real-Time Customer Connection
Page 6

Let Them Communicate ... Now
Page 7

Business at the Speed of Now
Page 8

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THE COMPLETE SUMMARY: **REAL-TIME MARKETING & PR**

by David Meerman Scott

The author: David Meerman Scott is the author of the *BusinessWeek* bestseller *The New Rules of Marketing & PR,* published in more than 20 languages. Scott is also the author of *Marketing Lessons from the Grateful Dead, World Wide Rave, Tuned In* and *Cashing In with Content*.

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For additional information on the author, go to http://www.summary.com or http://www.davidmeermanscott.com.

Grow Your Business Now

"My God, they're throwing guitars out there," said a woman in a window seat as passengers on a United Airlines flight waited to deplane in Chicago on March 31, 2008.

Singer-songwriter Dave Carroll and fellow members of Sons of Maxwell, a Canadian pop-folk band, knew instantly *whose* guitars. Flying from Halifax, Nova Scotia, for a one-week tour of Nebraska, the foursome knew their guitars were being loaded into the airplane's hold. Sure enough, when the bass player looked out the window he witnessed United baggage handlers tossing his bass.

The band did not have to wait to retrieve their luggage in Omaha, their final destination, to start complaining, because they had actually observed this abuse of their equipment.

Sure enough, when Dave opened his hard-shell case in Omaha he discovered his $3,500 Taylor guitar had been smashed. United Airlines staff in Omaha refused to accept his claim.

So Dave spent months phoning and e-mailing United in pursuit of $1,200 to cover the cost of repairs. At each step, United refused to accept responsibility and shuffled him off.

Finally, after nine futile months, Dave got a flat "no." He was told he would not receive any form of compensation from United.

On July 6, 2009, Dave posted on YouTube "United Breaks Guitars," a catchy tune with memorable lyrics that tells the saga of his broken guitar.

Within just four days, the video reached 1 million views on YouTube. And then another million. And another million.

Lessons Learned

This is a story about speed in media relations.

"United Breaks Guitars" soon became a real-time phenomenon that propelled Dave into the spotlight. It continued to grow in the spotlight because Dave was ready and able to speak with the media in real time, conducting dozens of interviews in a few days while the story was hot.

This is also a story about real-time market engagement.

The maker of Dave's instrument, Taylor Guitars, seized the real-time opportunity to build goodwill among customers. Within days of Dave's initial YouTube post, Bob Taylor, the company's president, had his own video up on YouTube, advising traveling musicians how to pack equipment and use airline rules to their best advantage.

This is a story of real-time product creation, too.

Calton Cases, a specialist maker of highly durable instrument cases for professional musicians, likewise seized the moment. Within days, Calton had a new product on the market: the Dave Carroll Traveler's Edition Guitar Case.

This is about a company that chose not to connect with customers.

As millions of potential customers saw a video that persuasively cast its brand in the worst possible light, negating the value of millions of dollars in media advertising, United chose to make absolutely no sense. ●

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Speed Versus Sloth: Dispatches From the Front

A real-time revolution is profoundly shifting the balance of power.

At 2:20 p.m. Pacific time on June 25, 2009, the entire world learned that Michael Jackson had been pronounced dead at the Ronald Reagan UCLA Medical Center. Who flashes the news to a shocked world within minutes? Not the *Los Angeles Times*, not CBS News, not CNN or FOX.

TMZ

TMZ, an upstart celebrity media news service, got the scoop on this sad tale, immediately posting the story on its website. As the world learned of Jackson's demise, the now-iconic images of that ambulance were featured in media worldwide — each time with the TMZ logo. A player in the news business with fewer than five years' experience, TMZ beat everyone, including local media outlets with many more reporters on the ground.

Why didn't a bigger, more established news outlet get that story first? Why was TMZ among the first to show the world Tiger Woods' damaged Cadillac Escalade? And why was it that TMZ broke the news of Britney Spears' breakup with Kevin Federline?

At a time when news outlets across America were shrinking dramatically, why was TMZ able to go from zero to $25 million in revenue between 2005 and 2008?

As media tied to rigid production cycles decline — morning papers, evening newscasts and weekly news magazines — real-time media grow audiences and profits.

Politico.com

Meanwhile, Politico.com, another upstart, carved a new real-time niche at the center of American political discourse — drawing a rapt audience of political players, political junkies and reporters.

Why didn't the *Washington Post* start Politico.com — instead of journalists who had left the company?

Both TMZ and Politico understand the advantages that flow from delivering real-time content that satisfies intensely focused public curiosity. Whether curiosity is focused on things that really matter or on Lady Gaga, there is money to be made satisfying it in real time. ●

Laying Down Some Real-Time Law

There are two "laws" that govern how news spreads online. They dictate the speed at which we now need to engage the market:

- **The Real-Time Power Law.** The power law governs the distribution of data where a large concentration (a "spike") of events is followed by a quick drop-off to a "long tail" of continuing but less frequent events.

The popularity of websites is a good man-made example. A few extremely popular sites like Google and Wikipedia get millions of visitors per day, but the traffic pattern quickly trails off to the millions of sites that only get a handful of visitors per day.

The power law governs the dissemination of breaking news in a real-time environment.

You've got to react quickly to the news; if not first, then early — not late.

- **The Real-Time Law of Normal Distribution.** Where the power law describes the pattern likely to occur as news of immediate and widespread significance breaks, the trajectory of stories that build over time is described by a second law: the law of normal distribution.

After Dave posted his song on YouTube, momentum built slowly until it reached critical mass. Then it trailed off.

Just like the power law, the law of normal distribution is found everywhere in nature and in human endeavors. We constantly see this phenomenon at work online. One blogger throws off a spark, saying something outrageous or insightful. A few people who notice react with blog posts, tweets or e-mails to friends. As people in the second wave begin to discuss the issue, momentum starts to build. Eventually, a reporter picks up on the conversation and writes about it in the mainstream media. From that point the story catches fire. As we saw with Dave Carroll's guitar, this is how a World Wide Rave can start. ●

Real-Time Attitude

Sure Twitter et al are important. But it's not about the tools. It's about adapting your mindset to the new environment these tools create.

To develop a real-time mindset, cultivate individuals for whom it is second nature.

Large Organizations Need to Work at It

The more people you have in an organization, the tougher it is to communicate in real time. In a command-and-control environment where no action can be taken without authority, without consultation, without

due process, any individual who shows initiative can expect to be squashed.

The challenge is to develop a new balance that empowers employee initiative but offers real-time guidance when it's needed — like a hotline to higher authority.

Some companies are making good progress at this. And one good indicator is whether employees are allowed to do real-time social networking on the job. If your company *blocks* access to Facebook *or* Twitter, you do not work for a business with a real-time mindset.

Companies that do have a real-time mindset push decision making as far down the ladder as possible. Frontline service reps decide how best to deal with customer issues. Marketers are free to blog about their work and comment on other people's blogs as appropriate. Public relations staffers are empowered to respond immediately, without asking management or the lawyers.

In a real-time corporate culture everyone is recognized as a responsible adult.

It's at the bottom of the ladder that change needs to happen. But the impetus can only come from the top. ●

Too Big to Succeed?

At Ford Motor, Scott Monty, head of global digital communications, has instituted training for the communications staff to give everyone an understanding of how the real-time Web fits into their job function. This knowledge helps employees start to build real time into their strategic planning as well as their day-to-day interactions.

How Fast Does the *Fortune 100* Respond?

Why is it that only a quarter of the Fortune 100 companies surveyed in a recent study responded in real time to media inquiries? The fastest were the five companies that responded in less than one hour. Twelve of the companies responded the same day they were sent the inquiry and another 11 responded the next day.

These companies that have developed a real-time mindset are leaders in more ways than one. A comparison of 2010 stock prices reveals that on average the publicly traded Fortune 100 companies that responded to the inquiry (those engaged in real-time communications) beat the S&P 500 stock index, while the others on average underperformed the index.

During the period — closing price on Dec. 31, 2009, through closing price on Sept. 3, 2010 — the stock prices of 65 percent of companies that responded were up, while only 39 percent of those that did not respond were up.

Even the biggest companies can respond in real time if they put their minds to it.

Unfortunately, three-quarters of the Fortune 100 either couldn't be contacted or failed to reply. That's not good enough in today's always-on world. ●

Engage the Media at Their Convenience

Today, it is imperative to respond to the media when they need you.

Senior management should be aware of what the world is saying about the company in real time — in both mainstream and social media. When the company comes under the spotlight, management and the PR team should be ready to react within the hour.

How to Engage the Media in Real Time

Here are five ways to reach the media *right now*, when a story is breaking:

- **Knock on doors the media have created.** As more and more media outlets make use of photos, videos and commentary from the public in their reporting, utilizing these applications is a great place to start to engage.
- **Use hashtags in your Twitter messages.** If you have something to say, tweet your thoughts. But be sure to use appropriate hashtags and IDs in your tweets.
- **Use your blog or online media room to get your voice heard.** When you have something to say, it is a great idea to blog about it as fast as possible to get your ideas into the information mix.
- **Send a media alert.** A "media alert" is similar to a press release, but is intended to provide reporters with a specific bit of information as they are writing about a current topic.
- **Hold a news conference with a live-streaming video feed.** Another great way to get your information out there is to hold a live news conference with reporters and bloggers. ●

Crisis Communications and the Media

Many companies use media alerts to inform the public

(via the media) in the wake of a natural disaster. For example, after a power failure an electrical utility might send a media alert to tell customers when power will be restored. Journalists simply cut, paste and put it online.

Connect With Journalists Before You Need Them

Personal relationships are vital. Journalists say again and again that, when news breaks, they call people they already know, whose phone numbers and e-mail addresses they have. They ask themselves, "Who might know?" then call straightaway.

Obviously, the onset of a crisis is a tough time to introduce yourself properly, establish your credibility and build a trusting relationship. Trying to go "off the record" on the first date is risky.

That's why you need to do it now. Reach out to reporters, analysts and editors. Develop a rapport, so that when your expertise is suddenly relevant to a hot story in the news, they immediately think of contacting you. Here are a few things you can do today to build relationships with the media:

- Follow the publication and its journalists.
- Comment on stories and blog posts.
- Send an e-mail introduction.
- Follow the reporter on Twitter.
- Never spam reporters. Never, ever spam, pester, drone on endlessly or otherwise annoy your journalistic contacts.

The Time Is Now

As the media shed the 24-hour news cycle mentality in favor of continuous coverage, you need to keep pace. Be aware of what's happening around you. Engage reporters, analysts, editors and bloggers as they craft their stories. Add to the mix by publishing your own story on your blog and online media room, or through media alerts and press conferences.

You've got to train your mind to think in microbursts of immediate activity. When news is breaking, the time is now.

What Are People Saying About You *This Instant*?

You need to know what's being said about you and about the issues critical to your business. And in order to react in real time, you need to know quickly.

Tracking Those You Know

The first priority is to listen to bloggers, analysts, journalists and others who talk frequently about you and your business. Start by identifying as many voices as you can. List all the relevant trade journals. Pinpoint bloggers who have opined on issues relating to your business. Keep searching continuously for new sources.

To find these voices, start by checking the search engines (Google, Yahoo!, Bing and so on) for all the relevant keywords and phrases you can think of: your company, customers, competitors, prospects, product categories, buzzwords — whatever you can think of.

Use specialized blog search engines like Google Blog Search, IceRocket and Technorati to find bloggers interested in subjects related to your business.

Begin Monitoring

Once you have identified key sources, the next step is to begin monitoring what they say in real time. As its name suggests, the really simple way to do this is using RSS, "really simple syndication" — a tool that allows you to harvest content from hundreds of blogs and news feeds without having to visit each one.

The goal here is to know what people say *immediately*, so you can comment in real time if appropriate.

Twitter

Twitter is a great way to stay on top of breaking news. Many bloggers, journalists and media outlets now use Twitter to drive traffic to fresh content as it appears. Use TweetDeck or another Twitter-monitoring tool to aggregate your important Twitter feeds (that is, sets of tweets important for your business) so you can easily monitor what's being said by the people who matter to you.

Tap the Crowd for Quick Action

Crowdsourcing involves taking a task usually performed by one or a few people and distributing among a *crowd* of people — outsourcing it to a crowd — via online social networks.

For example, to name a new product you might tap your network of fans and ask them for suggestions. In this way, crowdsourcing might replace weeks of internal head-scratching or hefty fees paid to a specialized naming agency. Alternatively, crowdsourcing might augment the conventional process. Take a shortlist of names vetted for trademark compliance and ask your fans which ones they like.

This technique is not just for smaller organizations. Kodak used crowdsourcing to name a new waterproof

video camera code-named "zx3." The contest quickly crowdsourced thousands of name ideas, with the winning name "Kodak PlaySport" selected.

When people help you answer a question via crowdsourcing they feel a sense of ownership. Participation turns spectators into supporters.

Crowdsourcing can also help you make decisions based on massively collective wisdom. ●

Real-Time Customer Connection

There are four key contact points where companies need to focus on creating or improving real-time connections with customers:

1. **Presale:** Many companies focus all their efforts on presale connection with potential customers, too often neglecting the rest of the sales cycle.
2. **Immediate postsale:** What you say to a new customer immediately after the sale sets the tone for the rest of the relationship. So speak up right away to build trust.
3. **Ready to receive:** Whether after-sale customer inquiries are rare or daily occurrences in your business, both sides win when the outcome is customer satisfaction delivered swiftly. The company wins even more when the lessons are learned from each contact. If your baggage handlers are tossing guitars, fix the problem and the guitar!
4. **Problem resolution and crisis communication:** If a serious problem arises, chances are that your first alert will come from a customer. So if a user calls saying her accelerator is sticking, don't just respond, "It must be the floor mat, ma'am." Listen closely and check it out quickly. If it turns out to be a widespread problem, waste no time in telling customers. It is essential that they hear about it from you first, quickly and accurately.

There is no hard-and-fast "right way" to connect. Keep the goal in mind and develop your own approach. Succeed at this and you may find yourself out in front of your industry, simply because so few companies have ever begun to ask the right questions.

In all your communication, think how it benefits the customer, not what's in it for you. ●

Going Mobile, Real Time Is All the Time

You can engage some of the people in real time some of the time. You can engage desktop-computer users when they're at their desks. Sometimes you can engage all of the people in real time all of the time. That's why mobile devices are the fastest-growing and most fascinating field in real-time market engagement.

As the rapid proliferation of browser-equipped devices like BlackBerry and iPhone puts millions more Americans online all-the-time each year, the United States is catching up with mobile-centric markets like India and Africa. It's true: Mobile Internet connections are more widely used in the rest of the world simply because phones are what people can afford and wireless infrastructure is more reliable than landlines. Even in Japan, a land with last-mile optical fiber that puts the United States to shame, mobile rules because online prime time is the two or more hours people spend riding trains each day.

Adding GPS (Global Positioning System) capability to a mobile device transforms a general window on the online world into a lens focused on its proximate surroundings. With GPS, a mobile device gains awareness of nearby people, objects and offerings that trumpet their location online.

This has massive implications for all kinds of businesses worldwide. The ability to contact consumers at the precise moment they're near you and ready to buy exactly what you sell is like some new, God-given power. If you're desperate for business, you can even drop your prices in real time until they relent and come in. ●

They Want It Immediately

Instant gratification is a powerful product attribute in the always-on, real-time culture we live in today. Whatever it is, do it faster and you'll win market share.

Google's tremendous rise was fueled by its development of real-time capability for online advertising. Although Google is known for its search engine, the innovation that turned it into one of the most successful companies on the planet is the real-time Google AdWords application, which allows advertisers to bid for ad placement by keyword.

Google was certainly not the first to offer ads on its site. But it revolutionized Web advertising by creating a simple, self-service model that allowed anyone to bid for text-based ad placement in real time.

You've seen these ads that appear alongside your search results on Google. For instance, a real-estate agent in San Diego might want to bid on ads to appear whenever someone searches "San Diego real estate." But this is exactly the phrase every other realtor in San Diego

wants, so the price gets bid up. The real-time functionality of Google AdWords enables customers to change bids at any time, helping them manage their ad budgets to reach as many people as possible. This real-time advertising vehicle is immensely popular and generates billions of dollars a year for Google.

There is room in every market for smart organizations to seize market share and profits by providing service at speed.

Consider your own marketplace. What task could you make real time? Would your buyers be willing to pay a premium to get it faster? Or is there an untapped market waiting for you to deliver in real time? ●

Let Them Communicate ... Now

Develop an effective code of real-time communications and proactively embed it throughout your organization. Train it, demonstrate it, discuss it and review it until this becomes second nature to everyone. Have your people internalize it as deeply as the instincts that tell them when it's safe to turn left at a traffic light (or right if they're Brits). This is fully possible.

IBM, Telstra and the U.S. Air Force are among large organizations worldwide that made huge strides by creating formal guidelines for employees. To make them accessible, all three employers publish their guidelines online so anyone can see.

IBM's code is called *Social Computing Guidelines*. The USAF has *New Media and the Air Force*. The purpose of both is the same: to provide rules to help employees engage the marketplace and customers in real time — effectively and responsibly.

The IBM guidelines include all manner of helpful instructions. Be who you are; be thoughtful about how you present yourself in online social networks; respect copyright and fair use laws; protect confidential and proprietary information; add value; don't pick fights; and don't forget your day job.

But the single most important guideline in the IBM document is this: Speak in the first-person singular.

In fact, speaking in the first-person singular is essential to understanding what we're really talking about here.

When somebody from your company says something in a social network using "we" (as in "We're going to create a new product and release it in December!"), readers might think that this is some sort of formal corporate announcement, even if the person is not authorized to talk about product launches. However, when the same employee uses the first-person singular (e.g., "I'm working on a new product targeted for December release!") it becomes a personal statement. Simple and clear. ●

How Your Website Becomes a Real-Time Machine

Until now, consumers have been so amazed by the research power of the online experience that they've tolerated robotic answers and snail-mail response times. Inevitably, though, expectations will ratchet up, not down. And that makes real time an inevitable standard that your site must match sooner than later.

Consumers' online expectations are ratcheting up. Just as no one tolerates hour-long waits or robotic answers in a physical shop, they're not going to stand for it online.

Too many organizations are stuck in the brochure-war era, when next-day or next-week response was acceptable.

Respond Now, While Buyers Are Hot

It's easy for a one-man or one-woman business to respond to inquiries in real time — especially in a recession. But what happens when you're busy? And how do you cope if you run a global enterprise with thousands of employees? The answer is automation.

A real-time Web response machine cleverly uses automation to help *humans* respond to inquiries as they come in. You need this because the sooner you engage your customer's interest the more likely you are to win in the end. And today that interest frequently begins with an almost offhand Web search.

"When you contact people quickly, the propensity to close that business deal goes up astronomically," said Mikel Chertudi, vice president of demand marketing at Omniture, an online marketing and Web analytics business unit of Adobe. "An inquiry can send a real-time alert to a company salesperson, and the salesperson can just pick up the phone. You can have that sales lead automatically injected into the phone dialer. It can even contact the salesperson's mobile phone, then connect the website visitor and the salesperson in real time." ●

Make the Sale

Companies like IBM Software have used "sales playbooks" for years to reliably standardize sales processes that lead to successfully closing deals. These tools include all the information a sales rep needs to lead a buyer from initial contact through discovery and negotiation to close. Most include telephone scripts for contacting buyers at each step, pre-built PowerPoint presen-

tations, plus product data sheets and other collateral to deliver at each touch point in the process.

Sales playbooks are typically created by marketing, with input from the most successful salespeople on how they close a deal. The goal is to define a recognizable and repeatable selling situation. This is kind of like the checklist a pilot uses preflight, with each step identified in an easy-to-implement process.

The playbook prompts the salesperson in real time to engage a buyer at each step and suggests what needs to be communicated and what information sent along.

When playbooks are integrated into the real-time technology backbone, sales reps see the playbook information within the dashboard application they already use. The playbook includes full data on the product, buyer's contact information, record of previous contacts and other details about the relationship right inside the dashboard the salesperson uses every day.

The playbook outlines the sales opportunity as a well-defined process through to closing. It outlines five to 10 basic selling steps in order, like verifying that the buyer can afford the product and has budget available, steps to counter competing offerings in the middle of the sales cycle, and finally negotiating and closing the deal.

When *you* bring marketing and sales together using real-time data delivery as the catalyst, your entire organization will be more efficient, your people will work together better and you will drive more business to your company and away from your competitors. ●

Business at the Speed of Now

Amanda Palmer, lead singer for the Dresden Dolls and punk rock cabaret solo artist, is active on Twitter (@amandapalmer has over a half-million followers), her blog, Facebook and MySpace. She uses Twitter as a tool for instant communication with her fans, frequently answering fans' tweeted questions and comments.

When she is on the road, Palmer uses Twitter and her blog to bring together groups of fans in real time. She says that since early on in her music career, she's loved connecting directly with fans. "I've grown the fan base literally person by person," she says. "I've been saving money plus establishing huge connection with fans by 'twitchiking,' asking for rides to and from airports, etc., on Twitter. It works! But you must be fearless and have a fan base you trust."

All of these ideas played out in real time for Palmer when she found herself in Reykjavík, Iceland, for what was supposed to be a 45-minute layover on a journey from Boston to Glasgow where she was to perform.

Improvising Under the Volcano

That was the day Iceland's Eyjafjallajökull volcano erupted, shooting millions of tons of ash into the air and shutting down air traffic across the Atlantic and Europe. Palmer's flight was canceled and her European plans were instantly erased.

Facing similar news, with a hotel voucher from the airline in hand, most people would just get on the bus and go sulk in the hotel. Not Amanda Palmer.

Instead, stuck in Reykjavík, Palmer got on Twitter — and got instant advice from people all over the world. "An Icelandic comrade named Ben who had read my Twitter feed volunteered to find me a nightclub and equipment," she says. The gig was quickly confirmed, and Palmer tweeted the address of the bar and told people to get there by 9 p.m.

"About 100 people came in the end. I drank six vodkas, and I did not pay for them. Afterward, behind the bar, I did an impromptu interview with Iceland's leading English-language paper while smoking a stolen cigarette, my first in months."

Without missing a beat, she pulled off a gig that would have taken weeks of planning, even for locals.

It's About Focusing the Mindset on the Tools

It's about the mindset. People are applying that mindset to the tools we now have at our disposal. They use mindset and tools to successfully engage people in real time.

Amanda Palmer shows exactly how that mindset functions when all the pieces of your carefully conceived plan get tossed randomly in the air. By nightfall, the real-time thinker has all the pieces reassembled in a completely different pattern. She's done it by reaching for the new tools she's mastered. In real time, she's engaged supporters, developed a local network on the fly and crowdsourced creatively.

Now it's your turn. ●

RECOMMENDED READING LIST

If you liked *Real-Time Marketing & PR,* you'll also like:

1. ***The New Experts* by Robert H. Bloom.** Business strategy expert Robert Bloom identifies four decisive customer moments as part of a customer-centric solution to deliver the benefits buyers want and achieve growth.
2. ***Overpromise and Overdeliver* by Rick Barrera.** Rick Barrera explains Touchpoint Branding: the art of making sure that every point of contact between a company and its customers is well executed and fulfills an over-the-top brand promise.
3. ***Shopper Marketing* by Ville Maila and Markus Stahlberg.** Comprised of articles written by 35 experts from around the world, this book provides practical advice regarding shopper needs and shopping trends.

· Book 10 of 106 ·

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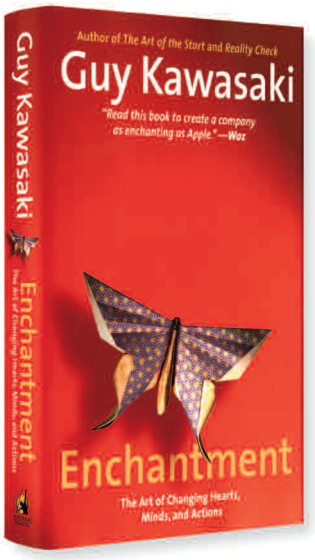
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Marketing

Enchantment

The Art of Changing Hearts, Minds and Actions



by Guy Kawasaki

THE SUMMARY IN BRIEF

Enchantment, as defined by best-selling business guru Guy Kawasaki, is not about manipulating people. It transforms situations and relationships. It converts hostility into civility and civility into affinity. It changes skeptics and cynics into believers and the undecided into the loyal.

Enchantment can happen during a retail transaction, a high-level corporate negotiation or a Facebook update. And when done right, it's more powerful than traditional persuasion, influence or marketing techniques.

Kawasaki argues that in business and personal interactions, your goal is not merely to get what you want, but to bring about a voluntary, enduring and delightful change in other people. By enlisting their own goals and desires, by being likable and trustworthy, and by framing a cause that others can embrace, you can change hearts, minds and actions.

Enchantment explains all the tactics you need to prepare and launch an enchantment campaign; to get the most from both push and pull technologies; and to enchant your customers, your employees and even your boss.

Kawasaki's lessons are drawn from his tenure at one of the most enchanting organizations of all time, Apple, as well as his decades of experience as an entrepreneur and venture capitalist.

IN THIS SUMMARY, YOU WILL LEARN:

- How enchantment can turn difficult decisions your way at times when intangibles mean more than hard facts.
- How to overcome other people's entrenched habits.
- How to convince people to dream the same dream that you do.
- How enchantment is possible for all of us.

CONTENTS

Why Enchantment?
Page 2

How to Achieve Likability
Page 3

How to Prepare
Page 4

How to Launch
Page 5

How to Make Enchantment Endure
Page 6

How to Enchant Your Boss
Page 7

How to Resist Enchantment
Page 8

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THE COMPLETE SUMMARY: **ENCHANTMENT**

by Guy Kawasaki

The author: Guy Kawasaki is the co-founder of Alltop.com, an "online magazine rack" of popular topics on the Web, and a founding partner at Garage Technology Ventures. Previously, he was the chief evangelist of Apple. Kawasaki is the author of 10 books including *Reality Check, The Art of the Start, Rules for Revolutionaries, How to Drive Your Competition Crazy, Selling the Dream* and *The Macintosh Way*. Kawasaki has a BA from Stanford University and an MBA from UCLA as well as an honorary doctorate from Babson College.

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For additional information on the author, go to www.summary.com or www.facebook.com/enchantment.

Introduction

I saw a Macintosh in the summer of 1983, six months before the rest of the world. Mike Boich showed it to me in the back of a one-story office building on Bandley Drive in Cupertino, Calif. At the time, Boich was the software evangelist for the Macintosh Division of Apple. I was a humble jeweler, schlepping gold and diamonds for a small jewelry manufacturer out of Los Angeles. Macintosh was a rumor. And the only reason I saw it so early was that Boich was my college roommate.

Back then, "personal computing" was an oxymoron because Fortune 500 companies, universities and governments owned most computers. If you were lucky, you owned an Apple IIe or an IBM PC. They displayed upper- and lower-case text, and you navigated around the screen with cursor keys. Most of the world used IBM Selectric typewriters, and the lucky people had access to the model with the lift-off correcting tape.

Seeing a Macintosh for the first time was the second most enchanting moment of my life (the first most enchanting moment was meeting my wife). My introduction to Macintosh removed the scales from my eyes, parted the clouds and made me hear angels singing.

Animated Graphics and Drawing Pictures

Let's go back in time to see two features that made the Macintosh so cool. First, it could display animated graphics. Andy Hertzfeld, the Macintosh Division's "software wizard," created a program with bouncing Pepsi caps to show off this capability. Steve Jobs then used Hertzfeld's program to convince John Sculley, CEO of Pepsi, to "stop selling sugared water" and join Apple. This application seems simple now, but back then bouncing icons inside windows was magic.

Second, with a Macintosh program called MacPaint, people could draw pictures. When Boich showed me what MacPaint could do, my mind did somersaults. Back then, the most people could do on a personal computer was hack out crude pictures using letters and numbers. With a Macintosh, anyone could at least draw diagrams, if not create art.

A few minutes of Boich's demo convinced me of two things: First, the Macintosh would make people more creative and productive than they'd ever dreamed; and second, I wanted to work for Apple. Boich got me a job in the Macintosh Division, and my mission was to convince developers to create Macintosh-compatible products. I used fervor and zeal to make them believe in the Macintosh as much as I did.

This job marked the beginning of a 25-year fascination with the art of *enchantment*. I define enchantment as the process of delighting people with a product, service, organization or idea. The outcome of enchantment is voluntary and long-lasting support that is mutually beneficial.

Why Enchantment?

When Karin Muller, filmmaker and author, was in the Peace Corps from 1987 to 1989, she dug wells and built schools in a village in the Philippines. One night, 17 members of the New People's Army (NPA), the armed wing of the Communist Party of the Philippines, came to her hut to interrogate her. Earlier that day, villagers had warned her that this was going to happen, so she

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collected two precious commodities: sugar and coffee.

When the NPA arrived, she exclaimed, "Thank God you're here. I've been waiting all day. Please have some coffee. Leave your guns at the door." Her reaction baffled the leader of the group, but he took off his gun and sat down for a cup of coffee. She avoided an interrogation or something worse because, according to Muller, "You can't interrogate someone you're having coffee with."

Muller did not react with anger, indignation or panic (which is how I would have reacted). Instead, she touched an emotion in the leader of the group and transformed the situation from brute force and intimidation to conversation and communication. She delighted him with her unexpected hospitality and changed his heart, his mind and his actions.

In short, she enchanted him.

Enchantment can occur in villages, stores, dealerships, offices, boardrooms and on the Internet. It causes a voluntary change of hearts and minds and, therefore, actions. It is more than manipulating people to help you get your way. Enchantment transforms situations and relationships. It converts hostility into civility. It reshapes civility into affinity. It changes skeptics and cynics into believers.

There are many tried-and-true methods to make a buck, yuan, euro, yen, rupee, peso or drachma. Enchantment is on a different curve: When you enchant people, your goal is not to make money from them or to get them to do what you want, but to fill them with great delight.

Enchantment is not about getting your way solely for your own benefit. To the contrary, if you want enchantment to last, other people must benefit, too. You also need to draw a bright line between ethical and unethical activities. ●

How to Achieve Likability

Now that you understand the importance of enchantment, we can build a foundation to implement it. Step one is achieving likability, because jerks seldom enchant people.

Make Crow's-Feet

Let's start with the first impression that you make. Four factors create a good one: your smile, your dress, your handshake and your vocabulary. First, smile at people. What does it cost to smile? Nothing. What does it cost not to smile? Everything, if it prevents you from connecting with people.

While smiling sends a very clear message about your state of mind, not smiling creates an opening for many interpretations, including grumpiness, aloofness and anger — none of which helps you enchant people.

Dress for a Tie

The second factor is how you dress. This is the one time you want a tie (no pun intended), not a victory or a loss.

Overdressing says, "I'm richer, more powerful and more important than you." Underdressing says, "I don't respect you. I'll dress any way that I please." Equal dressing says, "We're peers." My recommendation is to park your ego. You don't have to "make a statement" and try to show people you have money, power or great taste. The goal is likability — not superiority.

Perfect Your Handshake

The third factor in first impressions is your handshake:

- Make eye contact throughout.
- Utter an appropriate verbal greeting.
- Make a Duchenne (real) smile.
- Grip the person's hand and give it a firm squeeze.
- Stand a moderate distance from the other person: not so close as to make him or her uncomfortable or so far away as to make him or her feel detached.
- Make sure your hand is cool, dry and smooth.
- Use a medium level of vigor.
- Hold the handshake for no longer than two to three seconds.

Use the Right Words

The fourth factor is your vocabulary. Words are the facial expressions of your mind: They communicate your attitude, personality and perspective. Wrong words give the wrong impression, so heed these recommendations:

- Use simple words.
- Use the active voice.
- Keep it short.
- Use common, unambiguous analogies.

Accept Others

For people to like you, they have to accept you. For people to accept you, you have to accept them.

Death is the great equalizer — we all die equal as a lump of tissue, bone and fluid. While we're living, we need to get over ourselves and accept others if we want to enchant people. ●

How to Achieve Trustworthiness

Likability is half the battle of the enchanting new you. The other half is achieving trustworthiness. This is because people can like someone but not trust him or her enough for enchantment to occur.

Trust Others

If Tony Hsieh, the CEO of Zappos, had told me that he was starting a business that depended on women buying shoes without trying them on, I would have told him he was nuts. I mean, there was no way my wife would buy shoes this way. I was wrong, and there's a constant flow of Zappos boxes into our house as well as the houses of thousands of other women (and men).

Zappos is built on trust — two-way trust, actually. Women trust Zappos' money-back guarantee with free shipping in both directions and Zappos trusts women not to abuse this privilege by returning shoes they have used.

People who don't trust others have often had bad experiences that cause them to embrace a distrusting, kill-or-be-killed philosophy. However, if you want people to trust you, you have to trust them.

Consider what you have to look forward to: When people trust each other, they stop playing games, they look beyond temporary problems and they expose themselves with less hesitation. Good enchanters are likable, but great enchanters are likable and trustworthy.

Ways to Increase Your Ability to Enchant

Here are some ways to increase your own trustworthiness and, hence, your ability to enchant:

• **Be a mensch.** *Mensch* is a German word for "human being," but its Yiddish connotation far exceeds this definition. If you are a mensch, you are honest, fair, kind and transparent, no matter whom you're dealing with and who will ever know what you did.

• **Disclose your interests.** Immediate and complete disclosure of your interests is a key component of trustworthiness. People will always wonder what your motivation is, so you should get this out of the way.

• **Give for intrinsic reasons.** One form of reciprocity occurs when you do something for intrinsic reasons, such as helping others. This is the purest form of reciprocity, because recipients often cannot repay you. This form of reciprocity increases your trustworthiness the most and causes the most enchantment.

• **Gain knowledge and competence.** Competence means that you have progressed beyond knowing what to do to doing what you know.

Give for Intrinsic Reasons

According to Robert B. Cialdini, author of *Influence: The Psychology of Persuasion*, the government of Ethiopia sent money to Mexico after an earthquake struck the country in 1985. Ethiopia did this despite its own crushing economic hardships because Mexico had supported Ethiopia after an Italian invasion 50 years earlier.

Ethiopia's action is an example of reciprocity, the act of returning a favor, a gift or assistance.

• **Show up.** You can embody the qualities of menschdom, knowledge and competence, but they won't matter if you don't show up — that is, interact with people.

• **Bake a bigger pie.** There are two kinds of people and organizations in the world: eaters and bakers. Eaters want a bigger slice of an existing pie; bakers want to make a bigger pie. Eaters think that if they win, you lose and if you win, they lose. Bakers think that everyone can win with a bigger pie. ●

How to Prepare

Allen Kay is the founder of Korey Kay & Partners, a New York advertising agency, and a modern-day version of a character from the television show *Mad Men*. After 9/11, he wanted to help combat terrorism and, doing what ad men do, he came up with a slogan, "If you see something, say something."

Make It Short, Simple and Swallowable

His client was New York's Metropolitan Transportation Authority, so the slogan soon appeared in subways and on buses and trains. His slogan is a great example of communicating a cause in an "easy to swallow, easy to follow" manner. This kind of message enchants people because they can understand it and communicate it. Here are ways to make your cause easy to swallow and, therefore, easy to follow:

• **Use tricolons.** A tricolon is a sentence containing three parts of equal length, such as "Eye it, try it, buy it" (Chevrolet's slogan in the 1940s), "Be sincere, be brief, be seated" (Franklin Delano Rooselvelt's advice to speakers) and "Location, location, location" (real-estate wisdom). The cadence of three words and phrases is powerful indeed.

• **Use metaphors.** Metaphors are figurative comparisons that convey the meaning of your cause. For example, Johnson & Johnson's ad for Band-Aids was "Say

hello to your child's new bodyguard." The use of the word "bodyguard" conveyed that the product was strong and that your child was valuable.

• **Use similes.** Similes are comparisons of two things that are introduced with the word *like* or *as* but are not alike in most ways. For example, "Taking drugs is like playing with fire" or "Hockey is like war and ballet." These similes provide a familiar starting point to help people understand what you are communicating.

• **Keep it short.** Can you beat "Got milk?" or "Just do it" as slogans? Short phrases are memorable and repeatable.

• **Stay positive.** Scare tactics are hard to swallow and can backfire. For example, a warning that "Twenty-five million people are killing themselves by smoking" could convince folks that smoking is OK because 25 million people do it. Paint a realistic picture of future goodness instead of trying to scare people.

• **Show respect.** Actions that insult people's intelligence seldom enchant. Television commercials for miracle weight loss, everlasting beauty or instant wealth fit into this category. When you disrespect people, you get resentment, not action. Instead, make something great, communicate the facts and let people decide for themselves.

How to Launch

Once you've created a kick-butt cause, the next step is an epic, Helenic (as in "a thousand ships") launch — not the usual boring, limp and anticlimactic spiel. Tell a great story and immerse your audience in your cause to get it off to a fast start.

Tell a Story

Here are four story lines from Lois Kelly, author of *Beyond Buzz*, to help you craft a story that does your cause justice:

• **Great aspirations.** Our heroes want to make the world a better place and know there must be a better way. Working nights and weekends, they create a better gizmo that people love more than their wildest dreams. Example: Steve Wozniak making it possible for more people to use computers.

• **David versus Goliath.** Goliath has a head start, incredible resources and a cast of thousands. But young David whips out his secret weapon and defeats Goliath despite conventional wisdom that there's no way that he, the underdog, can succeed. Example: Southwest Airlines taking on the big airlines.

• **Profiles in courage.** Injustice, pain and suffering are making our heroes' lives miserable. Despite these woes, they persevere and accomplish great things. When you learn what they have done, your reaction is, "There's no way I could have done that." Example: Oskar and Emilie Schindler, the couple who protected Jews during World War II.

• **Personal stories.** "Epic" is not always necessary. "Illustrative" is enough — for example, personal stories like "My father owned a Cadillac and he drove it 150,000 miles without major problems" is more effective than "This Caddy will last you a long time." Or, "I gave my teenage son an Android phone and he told me he liked it better than his iPhone" versus "Android phones are good."

Immerse People

The level beyond telling stories is immersing people in your cause. When you captivate people in this way, they lose track of time, suspend their cynicism and skepticism, and may also break into a sweat.

When you try to immerse people, ask yourself, "What would make me lose myself in the moment?" Think of an immersive experience as a good amusement park ride: You don't think about anything except the ride when you're on it. That's the test — a hard one, but achievable nonetheless.

How to Overcome Resistance

Once you find a way to agree, you are more likable, and when you're more likable, you're more likely to overcome resistance. After establishing a toehold, beachhead or common ground, you can build from there.

Find a Way to Agree

Sure, you'd like an immediate and resounding agreement and a full speed ahead for your cause, but this isn't how the world works. Here are five methods to find a way to agree:

• **Get personal.** Study the person's website, Flickr feed, Twitter feed and blog. You might find something you both love.

• **Get professional.** Use a business-networking site like LinkedIn to find out more about the person's professional background and people you both know.

• **Harmonize objections.** A good enchanter believes objections are a way of saying, "Not yet" or "Tell me more" as opposed to "No."

• **Ask "What if … ?"** When you're making no progress with a person, ask, "What if we were to change

this?" Asking a hypothetical question to see if he or she would agree if you made changes is a great way to overcome resistance.

• **Move the window.** The Overton window is a political theory that holds that there is a "window," or range of policies, that people will accept. The range is: unthinkable-radical-acceptable-sensible-popular. The theory is that you can propose something less acceptable to move your idea into the acceptable window. For example, gun control advocates could propose an "unthinkable" ban on all guns to get Congress to accept a "radical" ban on automatic weapons.

The point of these methods is to find a way to agree on something — almost anything — that will give you a way to live another day and keep enchanting. ●

How to Make Enchantment Endure

In 1935, Lloyd Anderson couldn't find an ice axe he liked at a price he could afford. He ended up buying one from an Austrian store called Sporthaus Peterlong. Then he started helping his climbing buddies buy equipment from Europe. In 1938, Anderson and 21 friends took their buying to the next level by contributing $1 each to form the Recreational Equipment Cooperative.

The firm is now called REI, and its 3.7 million customers shop at more than 100 stores. People go to REI not only to buy equipment but also to seek advice, socialize with folks who love the outdoors and fantasize about where they can hike, bike, ski and climb. REI has created an outdoors culture and its customers have internalized REI's values.

Strive for Internalization

The process of internalizing values involves three stages: conformity, identification and internalization. Here is an explanation of those stages:

• **Conformity.** People join because of peer pressure, coercion, trickery or a desire to belong to a group. Conformity isn't enchantment and won't last long without undue force unless you move to identification and internalization.

• **Identification.** When people identify with members of a group, they see commonality and shared interests. No one is forcing them to conform. At this stage, the attractiveness of the enchanter and others in the group is important because people want the enchanter's approval.

• **Internalization.** This is the highest level. It means people have gone beyond identifying to believing. Their belief is not at odds with their feelings, there is no coercion and they are not trying to please anyone. This is enchantment. ●

How to Use Push Technology

This is a golden age of enchantment because reaching people around the world has never been easier, faster or cheaper. This section explains how to use push technology — presentations, e-mail and Twitter — to enchant people.

General Principles

Here is a list of general principles:

• **Engage fast.** When people contact you, respond fast. Fast, in 2011, means in less than a day.

• **Engage many.** Don't focus on the rich, famous and traditional influential people. Treat everyone equally and respond to as many as you can. You never know who will become your most valuable supporter and friend.

• **Engage often.** Don't expect to engage people only a few times and be able to enchant them. Enchantment is a process, not an event.

• **Use multiple media.** Generally, the more forms of media you use, the more enchanting you'll be. Text alone is so last century. Now there are pictures, video, live chats and audio — and who knows what the future will have brought by the time you read this?

• **Provide value.** The main types of value are: pointers to useful, aspiring or entertaining content; personal insights, observations or content; and advice and assistance.

• **Give credit.** Credit whoever helped you find the valuable information that you provide to others. Also, leave positive comments when you read something that you like. The more you shine a light on others, the more you get noticed yourself.

• **Give people the benefit of the doubt.** Assume people are honest, smart and decent — not dishonest, stupid and conflicted. Don't lose civility when you communicate digitally. Assume everything you do is public and permanent, so you are leaving fingerprints for anyone to see forever.

• **Accept diversity.** The broader and more flexible your outlook, the more enchanting your online presence.

• **Don't take any crap.** If you give people the benefit of the doubt and they violate you, don't tolerate it. If you don't take any crap, you will enchant the silent

observers who like that you have the courage to push back. Just don't make your reaction personal; criticize the opinion, thinking or perspective, but not the person.

• **Limit promotion.** Limit the amount of promotion that you do. Contrary to what social media fascists believe, the limit is not "none." If no more than 5 percent of your tweets, posts and updates are promotional, you're doing OK.

• **Disclose your conflicts.** There are two reasons to do this: First, it's the honest thing to do. Second, if you have enchanted people, the causes you endorse will interest them. Therefore, disclosing your conflicts is good marketing.

How to Use Pull Technology

Push technology brings your story to people. *Pull* technology brings people to your story. The advantage of pull technology is that you can provide large quantities of information — compared to, for example, the 140 characters in a tweet. Now we look at how to pull people in and make the most of their attention when they visit your website and/or blog.

Websites and Blogs

For distributing large quantities of information, selling your product, and providing support and downloads, it's tough to beat websites and blogs. Here's what you can do to maximize their enchantment power:

• **Provide good content.** A website or blog without useful or entertaining content is not enchanting.

• **Refresh it often.** Enchanting websites and blogs are not brochures that tell a marketing story and seldom change. Good content that doesn't change isn't good for long.

• **Skip the flash (and Flash).** Let people get right in unless you want them to abort their visit or only visit once.

• **Make it fast.** People expect immediate access. There's no excuse for a website or blog that takes more than a few seconds to load.

• **Sprinkle graphics and pictures.** Graphics, pictures and videos make a website or blog more interesting and enchanting.

How to Enchant Your Employees

Counterintuitive as this may seem, money is often not the sole, or even primary, reason for loving a job. Motivating people is not as simple as feeding money into employees and getting out results as if they were vending machines. Providing an opportunity for employees to achieve mastery, autonomy and purpose (MAP) is more important than money.

• **Mastery.** People want to improve their skills and competency — true, maybe to make more money, but also for the sake of getting better at something that interests them. Who wants to suck at something they do for eight hours a day?

• **Autonomy.** Autonomy means management isn't constantly telling people what to do and how to do it. When an organization enables people to work autonomously, this communicates management's belief that the employees are competent and trustworthy. So set the goals and get out of the way.

• **Purpose.** Purpose refers to the meaning an organization makes — in other words, how the organization is making the world a better place.

Providing meaning, autonomy and purpose, however, doesn't mean that you should underpay people. If you underpay them, you are communicating that "We don't value you very much," so pay people a fair amount and enable them to achieve MAP, and you'll enchant your employees.

Empower Them to Do the Right Thing

One easy way for you to enchant your employees is to empower them to do the right thing for the customer. This means you trust them to make responsible decisions (known as autonomy) and to enable your organization to fulfill its reason for existence (known as purpose).

On the other hand, if you don't enable your employees to please your customers, you create disenchantment. It means they cannot feel good about themselves and you are putting them in the position of getting hammered by irate customers.

Bottom line: Let your employees do the right thing, and you'll enchant them. Then they will enchant your customers.

How to Enchant Your Boss

Whether you like your boss or not, he or she controls what you get out of your job. I'm not referring to money — there's also satisfaction, advancement, visibility and perks.

Make Your Boss Look Good

The best way to enchant your boss is to make him or her look good. That's right: Make your boss look good. Sure, changing the world, delighting customers and increasing shareholder value are all part of the big pic-

ture, but making your boss look good is your day-to-day job.

You should do this within the boundaries of ethics and morality, but the reality is that when your boss looks good, you look good. When your boss advances, you advance. And when your boss implodes, you implode.

Forget the fantasies of outshining your boss, and replacing or rising above him or her. I've never seen a case where a boss's boss says, "We need to promote that person above her manager."

It takes most people years to understand the wisdom of making your boss look good — often by learning it the hard way. If you can internalize and implement this concept, you're 90 percent of the way to enchanting your boss. ●

How to Resist Enchantment

Many people have embraced the techniques of enchantment, influence and persuasion. Unfortunately, they are not all good folks with great causes who have your best interests at heart. For this reason, I'm including a section that explains how to resist their kind of enchantment. And here's a bonus: If you understand how to resist enchantment, you will be a better enchanter.

• **Avoid tempting situations.** Not everyone is an ethical enchanter, and even ethical enchanters can convince you to do something that's not in your best interest. Plus, there's the "third-person effect" — the observation that people exposed to mass-media persuasion believe that others are more affected by it than they are. In other words, you could be in over your head.

Avoiding tempting situations (store sales), events (auctions), locations (outlet malls) and times (shopping with girlfriends) is the simplest technique to resist enchantment. If you're not exposed to temptation, you're less likely to make a bad decision.

• **Look far into the future.** Consider the impact your current actions will make in a year or more. A negative or even neutral outcome wastes your time and resources and leads to disenchantment. If the far-future benefits look good, then allow the enchantment to take place.

• **Know your limitations.** Becoming aware of your limitations, the limitations of knowledge in general and the outside perspective of a personal devil's advocate will lead you to make sound, informed decisions.

• **Beware of pseudo salience, data and experts.** Salient points are good things. For example, the number of songs a music player can hold versus its capacity in gigabytes is useful. Pseudo salience, however, is deceptive. If a phone carrier says its phone is free, you might think that's a great deal, until you discover that it requires a two-year subscription with a large early-termination penalty.

Experts are helpful except when they're wrong. You should exercise the most caution when expert advice is groundbreaking, is too good to be true, attracts a great deal of popular attention, comes from a source with impressive credentials in an impressive journal or receives the support of an entity that stands to gain from people believing the advice.

• **Don't fall for the example of one.** A great picture, concrete imagery or a personal story doesn't necessarily mean a cause is true, good, important or relevant.

• **Defy the crowd.** The power of social acceptance should make you skeptical (though not necessarily cynical) about the wisdom of the crowd. Sometimes the outcome of a decision isn't important enough to sweat the validity of the crowd.

• **Track Previous Decisions.** When making a decision, ask yourself, "What happened when I did something like this before?" If the answer is something bad or less than optimal, then this question should jar you into not repeating a mistake. This doesn't mean you should not try something again, but at least you should reap the benefit of knowledge gained from past failures. ●

Conclusion

Now your task is to apply this knowledge, reject what doesn't work and enhance what does.

One last thought: Enchantment is a powerful skill, and with power comes responsibility. It's your duty to use these skills in a manner that benefits all the parties involved, if not the world. Please keep this thought in mind as you go forth. ●

RECOMMENDED READING LIST

If you liked *Enchantment*, you'll also like:

1. ***Reality Check* by Guy Kawasaki.** This book is Kawasaki's all-in-one guide for starting and operating great organizations — ones that stand the test of time and survive any economy.
2. ***The Art of the Start* by Guy Kawasaki.** Kawasaki provides entrepreneurs with an all-inclusive guide to everything from finding venture capital to getting a business up and running.
3. ***In Search of the Obvious* by Jack Trout.** Trout states that instead of focusing on segmentation, customer retention or search engine optimization, marketers should be searching for that simple, obvious differentiating idea.

· Book 11 of 106 ·

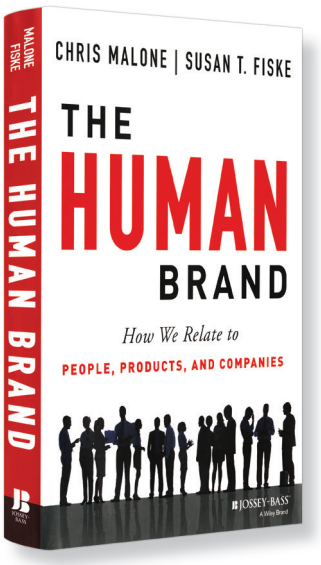
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The HUMAN Brand

How We Relate to People, Products and Companies



by Chris Malone and Susan T. Fiske

THE SUMMARY IN BRIEF

People everywhere describe their relationships with brands of all kinds in deeply personal ways — we hate our banks, love our smartphones, and think the cable company is out to get us.

Through their original research, customer loyalty expert Chris Malone and social psychologist Susan Fiske show that we relate to companies, brands and even inanimate products in the same way that we naturally perceive, judge and behave toward one another.

Early humans developed a kind of genius for making two specific kinds of quick judgments: What are the intentions of other people toward me? And how capable are they of carrying out those intentions? Social psychologists call these two categories of perception warmth and competence, and they drive most of our emotions and behavior toward other people and toward businesses too.

As a result, we become devoted to certain companies, brands, even products, but we also have high expectations for loyalty from them in return.

Having evaluated over 45 companies across 10 separate studies, Malone and Fiske offer in-depth analyses of companies such as Hershey's, Domino's, Lululemon, Zappos, Amazon and others, showing how they manage to achieve success and sustain it.

The HUMAN Brand is essential reading for understanding how and why we make the choices we do as well as what it takes for companies and brands to earn and keep our loyalty in the digital age.

IN THIS SUMMARY, YOU WILL LEARN:

- How warmth and competence guide our emotions and behavior.
- Why we judge companies and brands as if they were people.
- How online commerce and social media impact the new Relationship Renaissance in business.

CONTENTS

Warmth and Competence
Page 2

The Loyalty Test
Page 3

The Principle of Worthy Intentions
Page 4

The Price of Progress
Page 5

Take Us to Your Leader
Page 6

Show Your True Colors
Page 7

The Relationship Renaissance
Page 8

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THE COMPLETE SUMMARY: **THE HUMAN BRAND**

by Chris Malone and Susan T. Fiske

The authors: Chris Malone is founder and managing partner of Fidelum Partners, a research-based consulting and professional services firm that helps clients achieve sustained business growth and performance. As a consultant and keynote speaker, he has worked with hundreds of senior executives in organizations ranging from Fortune 500 companies to startups and non-profits. Susan T. Fiske is Eugene Higgins Professor, Psychology and Public Affairs, at Princeton University. She is the author of over 300 publications and winner of numerous scientific awards, including election to the National Academy of Science.

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For additional information on the authors, go to www.summary.com or visit TheHUMANBrand.com.

Introduction: Back to the Future

Through evolution, humans became hard-wired to judge others almost instantly along two categories of social perception, which are known as *warmth* and *competence*. A person who demonstrates warmth and competence inspires feelings of trust and admiration within us, motivating us to seek a continuing relationship with that person. One who displays competence in the absence of warmth, however, tends to leave us feeling envious and suspicious, while someone we perceive as warm but not competent stimulates feelings of pity and sympathy. A person who exhibits low levels of both warmth and competence often provokes feelings of contempt and disgust.

We engage with brands and the companies behind them on the same basis of warmth and competence because, no different from people, companies and brands have the capacity to stir up these hard-wired primal passions. We experience feelings of affection and admiration for brands and companies that do well by us, and we feel insult or even rage when we believe that those companies have treated us badly.

Large companies and brands that once seemed invincible are struggling and steadily losing market share. Americans have decided that bigger is no longer better, and in the case of some of America's best-known brands, bigger may be much worse. At the same time, lots of smaller companies and brands are growing rapidly and filling the void with far fewer resources and a very different approach to doing business. They speak to us more intimately, and they appeal to our natural need for warmth and competence.

A new Relationship Renaissance between customer and company is emerging out of the Middle Ages of Marketing, when mass communication and nameless, faceless "consumers" dominated. With a deeper, fuller understanding of how warmth and competence affect us all, you'll understand better how you are perceived, and you may even expect better of the people in your life, including those who stand behind the products and services you buy.

Warmth and Competence

Warmth is judged by assessing whether one is kind, friendly and good-natured; whether one appears sincere, honest, moral and trustworthy; and whether one possesses an accommodating orientation and is perceived as helpful, tolerant, fair, generous and understanding. Competence is judged by assessing whether one possesses special resources, skills, creativity or intelligence that grants them an advantage. Do people appear efficient, capable, skillful, clever and knowledgeable? Do they seem to possess the confidence and ability to carry out their plans?

These judgments are a remarkably simple but powerful mode of social perception that, by some measures, influences more than 80 percent of all human social behavior. We use warmth and competence to assess not just people, but everything in our lives that acts or seems to act of its own free will. So we make warmth and competence judgments about people, groups of people, pets, animal species, teams, companies, brands and nations. And when the car sometimes "acts up" or when the computer seems

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to have a mind of its own, we even make warmth and competence judgments about inanimate objects.

Brands Are People Too

Consider that every corporation is literally a body (corpus), and as customers, we perceive them as acting with intention and volition, just as we perceive other people. Human psychology has encoded in us the imperative to be wary of others but also the sense that they have warm intentions toward us and might offer us something of value. Out of our need to secure access to resources, we perceive, judge and trade with brands and companies just as our most distant ancestors did with people and social groups. To be human is to balance these conflicting impulses — to be on guard and to cooperate.

Perceptions of a company's intentions and abilities trigger specific customer emotions, which in turn drive customer behavior. Companies and brands win our affiliation and loyalty just as real people do, by worthy intentions and capability, through warmth and competence.

Moreover, research results show that, in the mind of the customer, a company's people are, in fact, the primary basis of judgment. Specific information about the intentions and behavior of the people behind companies and brands can significantly affect customer perceptions and loyalty to the products and services those people produce — even while the product itself remains unchanged.

The Language of Loyalty

If companies are going to succeed with customers in the Relationship Renaissance, a new language of loyalty is needed, one built around warmth and competence. Our loyalty as customers doesn't commit us to abstract companies or brands. Rather, we become loyal to what we experience, learn or infer about the intentions of people behind those companies and brands. And we don't even need to know those people firsthand.

Our mental apparatus perceives brands as stand-ins for people, logos as substitutes for faces, and companies as the equivalent of a tribe or social group. The best companies and brands, the ones we bond with, are those that we are most easily able to relate to and evaluate on the basis of their human characteristics.

Conventional wisdom in the business world tells us that customer loyalty is synonymous with repeat patronage. Loyalty, by this reasoning, is simply the continued purchase of a product or service over a particular period of time, regardless of how and why it happens. Our studies suggest, however, that purchase behavior by itself is a poor indicator of whether customers have strong and loyal relationships with companies and brands. In fact, our research suggests that continued patronage and genuine customer loyalty are two entirely different things.

These findings, along with the rise of the Relationship Renaissance, call for a new approach by businesses, one that seeks to build trust-based relationships with us as their customers. They need to demonstrate a lasting commitment to us before they can expect our commitment to them in terms of repeat purchases.

The Loyalty Test

Social psychologists note that warmth benefits others, while competence benefits the self. A person who is honest, reliable and agreeable demonstrates warmth by demonstrating concern for other people's interests and needs, even if the person might gain more in the short term from doing otherwise. The same goes for companies. Companies that exercise genuine warmth exhibit a willingness to respond sincerely to their customers' needs, even at their own short-term expense.

Companies and brands that seek quick and impersonal transactions with us tempt us to leave them every day. They may be highly competent and efficient, but by acting in direct defiance of our need for warmth, they trigger our natural feelings of suspicion and distrust. If they lack warmth and offer little sense of their loyalty to us, these companies naturally leave us cold. Having failed to earn our loyalty, they are forced to go on endless and expensive hunts for new customers to replace the ones they keep frustrating and losing.

A Question of Loyalty

Plenty of research shows that companies with high levels of customer retention enjoy higher-than-average profits, but traditionally, companies and brands have wrongly interpreted this to mean that if they can just keep customers, even by bribing them with discounts and perks, then they have loyal, long-term customers. Rewarding repeat patronage, however, is not the same thing as offering loyalty first and engendering loyalty in return. Systems of rewards and benefits are really just price cuts and discounts in disguise. And price cuts and discounts, nice as they are, do not inspire loyalty because they have no effect on our enduring, human triggers for warmth.

Consider the basic premise of all the airline, hotel, credit card and even retailer loyalty programs we join. For every purchase we make, we are given reward points that can be redeemed for free products, services or cash. But let's be

clear. This is certainly not relationship-based loyalty to a company or brand that we trust and prefer to patronize. It's a financial rebate or discount for making repeated purchases, whether or not we like and trust the seller.

The worst thing about loyalty and reward programs is that they absolutely, positively result in higher costs for companies — costs passed along to all of us in the form of higher prices.

At the root of the problem has been a fundamental misunderstanding of the nature of loyalty, with the belief that genuine, relationship-based customer loyalty can be bought with rebates and rewards. As anyone who has been frustrated with the service provided by their wireless carrier, cable company, or the dominant airline at their nearest airport can attest, our continued purchases are typically not a sign of our loyalty. Rather, they are more often a sign that we are essentially being held hostage, unable to switch to a better alternative without significant negative consequences of some kind.

Before the Middle Ages of Marketing, merchants in a small community soon noticed which customers they were seeing on a regular basis. They would recognize faces, get to know names, remember shopping habits and appreciate patronage. Commonly, the merchant might offer a volume discount or throw in a few tokens of that appreciation. Because merchants historically knew customers on a personal basis, customers could expect to be greeted by name and perhaps receive a little extra attention as well. This kind of recognition required genuine interest on the merchant's part to remember important customers and then treat them differently when they arrived.

Today's reward programs attempt to accomplish something similar by creating multiple status levels to recognize differing levels of patronage. Silver, gold, platinum or diamond status each offer different privileges, rewards or service. However, the hotels, airlines, banks and retailers granting us these privileges don't really recognize us at all. We are often only a number to them.

Customers who complain about a company but then experience promptness and respect often become more loyal to the company than customers who have had no complaints. The reason goes right to the importance of warmth and loyalty. A complaint sparks an interaction, which in turn provides the opportunity to demonstrate loyalty to the customer. On the other hand, if any number of faceless monoliths favor us with points, miles and tenth-coffee-free offers, we're happy to have the discounts, but we're not going to feel much in the way of true loyalty.

The Principle of Worthy Intentions

The principle of worthy intentions is a relationship-building strategy that involves attracting and keeping customers by consistently putting their best interests ahead of those of the company or brand.

Businesses face a difficult challenge if they try to gain our loyalty with competence alone. Most of us, most of the time, are perfectly satisfied with the competent goods and services we're already in the habit of buying. We're unlikely to change these habits on rational grounds, especially because differences in comparative quality have become harder and harder to discern. Only the emotional connections of worthy intentions have the power to change minds.

Anyone working with customers must express worthy intentions toward their goals, passions and struggles. It's the only way to advance the relationship and build previous relational capital in an increasingly transactional business environment. You must also be credible and competent, of course, but unless you communicate your worthy intent, your clients will always be tempted to wander off and find others who offer services just as competent and at a lower cost. In most cases, this involves little things that are relatively easy and inexpensive to offer but send a strong message to customers about the intentions of the seller.

Lululemon

Despite its yoga pants recalls and public relations gaffes in 2013, Lululemon continues to have some of the most loyal customers in retail today. And yet, Lululemon has no loyalty or "rewards" program at all. In fact, Lululemon doesn't even keep data on its individual customers. Why? Because Lululemon operates in ways that ensure that its most loyal customers don't need automated acknowledgments via email or the postal service. Loyal "Lulu-heads" get all the real live acknowledgment they can handle at their local stores.

All the resources Lululemon saves by not managing a customer loyalty program can be diverted toward product development (enhancing competence), building community with complimentary yoga classes and local charitable giving (demonstrating warmth), and, of course, profits.

Lululemon is just one example of relatively young companies that have grown rapidly without the benefit of mass advertising budgets. It is truly a Relationship Renaissance company, and it illustrates how reliably worthy intentions work with the natural flow of human nature. Worthy intentions invite us to form the trusting relationships that we, as human beings, are primed to prefer.

Loyalty as a Primal Attachment

A team of researchers based at the National Institutes of Health discovered through brain scanning imagery that when we deal with a partner whom we assume is self-interested (as in most commercial transactions), we behave with cautious, conditional trust. Conditional trust activates a higher, more evolved region of the brain, one associated with evaluation of "expected and realized reward" — cost/benefit analysis. Essentially, our brains need to work harder and analyze more data when we are in a situation involving conditional trust. That's why buying a car, or any other high-pressure sales situation, is so stressful for so many people.

On the other hand, when we assume our partner is trustworthy (possessing worthy intentions toward us), we behave with unconditional trust in a way that activates a more primitive part of our brains. This area, which doesn't require our brains to work nearly so hard, is the region of the brain linked to "social attachment behavior." Basically, it's much more pleasurable to behave with unconditional trust, because it's not so taxing, it's not as analytical, and it stimulates the same area of the brain that is stimulated by friends and family.

Shared Moral Values

For thousands of years, we have defined our tribes by those who share our moral values. The companies toward which we feel true relational loyalty prompt us, with their benevolent gestures, to think of them differently in a literal sense, by stirring the region of the human brain reserved for easy interactions with friends and family. When organizations manage to offer us the experience of their selfless worthy intentions, our minds react unconsciously in ways that have little to do with commerce and dollars and everything to do with our hard-wired need for tribal belonging.

The Price of Progress

The initial allure of Groupon was unmistakable. You get a free promotion aimed at bringing in new customers; all you have to do is offer a discount of 50 percent or more and then split all your proceeds 50-50 with Groupon. Any money you lose in offering the discount, the sales rep explains, will be more than made up in full-priced repeat business from all the new customers you'll attract. You're not sure that's true, but business is down, and you've got to try something.

That was the general attitude of owner Jessie Burke at Posies Bakery and Cafe. Posies offered Groupon members $13 worth of baked goods for just $6, and within a month, the cafe was overwhelmed with customers waving their Groupon discounts. But most of them merely came and went, while helping to spoil Posies' atmosphere for its already-loyal clientele in the process.

When customers arrive at an establishment for the main purpose of getting a bargain, they are entering with less-than-worthy intentions. They are motivated more by the joy of getting one over on the proprietor, at least to some extent. This "Groupon effect" on customer behavior is no small matter.

The rise of the Internet has created similar problems in almost every industry. Online purchases of everything, including even college degrees, have made customers so price-focused and lacking in loyalty that merchants have responded with any number of price-dependent gimmicks to win them back. Lost in the process are the warmth-and-competence-filled contact, interactions and relationships that once resulted in relational customer loyalty.

The power of the Internet to drive down prices while commoditizing products and services provides evidence for the idea that there is something inherently inhuman about e-commerce. But that's hardly the case. As we know from studies of the Internet's effects on social life, it is easy to use computer technology to maintain rich friendships that don't differ appreciably from face-to-face relationships.

If a company's website is used for interactive relationships and not for one-way commerce, then it can be a powerful tool for communicating a company's warmth and competence through its expression of worthy intentions. Large corporations cannot love us back, but if company employees can use websites, Facebook, Twitter and other social media to give us the experience of individuality and responsiveness, then the prospects for relational loyalty are there even though the communications are transacted online.

The Digital Response

Most of us have learned through trial and error how to judge the warmth and competence of online sellers. We routinely transact business with people and things we cannot see or touch in person. In early 2013, the CEO of eBay claimed that the company was selling 8,000 cars per week through eBay's mobile app alone. Who would have guessed a decade earlier that we would be using our phones to buy used cars from total strangers?

For all the distance and dehumanization that scalable technologies have contributed to commerce over the past 150 years, the silver lining may be this: Some of those mass marketing innovations and technological advances can also

help meet the rising expectations of the newly empowered customer. When companies and brands manage to balance the convenience and efficiency of e-commerce with personalized relationships buoyed by warmth and competence, we as customers can enjoy the benefits of low prices, wide selection *and* personal service. It's a best-of-both worlds result that was impossible during the Middle Ages of Marketing.

Social networks — such as Facebook, Twitter and Pinterest, along with all the mobile applications that are proliferating around them — make it possible for us to establish and maintain one-to-one interactions more efficiently and conveniently than ever before. They allow us as customers to again interact directly with employees with real names and faces. The significance of this development cannot be overstated, particularly for companies and brands that have become highly digitized, automated and outsourced. The significance for us as customers has become obvious, thanks to our warmth-and-competence-detecting brains.

Missed Opportunities

Rather than trying to minimize interactions between humans through automation, companies and brands should be seeking to maximize those interactions using technology so that their warmth and competence can be displayed and customer relationships established with us. The Internet and social networks have made it possible once again for the employees of companies and brands to have direct, interactive conversations with customers in a way that is efficient, scalable and trackable.

If companies and brands were to fully recognize and embrace how we purchase and become loyal to them, they would use social networks more effectively as the relationship management systems they are ideally suited to be. They can and should present themselves as human brands that treat us as human beings.

Take Us to Your Leader

Long before its new ad campaign had been conceived, Domino's chief marketing officer, Russell Weiner, recognized that despite some improvements over the years, the quality of their pizza had not kept pace with customers' growing expectations. The Domino's team invested in two years of testing with countless combinations of ingredients to completely reinvent its pizza from scratch. As Weiner contemplated how to introduce Domino's new pizza recipe, he understood he faced a challenge in breaking through to customers who had grown accustomed to Domino's mediocre fare. Weiner had even googled the phrase "new and improved," turning up millions of hits. "It made me realize," he said when interviewed, "we can't just come out and say, 'Hey, we have a new and improved pizza!' It would be such a wasted opportunity."

Instead, Domino's executives decided that they would introduce their new pizza by first apologizing sincerely for their old pizza. And that apology would come from the top. According to the Domino's ad agency, "We had Domino's CEO and other executives tell their own story of how they changed the pizza. This contributed to the honesty and the transparency that made the campaign so powerful." "Domino's Pizza Turnaround" proved to be one of the most successful restaurant ad campaigns of all time. Domino's revenues climbed faster than those of any other U.S. quick-serve restaurant chain.

Domino CEO Patrick Doyle, for his part, told *QSR* magazine in 2012 that he decided to appear in the Domino's ads because he knew that his presence would help the message break through. "When the CEO of a company goes out and says our old pizza wasn't very good, you're going to get a breakthrough," he said. In 2011, a survey by Zeta Interactive named Doyle one of its "Top Ten Most Buzzed-About CEOs" for the year.

Conventional wisdom in corporate communications says that top leaders should be kept away from public view because the risk is too great that they will embarrass themselves and the company. Social media in particular is seen as a growing threat in this respect. But the mobile, social and digital age leaves no place for CEOs to hide. They might as well get used to public exposure, even if, on occasion, they're required to duck some "digital tomatoes."

It is in our human nature to seize on gaffes and misstatements from powerful business leaders. They burn in our memories because such offhand remarks by CEOs in particular offer a rare glimpse into the true intentions of the powerful companies and brands they lead. We base judgments on what we know or can infer about the real people behind each company — their warmth and competence and hence the warmth and competence of that company.

The quality we find so appealing when we encounter authentic emotions on the faces of people behind otherwise faceless corporations is what social psychologists call "concreteness." In most of our interactions with companies and brands, concreteness is absent. Loyalty to people, even as televised images, is more concrete and authentic than loyalty to a company or brand. The need is growing

for more leaders who can be genuine, transparent and accessible to us.

Transformational Leadership

If leadership is to gain the spotlight more often in the Relationship Renaissance, then our concept of leadership itself needs to shift accordingly.

Transformational leadership occurs when leaders stir their employees to look beyond their own self-interest for the good of the group. Transformational leaders are much more productive because their inspiring leadership prompts employees to exert extra effort on their behalf. Companies led by transformational leaders tend to outperform others due to the tendency of lower-level employees to imitate the characteristics of the leader above them.

We all need to be inspired by transformational leadership. This is the lesson that corporate governing boards must take to heart immediately after years of trying to hide their leaders from public view.

Many business executives today lack this capacity for transformation because they were hired to make money, not to build loyal long-term relationships with their customers. Such leaders, lacking in warmth and worthy intentions toward their customers, will inevitably demonstrate that their transactional style makes them incompetent to lead in a new, transparent, transformational century. The speed of change is so great that companies and brands should take care now to make sure that the people who get their top job in the first place are capable of expressing their worthy intentions and in full view of all their customers.

Show Your True Colors

Product recalls and other embarrassments can provide companies with precious moments of truth. The instant a company's products fall under a public cloud, the spotlight turns to the corporate leadership to take a stand and answer the question: Who comes first, people or profits?

From the perspective of warmth and competence, there is often a mismatch between what we as customers expect to hear from companies in crisis and how executives at most of these companies prefer to respond. Companies engulfed in a scandal, disaster or product recall often put up proud faces of competence, as if to reassure us that they have the situation under control. But at that moment what we desire most are signals of warmth. If our internal warmth detectors are not satisfied that a troubled company has worthy intentions toward us, then we naturally suspect that its leaders' assertions of competence are aimed at preserving the company's profits first and our interests second.

When a company is hit with product recalls, it's natural for company leaders to fear that we will judge them harshly for their lack of competence. Fear of that judgment by the public has motivated many companies to try to keep their mistakes quiet, even if those buried mistakes may blow up on them later. The trouble with that kind of thinking is that it ignores how forgiving we tend to be of companies who make honest mistakes and then apologize for them. Having been embarrassed by a terrible mistake, the public determination of your competence might rest with your perceived warmth — whether you are judged as having made an error despite good intentions.

Forgivable Faults

As long as we detect worthy intentions in the form of honesty and transparency, we have a tendency to overlook even great lapses in competence, and we reward those expressions of worthy intentions with our loyalty. A famous study of audiotape conversations between patients and primary care physicians showed that physicians who talked longer and laughed more with patients, "indicating warmth and friendliness," were much less likely to be sued for malpractice than doctors who had shorter, more businesslike visits.

Because we respond to brands and companies the way we respond to people, it only stands to reason that highly competent brands and companies who suffer from lapses in judgment can emerge from the experience as more "human" and more approachable. Success, it's been said, is determined not by whether you fall down but by how you get up. Companies that are able to come clean about their errors and state their intentions for doing better in the future might actually bring us closer to them than if they had never slipped up in the first place.

Learning From Mistakes

In the Relationship Renaissance, everything moves faster, mistakes will keep happening, and we are all poised to watch how companies react when they do. The choices companies make under such circumstances will determine how long it takes for customers to forgive and forget. If companies can come clean early and transparently, their customers may reward them with the empathy and forgiveness characteristic of close relationships. And our relationships with companies and brands, or lack thereof, are getting more important by the day.

The Relationship Renaissance

The question to ask is not whether business people are warm and competent but whether they're perceived that way. Most company and brand executives, after all, believe they are acting reasonably and prudently when they make critical business decisions. Like most people, they view themselves as being both warm and competent, and they expect others to view them as such. They are largely unaware of how their decisions and resulting actions will be perceived by their customers and other stakeholders.

For all of us, ensuring that our warmth and competence, our worthy intentions, are getting through to others reduces to three imperative actions.

Imperative 1: Become More Self-Aware: It's never been more important to be aware of how our words and actions are perceived by others in terms of warmth and competence. Ongoing self-awareness of this kind may be the most crucial competency we all must develop in the Relationship Renaissance. The most basic dimensions of warmth are whether others see us as warm and trustworthy. Similarly, the most basic dimensions of competence assess the degree to which others see us as competent and capable. The nature of both human relationships as well as those with companies and brands is such that candid and objective feedback is not usually provided in any timely or consistent way. For us to know where we stand and to become mindful of how we act in the future, this feedback must be sought and gathered. The first step in building self-awareness is to ask for candid feedback and then listen with an open mind and genuine interest. To help with this, we've created a free web-based application at LoyaltyTest.com that gathers feedback quickly and anonymously.

Imperative 2: Embrace Significant Change: For relationships to work in the Relationship Renaissance, the people behind the brands must genuinely want to be better people and act accordingly with worthy intentions. As we perceive improved behavior from companies that are important to us, we will in turn reward them with our loyalty, treat them as if they *are* better people, and so on in a virtuous circle. To fully embrace the value of warmth, competence and loyalty insights, companies and brands must shift from a mentality of control, defensiveness and unresponsiveness to one that is more open to understanding how they are perceived and to greater willingness to respond and adapt accordingly.

Imperative 3: Fundamentally Shift Priorities: Ultimately, it's not enough to respond and change selectively in response to candid feedback from others. Lasting change requires a sincere examination and adjustment of the goals and priorities that led us astray in the first place. Sustained success in the future will require companies and brands to significantly shift their emphasis from an excessive focus on short-term shareholder value to a much more balanced approach that creates shared value for multiple stakeholders, with particular emphasis on customers and the employees who serve them. To create shared value, companies can reconceive their products and markets, redefine productivity in the value chain, and build supportive industry clusters at company locations, all with the goal of benefiting multiple stakeholders in a virtuous circle of mutual support.

Corporate managers should be delighted to throw out the old playbook. A number of companies already have — some instinctively grasping the principles of warmth and competence and a few embracing them by design. For all the difficulties presented by corporate legal structures and the accompanying investment culture in which large companies operate, it is important to remember that the vast majority of business people want to "be good" and "do good." Human nature favors the movement toward a business culture of worthy intentions.

In this age when reputations can be made and broken around the world in a single day, our capacity to express warmth and competence is among our most precious assets. It follows that the most natural and sustainable way to achieve any kind of meaningful success is to earn the lasting loyalty of others by keeping their best interests at the center of everything we do.

Doing so doesn't require that we recklessly disregard our own interests. Rather, it recognizes that our success as humans has always depended on the cooperation and loyalty of others. In that regard, keeping the best interests of others in balance with our own is simply a form of enlightened self-interest. It's a mindset that embraces the warmth-and-competence perceptions that drive our choices and shape the human brand in each of us.

RECOMMENDED READING LIST

If you liked *The Human Brand,* you'll also like:

1. ***Give & Take*** **by Adam Grant**. Grant explains why helping others drives our success much more than we realize in this New York Times and Wall Street Journal best-seller.

2. ***Overpromise and Overdeliver*** **by Rick Barrera**. Barrera describes the art of making sure that every point of contact between a company and its customers is well executed and fulfills an over-the-top brand promise.

3. ***Personality Not Included*** **by Rohit Bhargava.** Marketing is more about building relationships with customers than about traditional selling. Bhargava details the theory of personality and explains how to put it into action.

· Book 12 of 106 ·

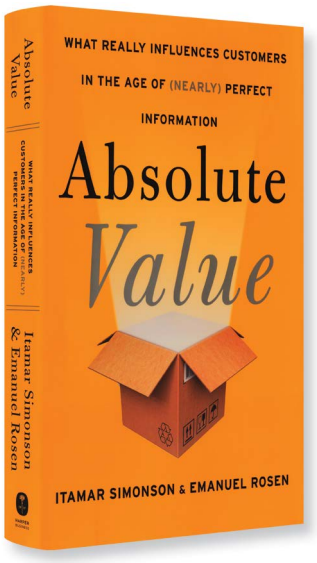
36-15 Absolute Value

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Absolute Value

What Really Influences Customers in the Age of (Nearly) Perfect Information



by Itamar Simonson and Emanuel Rosen

THE SUMMARY IN BRIEF

Going against conventional wisdom, *Absolute Value* reveals what really influences customers today and offers a new framework — the Influence Mix — for thinking about consumer decision making, which should help managers develop more effective marketing strategies.

How people buy things has changed profoundly — yet the fundamental thinking about consumer decision making and marketing has not. Most marketers still believe that they can shape consumers' perceptions and drive their behaviors. In *Absolute Value*, Stanford professor Itamar Simonson and best-selling author Emanuel Rosen show why current mantras about branding and loyalty are losing their relevance. When consumers base their decisions on reviews from other users, easily accessed expert opinions, price comparison apps, and other emerging technologies, everything changes. Contrary to what we frequently hear, consumers will (on average) make better choices and act more rationally.

Absolute Value answers the pressing question of what influences customers in this new age. Simonson and Rosen identify the old-school marketing concepts that need to change and explain how a company should design its communication strategy, market research program and segmentation strategy in the new environment. Filled with deep analysis, case studies and cutting-edge research, this forward-looking book provides an entirely new way of thinking about marketing.

IN THIS SUMMARY, YOU WILL LEARN:

- The key differences between relative and absolute value.
- How technology and social media have changed consumer decision making.
- To create the right strategies based on the Influence Mix driving your business.
- Why current beliefs about shaping consumer perception are losing relevance.

CONTENTS

From Relative to Absolute
Page 2

New Patterns in Consumer Decision Making
Page 3

When Brands Mean Less
Page 4

Satisfaction, Loyalty and the Future of Past Experience
Page 5

Pointless Positioning and Persuasion
Page 6

Market Research: From Predicting to Tracking
Page 7

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THE COMPLETE SUMMARY: **ABSOLUTE VALUE**

by Itamar Simonson and Emanuel Rosen

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Introduction

Consumers used to make decisions relative to other things — a brand name, their previous experience with a company, an inflated list price, a brand's advertising message compared to competing brands' messages, or the other products a marketer chose to display on a catalog page or on the shelf. But this is starting to change, and as we're moving toward an age of nearly perfect information, consumers can now evaluate each product individually without relying on relative comparisons. In a world where consumers enjoy complete access to informed experts and various information services, where they can instantly read the opinions of previous users, it's much easier for consumers to predict their likely experience with a product or service. It's easier to know the absolute value of things.

When we talk about "absolute value," we refer to the experienced quality of a product: the experience at a restaurant, the pleasure of reading a book, the closeness of the shave, the actual comfort of headphones, or the usage value you get from using your camera. The new information environment around us allows consumers to predict much more accurately the experienced quality (or absolute value) of products and services they consider getting.

The implications for consumers and businesses are enormous. Reliance on absolute values means that, on average, consumers make better decisions and become less susceptible to context or framing manipulations. For businesses it means that marketing is changing forever.

PART I: THE SHIFT FROM RELATIVE TO ABSOLUTE

From Relative to Absolute

The practice of marketing through the 20th century was largely geared to communicate values relative to reference points. We chose an item on the shelf because it looked better or cost less than the one next to it. We evaluated products relative to our prior experience with a particular brand. In short, we evaluated things relative to whatever was most accessible to us. Marketers took note of that, and much of the marketing textbook is about the effective creation of relative quality proxies, such as brands.

In many cases today, our decisions are no longer driven only by what happens to be in front of us or is top-of-mind. Instead, we can easily and quickly evaluate things based on a global context — other sources, information and options that are not under anyone's control. Judgments are still relative, but the reference points can be based on the best of what's available out there.

While relative evaluations are based on comparisons with whatever happens to be most prominent, or placed in front of you, absolute evaluations go beyond the local context to use the most relevant information available about each product and feature, and they usually produce better answers. Absolute evaluations get people closer to the truth, but "truth" is too strong a word here. They get people closer to knowing what to expect.

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Rebecca S. Clement, Publisher; **Sarah T. Dayton**, Editor in Chief; **Ashleigh Imus**, Senior Editor; **Amanda Langen**, Graphic Designer; **A. Imus**, Contributing Editor

What Drives the Shift from Relative to Absolute?

A technological revolution, still in its infancy, is driving this shift, as new tools help us assess the quality of products and services we're considering. Aggregation tools, advanced search engines, reviews from other users, social media, unprecedented access to experts and other emerging technologies — these things make it possible for consumers to make better decisions without having to rely on relative evaluations.

Examples are all around us: A woman compares prices of video games at a big retail store. Using "relative" tactics, the retailer can influence her choice by placing a game they want to push next to a very expensive one, making the former look like a bargain. But then the woman scans the bar code of the game, using her smartphone, and finds out that it's available at the store next door for less than half the price (and even cheaper online).

Review sites (from Amazon and CNET to Yelp and Zagat) tell us about the reliability and usefulness of products. Post a quick question on Facebook or Twitter, and you are likely to get customized advice from a knowledgeable friend. Mobile apps such as ShopSavvy or Bakodo inform us about the resale values of products.

The cumulative effect of existing technologies and their dramatic effects on how consumers make decisions pose a major challenge to established ideas about marketing and related business functions. Simply put, it makes influencing through relative tactics and indirect cues (such as brand and price) much harder.

The Decline of 'Irrationality'

Over the past four decades, thousands of experiments have suggested that marketers can easily sway people to act in "irrational" ways. But in the new information environment this is becoming less representative of reality. These influences fall into three broad categories: framing effects (framing the presentation of products in particular ways), choice context effects (e.g. creating a context of differently priced items to boost sales), and task effects: the manner in which consumers are asked to evaluate the offer.

What happens to these theories of choice manipulation and influence in the "noisy," information-rich and socially intensive environment that is developing? First, the relevance of these influence tactics has diminished in a world where people can easily assess quality. On average, better decisions are being made based on the information that's available. Second, the noise that all this information creates has a surprising effect.

Influence and manipulation work best when there's full control over what people are exposed to and "noise" is kept to a minimum. Noise refers to any information that is not under control, often consisting of diverse pieces of data from different sources, about different aspects and options. In the current information environment, there are just too many distractions.

As you hear about fascinating findings about consumers' "irrationality," take them with a grain of salt. Lab experiments often depend on the researcher having full control over what participants see, which is radically different from today's shopping reality.

There is very little control over what people see when they shop online, and as smartphones are increasingly used by brick-and-mortar stores, the gap between the lab and reality gets even wider. Consumers are far from being as susceptible to influence as they are being portrayed.

New Patterns in Consumer Decision Making

Research suggests that the choice overload problem is not as serious as it has been portrayed. This is true especially as search and sorting tools steadily improve. In addition, we see new patterns in decision making that emerge with the abundance of high-quality information. Let's look at three trends that are emerging as a result of our new information diet: "couch tracking," "faster verdict" and "more from the head."

Couch Tracking

The purchase process in traditional models is typically assumed to begin when the consumer recognizes a problem. Next, the consumer engages in information search and evaluates options, which leads to preferences and a purchase decision (or purchase delay). But today, when high quality information is so readily and cheaply accessible, some people don't see the need to postpone information acquisition until a specific purchase intention is formed. Instead, millions of people keep track of products on an ongoing basis. If you're reading any of these sources on an ongoing or even occasional basis, it means that more often than not, you're not in the market for the products you're reading about. You just want to know what's out there. You're couch tracking. What does the rise of couch tracking mean to marketers? It means that preferences are often formed well in advance of any specific plan or intention to purchase. As a result, once an intention to buy is formed, the decision is pretty much already made. Ac-

cordingly, marketers should pay more attention to couch trackers rather than just focus on declared buyers.

Active Search and Faster Verdicts

These days when a higher percentage of decisions is a result of an active premeditated search, more decisions lead to action. A decision not to buy is also a verdict. People hear about a product; they search for it, and since they deliberately searched, they feel that they need to act one way or another. The fate of products is determined faster as a result. Today more people feel comfortable going from discovery to purchase, sometimes at a surprising speed.

More From the Head, Less From the Heart

Another shift in our information diet has to do with the emotional content of the information we consume.

Thirty years ago, when you shopped for a camera, you relied on ads that talked about preserving the precious memories of your family or told you a camera will give you "the power to be your best." Now, the language of reviews tends to be more specific, more matter-of-fact, and focused on quality and the use of the camera. Consumers are less exposed to advertising puffery when most of their information comes from experts and fellow consumers. Emotional appeal can still be powerful; it's just less effective when it faces meaningful competition from more "rational" sources.

Why We're Bullish About Absolute Values

Stories about vendors that try to game the system, vindictive customers, or accusations of corrupted rating systems appear frequently in the press, raising justified concerns about the credibility of information sources. While it's easy to fake some reviews, gaming the system (without being caught) is harder than one thinks, especially as participation in rating systems grows. When manipulations are successful, a gap between positive reviews and negative experiences is likely to generate frustration, which can erode consumer trust in a review site.

Reviews are far from being perfect, but the one solution that consumers are not turning to is to ignore reviews altogether and just rely on marketers as the main source for information regarding quality. Consumers are much more likely to migrate to review sites they do trust, to opinions of experts, and/or to recommendations from friends and acquaintances. All of these are much more accessible in the new, socially intensive information environment.

PART II: HOW MARKETING CHANGES FOREVER

When Brands Mean Less

In the old days, consumers often had a hard time assessing quality before making a decision and had to rely on cues such as affiliation with a chain. This gave rise to much of what we know as marketing. When quality was hard to predict, a brand was a simple shortcut that told you what's likely to be good and what isn't. But when you can quickly tell how good or bad something is, based on more reliable sources than just the name, brand has a reduced role as a quality signal.

Brand names also tend to exaggerate the real quality differences among products. If you focus on brand name when considering a headphone or even an artificial sweetener, your prior beliefs tend to categorize products with a broad brush and tend to amplify presumed differences between good and bad brands. User and expert reviews tend to level the playing field. True, reviewers may also be swayed by brand names to some degree. However, reviews are often based on actual experience.

The reduced role of brand as a quality signal can present significant opportunities to newcomers who may enjoy lower barriers to entry. Companies can also diversify more easily regardless of the skills consumers associate with a particular brand.

The Decline of Other Quality Proxies

Brand is not the only cue that consumers use as a quality proxy when better information is not available. There are a few others, and they will decline in importance as well. Country of origin is one. If a watch is made in Switzerland, a car in Germany, or an espresso machine in Italy, "it must be the best." At least that's how the thinking goes. Country of origin can be a pretty good signal in the absence of detailed information. But it can't be too accurate as a predictor of quality. There are more than two dozen manufacturers of espresso machines in Italy, for example, and it is unreasonable to believe that every single model is better than all the other models manufactured elsewhere.

One of the strongest quality cues that is on the decline is price. When quality was hard to assess, price was a convenient shortcut for quality. "If it's expensive, it's probably good" or "You get what you pay for" (which is typically used to explain why you should pay more). Such statements represent rules of thumb that are supposedly based on some unidentified past lesson, but once you can assess

absolute values more precisely, you can actually determine if you get what you pay for. It's not that price as a quality proxy will completely vanish. Price and other quality cues will continue to have at least some effect on the quality perceptions of at least a portion of all consumers.

Satisfaction, Loyalty and the Future of Past Experience

Today, the past doesn't matter as much as it used to. Actors have been saying for decades that "you're only as good as your last gig." These days, even your last gig doesn't matter that much anymore. Fortunately or not, it's the absolute value of your current product that drives its success.

When good information was hard to get, relying on our previous positive experience with a brand made sense. But in a world with good, low-cost information, we can easily start from scratch each time. This has major implications for the significance of satisfaction and loyalty.

Loyalty or Open Marriage?

Marketers love to talk about loyalty and long-term relationships with customers, but these days, more and more consumers see their relationships with companies as an open marriage.

A 2012 Deloitte study demonstrated a sharp decline in loyalty to hotel chains, with only 8 percent of survey respondents saying that they always stay at the same hotel brand. While there might be different factors that underlie this trend, at least part of it is driven by consumers' ability to use tools like price comparison sites, review sites and other sources to assess the absolute value of each hotel before deciding where to stay.

In fact, from a consumer's perspective, loyalty can often be an inferior input, because quality and performance can vary greatly across products by the same company. This means that even if consumers had a good experience with other products by the same brand, each new purchase decision needs to be earned based on the product's actual capabilities.

Opportunity Knocks

The decline in the impact of consumer loyalty can present significant opportunities. If you feel a decline of loyalty among your customers, your competitors probably face the same problem. If you offer a better solution than your competitors, don't hesitate to show it to their followers (not a new strategy, but it may become more effective). If your product is superior in ways consumers care about, its merit will become apparent to them faster than in the past. Success is driven by the merit of your current product and much less by your customers' past experience. This is the age of now.

Absolute Diffusion

A lot of marketing thinking is still based on an information environment characterized by high levels of uncertainty. A key example is the classic adoption model, which still guides many strategies. This model classifies the population into five adoption categories: innovators, early adopters, early majority, late majority and laggards. At first a few innovators who are willing to take risks will adopt an innovation. They will be followed by the early adopters; then the first mainstream group, the early majority, will start to adopt the innovation, followed by the late majority. Finally the laggards will adopt the innovation (or choose not to).

The sharp distinction among adopter categories was most meaningful when the increase in information availability was very slow. These days, finding people like you — whether they're strangers or acquaintances — who have adopted an innovation is much simpler than it was in the past.

In the new information environment, we can expect faster uncertainty resolution regarding the product quality, preference fit and acceptance by relevant others.

Practical Implications

What harm can there be in marketers classifying their audience into adopter categories? Thinking about adopter categories when they are less meaningful can lead to the wrong strategic decisions.

Consider the case of tablet computing. Everybody is familiar with Apple's iPad, but not everyone remembers that Microsoft introduced a tablet way before Apple (back in 2002). The tablet PC initiative was a top priority at Microsoft. Yet, instead of releasing the technology and letting interested segments adopt it organically, Microsoft chose to target vertical markets such as health care, insurance, real estate and legal, where the use of the tablet made sense (at least to the folks at Microsoft).

Five years later, Apple introduced the iPad without predetermining (or limiting) who was going to use it. Indeed, the iPad was initially adopted by many who would never have been classified as innovators or early adopters. The target market for new innovative products should be defined more broadly, not just chronic "innovators." Your first version can be adopted by anyone because information about it is so readily accessible.

Pointless Positioning and Persuasion

Positioning is rooted in the idea that product perceptions are driven by product presentation relative to other options. Instead of evaluating the product based on its actual value, you presumably evaluate it under the influence of the marketer's communications strategy.

Nice positioning statements compiled in corporate meeting rooms are less likely to be adopted by the market these days. If your product has a real advantage over your competitors, you should highlight this differentiating factor. But trying to make a product appear unique by adding fluff or emphasizing a feature or claimed differentiator that is of limited use or relevance to most doesn't work as well as it used to.

Even when you think your product is differentiated enough, positioning is less effective than it used to be, because a new product is likely to be evaluated based on its absolute values. The manner in which it is portrayed or positioned by the marketer is likely to have much less influence on consumers' perceptions and choices. Marketing communication agencies will have to adapt to focus less on persuasion or preference formation and more on generating interest.

Companies in some domains may also expect a shift in the importance of their sales forces. These days there are more efficient ways to transmit information than through salespeople. While relationships will continue to be important, one would expect the impact of relationships on vendor choice to decline over time. What you say (or how you say it) is less important today. It's more about what you do. The name of the game is merit.

PART III: A NEW FRAMEWORK

The Influence Mix

With marketers' rush to social media, we often see strategies that are adopted across categories without much attention to how well they are aligned with the way customers make decisions in a certain domain. The Influence Mix is a framework to help marketers determine the relevance of the trends to their particular situation. From brands losing their role as proxies for quality to the declining effectiveness of persuasion techniques — the extent to which these trends apply to a particular firm depends on its customers' Influence Mix.

A person's decision to buy is affected by a mix of three related sources:

- The individual's Prior preferences, beliefs and experiences (P).
- Other people and information services (O).
- Marketers (M).

For example, when you buy a new cell phone, you're influenced by your prior attitudes, habits and pre-stored information (P), by your friends, reviewers and experts (O), and by the cell phone marketer (M).

When Vague Meets Trusted

We think of the Influence Mix as a zero-sum game. For any given decision, the greater the reliance on one source, the lower the need for other sources. So a rise in the weight of any one factor must come at the expense of another. If the impact of O on your camera purchase goes up, the influence of M and/or P must be lower. Influence is transforming in many categories like this: Since P is vague and unstable, other sources usually capture "decision share" from it. In the past, M gladly played this role, but with the rise in availability of O (which is perceived as more informative and reliable), O is taking over.

Still, there are cases in which P or M still dominates the mix. With all due respect to O, marketers should understand its proper role in each category. Even in categories that people discuss more often, the chatter doesn't always mean that O dominates the decision.

So What's Your Customers' Influence Mix?

Marketers must understand their customers' current and future Influence Mix, the importance of P, O and M for their customers' purchase decisions, given the product category, their customers' characteristics (which vary by customer segment) and the brand position. The critical questions for you to ask are, "To what extent do my customers currently depend on O and on specific O types or ingredients in making their purchase decision, and to what extent might they depend on O in the future?"

Since we're not dealing with a yes/no question, we present the answer on a continuum. The closer your customers are located to the O-Dependent end of this continuum, the more significant these trends are in your situation.

Your customers' location on the O-influence continuum may vary across your products and, for a given product, across customer segments. In fact, you may find that segmenting your customers based on their location on the continuum is a more useful segmentation variable than most other traditional segmentation bases, such as demographics, psychographics or benefits.

Your customers' location on the continuum can move as O information becomes more widely available, and we can expect and observe greater reliance on it. Products that were considered "low involvement" in the past can move toward "high involvement" as information becomes more accessible and diagnostic.

For example, it used to be difficult to find out the nutritional value of food in fast-food restaurants. Today you can look it up on the web or use apps like HealthyOut or Fast Food Calorie Lookup and get the answer in seconds. So, for certain segments, pre-purchase search is becoming more extensive and common in the fast-food category, moving them to the O-Dependent side.

Communication: Match Your Customers' Influence Mix

Most marketers recognize that times are changing, but many have not adjusted their strategies accordingly. To start with, marketers need to figure out their customers' Influence Mix and where their customers are, by segment, in terms of their dependence on O. Then they need to determine the corresponding "effective mix." Marketers' effective mix is derived from the key sources of influence on their customers' decisions.

Marketers who find their customers closer to the O-Dependent end of the continuum should stop thinking of themselves as the drivers of consumers' purchase decisions and embrace their role as followers. Because their customers shifted their attention from M to O, these marketers need to focus on O as well, especially where they can do something about it.

Although their role has been reduced, marketers should still understand where they can make the greatest contribution and what that contribution may be.

Generating Interest

In a nutshell, advertisers should focus on generating interest, not on creating top-of-mind awareness or persuasion. Instead of top-of-mind ads that focus on a brand name, the goal of advertising should be to generate interest in the product's advantages. This can happen before or, most important, when and where a decision is made.

Advertisers should place ads closer to the "moment of truth" (for example, use search engine or retail website ads). Marketers should focus on absolute advertising regarding features that count, and that information should be readily accessible and easy to comprehend at the point of purchase (for example, on the Web page where the product is sold). Advertising can also be most effective when it's successful in generating enough interest for the consumer to add it to his "watch list," which enhances the long-term likelihood that this will lead to purchase.

Communicating Through O

Marketers should understand that their primary role is shifting from persuasion to communicating with consumers through O. Many marketers view social media as yet another instrument in their arsenal of persuasion tools, but trying to persuade consumers that your product is the best has become less effective even if it's done via social media. By and large, consumers will rely less on brand and loyalty when making a decision and instead will be likely to look around for the best product recommended by experts and other users.

So where can marketers make a difference in regards to preference formation? Increasingly, their task will be to make sure that each consumer can easily find O content that is relevant, recent and helpful. The best O content helps the consumer get closer to knowing his or her likely experience with a product. The impact of a "Like" on Facebook in that sense is not the same as a thorough product review by a respected blogger.

Market Research: From Predicting to Tracking

Marketers spend billions of dollars on research every year, but the results are mixed at best. Some of the problems are not new and relate to the basic challenge of using research to predict what consumers will want. But the problem gets even more difficult for O-Dependent products. There are several issues, but at the most fundamental level, O-Dependent marketers face one additional key problem: Market research usually tries to measure P, but decisions are increasingly based on O.

Beyond that, consumers have limited insight into their real preferences. This is especially true with respect to products that are radically different. Consumers tend to assume they'll continue to like what they like now, and show no appetite for things that look very different. A question that naturally arises is how predictive is individual, disconnected market research when individuals' future perceptions, preferences and actions are greatly influenced by information that will be acquired from O.

We expect that future market research will focus more on tracking and responding to consumers' decisions as they occur, and less on long-term preference forecasting. Instead of measuring individual consumers' preferences, expectations, satisfaction and loyalty, marketers should systematically track the readily available public information on review sites, user forums and other social media.

Market Research to Determine Location on the Continuum

Predicting the location of your customers on the influence continuum requires marketers to assess two fundamental factors: diagnosticity and accessibility. Diagnosticity is the more important driver. It refers to the degree to which O is informative (or diagnostic) about your personal product experience.

Market research to determine the diagnosticity of O in a certain category calls for finding out from consumers how useful and informative O is or can be. One way to find out is to ask consumers through surveys and interviews. The other is to conduct experiments in which one group chooses a product or a service based on current information sources, and another group also has extensive (but realistic) O sources; the comparison can allow a marketer to determine the potential net impact of O.

Assessing the current accessibility to O can be achieved by observing what's available out there and by analyzing consumer information search and purchase behavior — determine where people buy, how they buy, what information sources they consider, the sheer number of available reviews and expert evaluations, and so on. Are consumers making decisions on their own, or are they reading reviews first? Do they consult with other users on social networking sites? How do they react to information they get from other consumers? Look at both the percent of potential customers who consider information from others, and for those who do, what is the impact of that information on their decisions?

Increasingly, marketing will be about understanding what information sources consumers use, following trends, trying to offer the right products, and then following consumers' reactions. The name of the game will be, watch competitors' initiatives, assess consumer reaction to those initiatives, and react as fast as possible.

Absolute Business: A Final Word

How will the new environment affect a company's structure and organization? When things like positioning, branding or persuasion worked effectively, a mediocre company with a good marketing arm (and deep pockets for advertising) could get by. Now, as consumers base their decisions on their likely experience with a product, the marketing function in the organization has less of an impact on the success or failure of a business.

Since the impact of marketing is reduced, the impact of other functions in the organization increase, specifically those functions that affect absolute values. These may be different in different domains. R&D in consumer electronics and perhaps HR in the hospitality industry. Resources should be allocated to parts of the organization that have the biggest impact on absolute values as defined by prospective buyers. Follow the absolute.

The consumer in O-Dependent domains is the big winner of the shift to absolute. On average, consumers will make better decisions, and their ability to quickly assess their likely experience will push companies to provide better products and services.

Companies can win, too. Not companies that use smoke and mirrors, puffery and fluff. But those who learn to adjust quickly to the new era. Those that understand that it's not about brand, but about their next product. Success in the new era is about tracking what people want and then providing them with absolute value. Will relative forces still play some role in people's decisions? Of course. Will we see more and more decisions that are based on merit, on substance, and on the experienced quality of products and services? Absolutely.

RECOMMENDED READING LIST

If you liked *Absolute Value*, you'll also like:

1. ***Engaged!* by Gregg Lederman.** Lederman demonstrates how to communicate expectations for living the brand, measure to establish visibility and accountability, and ultimately create customers for life.

2. ***Can't Buy Me Like* by Bob Garfield, Doug Levy.** Garfield and Levy show you where authentic customer relationships come from, what they look like, and how to build them.

3. ***The Thank You Economy* by Gary Vaynerchuk.** Learn how businesses can harness all the changes and challenges inherent in social media and turn them into tremendous opportunities for profit and growth.

· Book 13 of 106 ·

39-09 Woo, Wow, and Win

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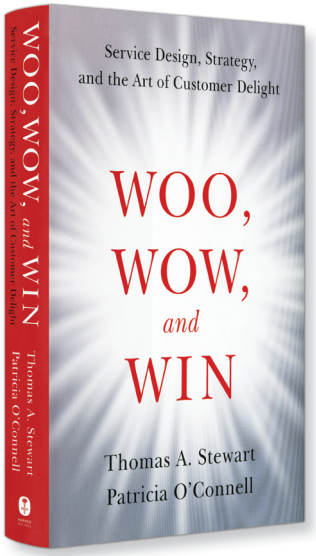
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Marketing

Woo, Wow, and Win

Service Design, Strategy, and the Art of Customer Delight



by Thomas A. Stewart and Patricia O'Connell

THE SUMMARY IN BRIEF

Pleasing customers isn't enough. To delight your customers—to woo, wow, and win them—you must design your service to create memorable, empathetic experiences that meet their expectations and advance your strategy. In *Woo, Wow, and Win,* bestselling authors and business experts Thomas A. Stewart and Patricia O'Connell show how to use service design to create great customer experiences reliably, repeatedly, and profitably.

Drawing on deep research and examples from industries as diverse as airlines and brokerages, hospitals and hospitality, consulting and construction, Stewart and O'Connell show how to apply the principles of service design in ways that uniquely fit your strategy. And the authors demonstrate how to use service design to set customers' expectations—and meet them in every interaction, in every channel, every time.

Woo, Wow, and Win teaches you how to create *"Ahhh"* moments—when the customer makes a positive judgment—and to avoid *"Ow"* moments—when you lose a sale or, worse, customer trust. Whether you're giving haircuts, selling life insurance, or managing an office building, your customers are as much a part of your business as your employees are. *Woo, Wow, and Win* shows you how to enlist them as collaborators in your success—and accelerate growth, innovation, and profitability.

IN THIS SUMMARY, YOU WILL LEARN:

- Service design is an essential strategic element for every business.
- Excellence in business needs to be built in, not painted on at the end.
- Great service should be free—like quality.
- A strategic program of service design and delivery is sustainable, repeatable, and profitable.

CONTENTS

The Road to *"Ahhh!"*
Page 2

The Service Design Revolution
Page 3

The Principles of Service Design
Page 4

Service Design in Action
Page 6

Corporate Culture and Service Design
Page 7

The Service/Product Connection
Page 7

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THE COMPLETE SUMMARY: **WOO, WOW, AND WIN**

by Thomas A. Stewart and Patricia O'Connell

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Introduction

Great service is not just a consequence of good intentions, attentive management, and a supportive culture. In fact, cause and effect are reversed: Service needs to be laid into the company's keel, the way performance is built into a BMW or intuitiveness designed into an iPad. The surprising fact is, most companies are not actually designed for service—to provide an experience that matches a customer's expectations, and to deliver it time and again. The reasons for this are complex and partly historical. For now, accept our premise that providing superior service is unnatural in most organizations.

In the last few years, a handful of progressive thinkers, pioneering executives, and scholars have begun to develop ideas and experiment in *service design*. Their thesis and ours is simple: Services should be designed with as much care as products are. We include service *delivery* in the concept, too, because artistry without execution is meaningless. Service design and delivery involve reimagining, recreating, and rethinking the execution of every stage and aspect of customer and company interaction, regardless of what is being sold and regardless of whether a transaction actually occurs. Put another way, service design and delivery—what we call SD^2—is what you do so your customers get the experience you want them to have—every time.

We have come to hold four propositions about service design almost as tenets of faith:

- We believe that the design of a service—what it does and does not do, the experience it creates, the value it delivers—should be an essential element of the go-to-market strategy of every service business.
- We believe that excellence in service, like quality in manufacturing goods, needs to be built in, not painted on at the end.
- We believe that great service should be free, also like quality—that is, that well-designed service pays for itself and then some, by saving you and your customers time and money.
- We have learned and believe that excellence in service design and delivery is the best way to differentiate your company from your rivals, and profitably woo, wow, and win not just customers, but the right customers for you.

Woo, Wow, and Win is presented in three main parts, each of which is a stage in what we hope will be a journey of discovery for you. Stumbles, losing one's way, and switching course are all part of any journey. Our goal is to inspire you to think about how your company can identify critical moments in your customers' journeys—and your own—so that you can better woo, wow, and win customers.

We do not pretend to have discovered fire with this book. Rather, it is about reminding you of the power of fire, and how to harness it.

Setting Out

The Road to "Ahhh!"

Understanding experience from the customer's perspective is where the Road to *Ahhh* begins. We believe that companies that apply the principles of service design will create not just satisfied customers but *strategic*

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Rebecca S. Clement, Publisher; **Sarah T. Dayton**, Editor in Chief; **Brennan Tapp**, Senior Editor; **Masiel Tejada**, Graphic Designer

strength: that the Road to *Ahhh* leads to a competitive position others will be unable to match or attack.

The topic of SD^2 couldn't be more timely or important. The service sector accounts for about 80 percent of U.S. economic output and employment, yet the principles of managing these organizations are less known, less studied, and less widely practiced than those of manufacturing.

At the heart of *Woo, Wow, and Win* is our identification of the five essential principles of service design and delivery. Derived from our combined experience working with and analyzing characteristics of successful companies, innovative cultures, and effective leaders, the principles are a way for senior leaders to shape service design initiatives, evaluate proposals and programs, and, above all, bring coherence to service strategy.

1. **The customer is always right—provided the customer is right for you.**

Deciding which customers you engage with and what you are willing to do for them is a powerful exercise in defining your brand.

2. **Don't surprise and delight your customers—just delight them.**

A well-designed service is predictably excellent. You delight your customers by meeting their needs within the expectations they have for whatever you are offering, whether those expectations are high or low.

3. **Great service must not require heroic efforts on the part of the provider or the customer.**

SD^2 should be efficient, effective, scalable, and if not error-proof, error-resistant. That is what makes it reliable—the delightful nonsurprise of the Second Principle.

4. **Service design must deliver a coherent experience across all channels and touchpoints.**

Simply put, any place you choose to play, you have to play well. And anything you are going to do, you have to do well in every way.

5. **You're never done: Anticipate, create, innovate, iterate—and repeat as needed.**

The rules for innovation in services aren't the same as the rules for products; companies need to learn service-innovation best practices and harness the power of the new.

Looking through the lens of service design, and bearing these principles in mind, it is easy to see how whole industries could be enormously improved by better service design and delivery.

The Service Design Revolution

Today services account for two-thirds or more of the gross domestic product of all advanced economies. This vast sector comprises everything from barbershops to investment banks, from schools to seaports, from hospitals to hospitality; businesses that do not make anything but, instead, move things, sell things, or provide intangibles like advice, insurance, or personal services.

In the United States, four out of five people work in services—116 million, ten times more than work in all the country's factories. As economies develop, so do services; they already account for more than 40 percent of China's GDP, for example.

Service design has a pretty clear starting point: a 1984 article in *Harvard Business Review* by G. Lynn Shostack, called "Designing Services That Deliver." Shostack had long realized that the differences between goods and services had profound real-world implications. Shostack wrote about creating a service "blueprint," a technical drawing, to lay out all the points of contact between a company and its customers, and the links between one stage and another. However, design thinking explicitly rebuts the reductionist approach for a holistic one, a mechanistic mindset for an organic one. That is why we have discarded the metaphor of a service blueprint and replaced it with a map, where there are touchpoints, not points of contact, and where activities take place onstage or offstage—behind the scenes.

Smart service design will examine each touchpoint and make it the best it can be. But the journey as a whole matters more. *Experiences matter. Experiences are journeys. Journeys are designed.*

Service Design and Your Strategy

Strategy is a word so overused it has been nearly bled of meaning. We reserve the term for the major choices companies make and the actions they take to accomplish those ends. Service design, too, is about choice. It is not about offering your customers whatever they want; service design is what a company does so that customers get *the experience the company wants them to have.* It connects strategic intent to customer experience.

You, as a leader, have to understand what the company is, what its strategy is and what your customers care about, and what jobs are toughest to do for them. Then you can know what great service is and apply the design principles that will ensure that you deliver it. It is to those principles that we now turn.

The Principles of Service Design

The First Principle

A customer who does not understand your value proposition, or care what you as a company uniquely promise and deliver, is the wrong customer for you. Service design helps you define your right customer, then arrange the links of your value chain to capture and encourage the customers you want, while siphoning away customers whom you cannot serve profitably or well.

Making these choices is complicated by business's long tradition of living by the adage "The customer is always right." Is she? Only if she is the right customer for you, and only if you have carefully worked out the design that makes you right for each other.

The stats on retention are compelling; clearly, keeping customers matters. But there's a premise hidden behind those stats, and it might not be true: that all those customers are equally worth retaining. Your most valuable customers are those who not only are loyal but who spend more per transaction and from whom you have a significant share of wallet. By focusing on customers with the greatest potential in terms of repeat purchases and large average transactions, marketing and customer service efforts (and costs) can be allocated where they matter most.

Just as you have more than one "right" customer, you very well may not be your customer's only answer. Price, convenience, desperation, necessity, your inability to meet all of your customer's needs (or their unwillingness to rely on only one service provider, which is often good business practice) means you not only have competition for their business but you are being compared, perhaps unfairly, to other service providers.

There are customers you have to say no to. In most cases, saying no to a potential customer is easier than saying goodbye to a current one, because a current customer was, at some point, your right one. Deciding to part ways with a current client is about acknowledging that something has changed: their needs, your strategy, the chemistry of the parties involved. When you are thinking about saying no, look at why.

Sometimes clients will ask you do to do things you do not have the capability for but perhaps should. If you get enough requests for a service or it is something most of your competitors provide, maybe you should take the hint. One of us worked with a strategic communications firm that barely dipped its toe in the social media waters despite increasingly frequent requests from clients. Even though the firm eventually added social and content capabilities to its offering, it had a reputation for being "old-fashioned," "stuck in its ways," and, worst of all, "out of touch."

The Second Principle

"Surprise and delight" has become a mantra for customer experience. Forget about surprising customers: Just delight them. We know that is counterintuitive. But why, we ask, should doing a good job be a surprise?

While customers may be surprised at the beginning of your relationship, particularly if you are delivering service that is superior to what they got elsewhere, the element of surprise should fade quickly, replaced by the reliability and predictability you have designed in. Continuity and consistency keep you on-brand and on-message. Service design allows you to figure out where your opportunities for delight are and are not, and to create the conditions that enable you to make the most of them.

Empathy and experience are the first steps toward designing delight. Your goal is to understand what purpose your customer has and then design an experience that fits the need. Empathy is a powerful tool in figuring out what matters to your client. Be your customer. Try navigating your website; try getting through to the right person in customer service; try ordering products; booking a flight—and flying coach; shopping in your store. While walking in your customer's shoes, however, it is important to resist substituting your own instincts for what direct observation reveals about customers. Traditional market research can confirm the insights you get from observation but is no substitute for it.

Though reliability is the key to delight, there will be circumstances that even the most meticulous service design cannot anticipate—where events are beyond your control or where customers bring powerful emotions when they come to you. The state a customer is in when he or she receives your service can affect the way it is perceived. While you cannot control the emotion customers bring to the situation, you can often make good guesses about what it might be and design your service accordingly, from guiding your employees' actions to providing an appropriate physical and visual environment.

Customer-facing employees, regardless of pay grade, title, or level of responsibility, may be your greatest resource in your efforts to delight customers. They are the ones who meet customers (whether virtually, by phone, or in person) at a critical juncture in the service process, so they will have a huge impact on your experience score. That is why

we're big believers in empowering frontline employees as much as possible.

Delight is not a onetime, unchanging thing. Customers' needs will change, as will their expectations about what great service is. The fact that you're never done is both a blessing and a burden. The blessing is that even though we believe excellence in service design and delivery should be built into your offerings from the beginning, the truth is it is never too late. Because excellence is a moving target, you have the chance to move with it and either catch up with or surpass your competitors.

The Third Principle

Nothing is more satisfying than dealing with a company that really knows its stuff. Both customer and company win when the job gets done well: one call, logical user interface, a single point of contact, flawless execution. Efficient and reliable every time. To deliver service in that way, your organization must be skilled, agile, and conditioned. The customer should never see you sweat, because you're not sweating.

Well-designed and delivered services do not waste time or money—yours or your customers'. This is our Third Principle of excellence in service design and delivery: Great service must not require heroic efforts on the part of the provider or the customer. It is a combination of efficiency and excellence—nothing is left out, nothing is superfluous.

Consider what happens when companies manage to deliver great service without great design—that is, when they place the burden of customer experience solely on the backs of employees, without providing the structure and tools they need. Across the business world, companies celebrate "customer service heroes" who go out of their way to deliver that order, fix that problem, or get that document out in time. Every heroic effort is an indication of an opportunity to redesign work so that you do not need superpowers to deliver superior service.

Or consider the flip side: instances where customer experience is sacrificed on the altar of efficiency. Operations teams—which rarely deal directly with customers—usually are asked to meet specific cost targets, while being vaguely reminded that they should do no harm to customer experience.

Time is money—and customers value their time as much as companies value theirs. If you design service to save customers' time, you may earn the right to receive some of the value you've created.

Service design offers the best way to search out, find, and eliminate occasions when you and your customers put forth heroic efforts. Initiatives to fix these problems are inherently cross-functional, so you need an approach that links departments, especially those offstage and those onstage. Here are three ways to look for improvements in efficiency and elegance simultaneously.

- *First, eliminate touchpoints.* The biggest gains may come from service redesign that entirely cuts out complicated or annoying stages in the customer's journey. Waiting in line to pay for merchandise is a classic example of a touchpoint from which neither buyer or seller receives value in most circumstances.
- *Second, enable parallel processing* by reordering operations. The need to hurry up and wait—which frustrates both buyers and sellers—can sometimes be eliminated by doing things in a different order.
- *Third, modularize and aggregate.* Unnecessary complexity wastes resources for service providers and customers alike. Consider the efficient elegance of the U.S. Postal Service's Flat Rate package shipping. Since packages are not weighed and the need for customers to fill out labels is eliminated, effort and time are reduced for both customers and postal employees.

The Fourth Principle

Wherever and however you choose to play, you must play well. A retailer that provides a fabulous in-store experience needs a website that is just as good. A hotel that coddles a customer during a stay needs to be equally solicitous if that customer leaves something behind in the room.

To deliver a coherent experience across all channels and touchpoints, service design must meet three requirements:

- *Harmony:* Wherever you engage with customers—in a conference room, on the phone, via an app, through advertising and branding—they should sense they are in your hands. It should feel the same to them. It should feel like you.
- *Integration:* All parts of your organization should play well together for the customer's benefit, making it possible for customers to hopscotch from one channel to another and back again.
- *End-to-end excellence:* You must deliver consistently high-quality work from the beginning of the customer experience to the end and at every point in-between.

The case for consistency seems open-and-shut, but is worth examining because the details yield insights about how to do it right. The first point of the case is that your customers engage with you in many places, sometimes in many places at once. They browse on the Web, then buy in a store. They visit bank branches, ATMs, websites, and apps.

You do not have Web customers and mobile customers, and store customers. You have customers.

Second, platform-crossing customers tend to be especially valuable. According to technology and research firm International Data Corporation, "omnichannel consumers" have a 30 percent higher lifetime value than single-channel purchasers.

Third, you get dinged when you fail. Platform-hopping increases the number of potential *Ow* moments in your relationship: You can aggravate customers on each platform, and also during the handoffs from one to another. A strong part of the organization cannot make up for a weak link: Free checking won't get you off the hook if your branches are shabby and tellers are crabby.

The Fifth Principle

It is no surprise that businesses need to renew themselves continuously, which is why it is startling that many companies in the services sector have no systematic way to think about innovation, whether in new offerings, new processes, new forms of customer experience, or new business models. When it comes to research, experimentation, and science-based progress, services have a lot of catching up to do.

The CEO of a multimillion-dollar truck dealership in Ohio, a family business more than a half-century old, told us: "You'd think innovation is for a manufacturer, but I've come to realize that it is important for our dealership, too—we can innovate things, we can plan better ideas of how to take care of our customers." Services lag in part because of what this truck dealer said: People think of innovation chiefly in terms of new products and do not recognize the opportunity to innovate and improve along the length of the value chain—or, as we would say, at every touchpoint, onstage and off. Innovation value is created in three arenas:

First, ideation—coming up with a goodly number of ideas of high quality. Valuable ideas can emerge at any touchpoint, anywhere along the value chain. Ask: What can we do new or better at this stage of the journey? What new technologies could change what we are doing *there*? How can we strengthen a critical customer interaction? Where do we make mistakes, force our customers to work too hard, or cause *Ow* moments?

Second, selection—the art and science of picking the best ideas. Service design vastly improves idea selection, because design thinking starts with empathy—putting yourself in customers' shoes to understand their wants and needs, especially those they cannot articulate. "It is not the customer's job to know what he wants," Steve Jobs famously said. Innovators that seek out unmet customer needs and act to be the first to address them outperform companies driven primarily by new technology or by following trends.

Third, execution—bringing the selected ideas into being and to the market. Service design starts with a simultaneous process of visioning and observing—watching customers while imagining what could be—then moves directly to live experimentation. Whenever possible, service changes should be tested "in the wild"—with real customers making real choices to spend real money.

For service companies, innovation needs to become a firm-wide, design-based capability—a platform. You want an end-to-end view of the service journey; the ability to map what's new (or what could become new) at every point on the map; and the ability, then, to see and measure how changes at one touchpoint can create problems or opportunities upstream or down.

Service Design in Action

Designing for Customer Capital Growth: When One Plus One Equals Three

In any transaction, there's a two-way exchange of value: As the seller you get money, your customer gets something in return—a room for the night, a package shipped, a medical test. Each of you puts something in and each takes something away. But ideally you both leave something behind: knowledge of each other's skills and preferences, the option to work together again, the trust on which a relationship is built or flourishes. These are the elements of customer capital.

Though customer capital accrues in all businesses, services are uniquely rich in it, because of the customer's active participation in creating value—even if it is something as simple as telling the barber to take a little more off the sides. What are you doing about your customer capital? Are you leveraging it, as you would any other kind of capital, or are you contenting yourself with mediocre returns? Service design offers specific, demonstrable ways to grow, manage, and profit from consumer capital.

Co-creation, or the idea of working with customers in an explicit way to create value together, is fairly new. Deciding whether, where, and how to tap into customer capital is a fundamental choice you will make in service design and delivery.

Just as customers' ability to talk to and about you has vastly grown, so has your ability to communicate with them. You can talk to them one-on-one; through groups; join them on the platforms and channels they are using to talk with each other; and, thanks to analytics, you can draw much smarter inferences from their behaviors than you could before. An important form of feedback comes from what we call "peersuasion": customers' influence over each other, especially when it is amplified via social media. Potential customers pay a lot of attention to what your current customers say. When customers tell customers, they are helping you build the confidence that is a key component of customer capital.

Technology, and particularly the app economy, will make co-creative innovation more common, whether companies invite it or not. Your ability to maintain sole control of your intellectual property is seriously compromised in a world of mash-ups and open source software; so when it comes to customers building stuff on top of your stuff, you're better off embracing it than wrestling with it.

Co-creation is not only a powerful tool to improve customer experience; it can become a strategy in and of itself, a way to bring your customers "inside" as your partners in building a more valuable, profitable enterprise.

At its best, co-creation leverages you and your customers' shared interests, needs, knowledge, and skills to elevate your interactions to the level of a delightful experience for the customer and a profitable one for you. It is the recognition that one plus one equals three, that what you can do in concert is more potent than what you can do solo—indeed, it's the recognition that customers are a source of more than money.

Corporate Culture and Service Design

Corporate culture has many definitions—perhaps the most broadly understood and widely accepted of which is "the way we do things around here." This hints at the inseparable link between culture and service design. Design should determine behavior—what you do at every interaction with customers, what must be done behind the scenes to prepare for those interactions—and behavior shapes culture.

We advocate creating what we call a service culture. A service culture isn't servile. It is about making sure that *your culture lines up with your customer's expectations and reinforces your ability to deliver on those expectations.* Companies need to create a strong, virtuous circle between service design and service culture—the way things are done, and the way they should be done. By doing so, you all but ensure that you end up with the culture you want.

Cultures do not emerge in a vacuum. They serve a purpose and, generally, come into being in response to stimuli from the boss. A boss who is constantly looking to pin blame on people should not be surprised if a defensive, "don't look at me" culture comes into being. But if dysfunctional cultures are the result of management behavior, so are vibrant, functional ones. If self-preservation is tied to delivering the right customer experience, you are using the power of culture rather than fighting it.

A service-oriented culture demands a specific type of leadership, what we call service leadership. If servant leadership, an idea popularized by Robert Greenleaf in 1970, is about respecting employees, service leadership is about being a strong advocate for the customer as well as employees. Another aspect of service leadership is never being satisfied with the status quo. If you do not have leadership that is always striving for improvement, then you're not going to have the culture of service running through the veins of the firm.

Like so many things, culture is simple but not easy. At its core, service leadership and creating a service culture come down to the people you hire, what you expect of them, and what you want to be known for as a company. What you stand for is a question you have to answer as both a service provider and as an employer. Ultimately, a service culture is about show, not tell.

The Service/Product Connection

When services study manufacturing, it is often to learn how to achieve economies of scale by standardizing offerings (making services more like products) or automating work (making service delivery more like an assembly line). When it is the other way around, it is frequently because manufacturers hope services companies can show them how to increase flexibility, customize, and personalize—without giving up scale economies.

Products or services that have or seek a strong emotional connection to customers need to be especially alert to the impact of value-chain partners on the experience they want customers to have. For manufacturers and their customers, shopping and technical support are emotional as well as practical considerations. The connection works the other way, too, from service to product.

A manufacturer that adds services without understanding the economics, organization, and design requirements has upped the number of ways it can disappoint customers and shareholders alike. The service design map thus

becomes bigger. For service companies that deal in goods, like distributors and retailers, it reaches back into the factory and forward into repair and service.

Companies that do not deal in physical goods also have an extended map, often one that involves other service providers. With this large map, the well-designed service company is able to understand the full dimensions of a customer's experience, craft customer expectations more intelligently, and develop ways to work constructively with other companies for the common good of wooing, wowing, and winning customers.

First Steps, Next Steps

We have used the metaphor of the service journey throughout this book. Studying and writing about service design has been a journey for us, too, as it has been for many business leaders, and as it is, we hope, for you. Service design presents an exciting opportunity to explore something that is new to management thinking, new to business practice, new to many business leaders. It was journey of confirmation and discovery, of realization and recognition.

Allow us to summarize what we discovered along the road:

- *The way to manage customer experience is to think of it as a journey* that you and your customer take together. This journey has many steps—many touchpoints—each of which is important. Your hope is that the end of each journey marks the beginning of a new one for you and your customer. The customer's repeat business is a reflection of the value that you give and that you create together.
- *Empathy is the starting point of the journey* and must be your constant companion—your Jiminy Cricket—as you design the customer's experience. Empathy allows you to understand what the customer is experiencing, to anticipate even those needs and desires that customers have not put into words, and to translate these into actions through your design and delivery.
- *Empathy must be reined in by expectations you set and meet.* Empathy unbridled can lead you to wanting to do all and be all; expectations keep you and your customer in line. Your ability and willingness to meet customer expectations are powerful indications of whether you do in fact have an actual design to your service.
- *Service design and delivery are a strategic discipline.* Use strategy to determine SD2; use SD2 to execute and reinforce strategy. Your goal is to design and deliver a delightful experience to your customers in arenas where you have the right to win.
- *Coherence, consistency, and alignment need to be designed into your service offering,* or they will be frittered away in the delivery. You must understand which customer interactions are most critical—and get company-wide agreement on the list and empower leaders to enforce adherence to the agreement. You should map and measure customer journeys as a whole, not just at each touchpoint.
- *Responsibility for customer delight belongs to everyone.* In a truly customer-centric organization, everyone is arrayed around the customer and everyone can contribute to the success of the journey you are on together.

In many ways SD^2 is simple, but its simplicity must not hide the fact that it is a never-ending process. You are never done; by the same token, it is never too late to begin.

You are never done because customers' needs and tastes will evolve, as will your own ability to meet them. Ideally one should not widely outpace the other.

It is never too late to begin, but the choice never to begin is a mistake. As more companies become aware of the importance of service design and delivery, as services—many of them largely commoditized—become a larger segment of the economy, as customers have fewer reasons to be loyal and more ways to discover competitive or alternative solutions to their needs, businesses that do not embrace the opportunity to differentiate themselves through design will suffer.

You do the wooing and the wowing, but ideally you and your customer both win.

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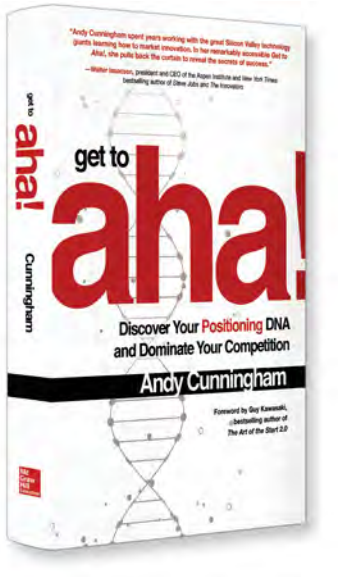
40-01 Get to Aha!

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Get to Aha!

Discover Your Positioning DNA and Dominate Your Competition



by Andy Cunningham

THE SUMMARY IN BRIEF

Get to Aha! shows how to establish the kind of foundation world-class brands are built on. Too many business leaders fail to ask the most basic questions about their company — Who are we? And why do we matter? — before they leap right into branding. Big mistake. A company must first know itself before it can express its identity.

There are three types of companies in the world, each with its own DNA: Mothers are customer-oriented, Mechanics are product-oriented and Missionaries are concept-oriented — and it's absolutely critical for business leaders to know which type their company is to create an authentic and, ultimately, "sticky" position in the market. A company's DNA is the key to achieving this and, with it, a competitive advantage.

If a company positions itself in alignment with its DNA, it will resonate authentically and establish its role and relevance even in the face of a major competitor. In *Get to Aha!* author Andy Cunningham presents a clear step-by-step framework that will help you determine your company's precise position in the marketing landscape. Using her DNA-based methodology, you can create a branding and marketing strategy that will build market momentum and crush the competition.

IN THIS SUMMARY, YOU WILL LEARN:

- Why positioning must come before branding.
- The three DNA types and six genotypes of companies.
- To identify and make the most of your company's DNA.
- Inspiring stories of companies that use their DNA awareness to position themselves optimally and win big in the market.

CONTENTS

Great Marketing Starts With Great Positioning
Page 2

Genetic Testing
Page 4

Positioning and Message Architecture
Page 5

Activation
Page 6

Tile: Delivering Peace of Mind
Page 7

Retrotope: The Next Big Thing
Page 8

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THE COMPLETE SUMMARY: **GET TO AHA!**

by Andy Cunningham

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PART I: THE PRINCIPLES OF POSITIONING

Great Marketing Starts With Great Positioning

Who are you as a company? Why do you matter?

Two simple questions and quite possibly the two most important ones that business leaders face today. The answers, however, are anything but simple. To respond, you must fully understand what — at its core — your company does, what your value proposition is to your most important customers, how you are positioned vis-à-vis your competition and how to tell your story in a compelling way.

Let's start with some definitions. Ries and Trout, who invented the concept of positioning in 1969, defined it this way: "Positioning is not what you do to a product. Positioning is what you do to the mind of the prospect. That is, you position (place) the product in the mind of the prospect."

The concept of positioning can be redefined as a *rational* expression of the unique role and relevance of a company, product or brand in the market: the definitive statement of who you are and why you matter. To ensure authenticity, this statement must be rooted in your corporate DNA. Positioning works in concert with its more emotive sibling — branding — which offers an emotional expression of a unique role and relevance through logos, look and feel, color palette, use of language, tone of voice, customer experience and design.

The problem is, many marketing and strategy agencies equate positioning with branding. Positioning is actually upstream from branding; you must determine your ideal position in the market before you work on the brand. Why? Because determining your ideal position in the market results from understanding exactly who you are (your DNA) and why you matter (what you bring to the market that others don't).

Just as people can understand much of who they are from their DNA, so too can companies. Like people, companies are organisms that reflect their creators, their environments, their obstacles and their strengths. They carry a core instruction set that informs the actions and outcomes of their work. In short, they have DNA. Not chemical, biological DNA, of course, but corporate DNA.

Just as a person's identity is composed of a rational side and an emotional side, with DNA driving those pieces, a company is compelled by intellectual and emotional elements. The key to maximizing competitive advantage is to pinpoint that DNA and use it to your advantage, that is, to position your company in the market so that you can win.

Only after the management team has a complete and rational understanding of its corporate DNA can it build an emotional narrative that accurately describes who it is and why it matters. (Coca-Cola is carefree. Red Bull is extreme. State Farm is trustworthy.) When you know who you are and why you matter, you can articulate a compelling reason for customers and prospects to buy in, and that results in competitive advantage.

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Core DNA Matters

The human genome contains about 3 billion nitrogen bases and about 20,000 genes, but its business equivalent is far simpler, made up of just three kinds of companies. That's it: only three types of companies in the world, each with its own distinctive DNA.

Although it is less complex, each type resembles its human counterpart: Mothers are customer-oriented companies, Mechanics are product-oriented companies and Missionaries are concept-oriented companies. Knowing which type you are is extremely helpful in developing a go-to-market strategy that sticks.

Mothers. As the name suggests, customer-oriented companies win on the basis of connection in terms of both whom they serve and the experience they create. Customer companies measure success by retention, satisfaction and loyalty, and everything they do — from the way they target a particular market to the way they train and compensate their employees — is motivated by customer needs and those companies' relationships with their customers. No matter the product — which can encompass anything from luxury cars to burgers, from niche magazines to toothpaste — Mothers win by fostering deep relationships with their customers. They then measure their success accordingly.

Mechanics. Mechanics are companies that are determined to build the best products and services and bring them to the masses before anyone else does, with success measured in terms of market dominance. Where Mothers are motivated by their relationships with customers and what they can offer them, Mechanics more often are propelled by technology and what it can do. Product-oriented companies are found across all industries. Walmart, for example, is a Mechanic, as is McDonald's; their primary focus lies in selling as much as possible to as many as possible, thereby achieving market supremacy.

Missionaries. Missionaries are concept-oriented; they are the companies dedicated to changing the world and delivering groundbreaking, life-altering innovation, the kind Apple delivered over and over during the Steve Jobs years. Motivated by a creative vision and bold ideas, they measure success by changed behavior and market disruption. Think Starbucks, the "Third Place" between work and home that disrupted the world of coffee.

Company Genotypes

Great positioning requires gene expression that is perfectly aligned with your company's core DNA. Just as genotyping is the process of determining an individual's genetic variants on the basis of DNA sequencing, you can "genotype" differences in the genetic makeup of companies. Once you know your DNA, there are two and only two strategic directions to go — two genotypes for each type of company.

Mother Genotypes: Customer Experience or Customer Segmentation. The first way Mothers win is through Customer Experience, which shows up in the form of customer connections, as seen with Zappos, Nordstrom and Lyft. Everything those companies do is geared toward maintaining customer relationships; everything they do is geared toward delighting the customer.

The second way Mothers win is by serving a specific segment of the market. Examples include niche publications (*Rolling Stone,* the *Wall Street Journal*), luxury automobiles (Ferrari, Porsche) and stores and brands catering to individual demographics (IKEA, Forever 21). Whatever the product, the focus is on appealing to a particular customer with a unique preference or need.

Mechanic Genotypes: Product Value or Product Features. When Mechanics are focused on price rather than features, the issue is always one of a value equation, such as "more for less." This is where you'll find companies such as Walmart (" Save Money. Live Better."). Companies such as Samsung, LG and KitchenAid are all Features-oriented Mechanics. They're always coming out with new models that do something incrementally better than what you already have on your wall or in your kitchen or in your laundry room.

Missionary Genotypes: Next Big Thing or Cult of Personality. Missionaries that win with the Next Big Thing do it via a creative vision (e.g., Starbucks) or by completely changing the behavior of an industry (FedEx). Their entire reason for existing is to change some fundamental premise about a product, service or industry. This, of course, is where many of Silicon Valley's biggest names show up: Apple, Tesla, Alphabet (formerly Google), Salesforce and Twitter.

What is it that makes a company such as Tesla or Apple so intriguing? What is it about Virgin and Salesforce that makes them stand out as exceptional? Sure, all are known for groundbreaking, pioneering concepts that change lives and have the potential to change the world. But there's something else, something that transcends innovation. Each is also famous for having an outsize, charismatic leader who fomented revolution seemingly by sheer force of will — a Cult of Personality leader. No matter the degree of magnetism, all Cult of Personality leaders have at least three things in common: a passion for

a chosen field (or fields), an outsize vision and a drive to change behavior.

Core DNA and the corresponding genotypes offer an opportunity to narrow positioning choices while at the same time ensuring that a company's position is aligned with its identity. Once you know your genetic makeup and the DNA "set" in which you thrive, there are dozens, hundreds, thousands (even potentially millions) of ways to position your product or service: gluten-free snacks for the toddler set, a temperature-sensitive tea kettle that also brews coffee, adventure tours for extreme skiers, light aircraft for commuters.

Genetic Testing

What kind of company are you? What is the dominant trait and identity at the core of your company? In short, what is your company's DNA?

People almost always say they already know their company's DNA. Sometimes they're right, but more often they're wrong. The first thing they do is latch onto the DNA type they desire, the one they think is cool. There is no "good" or "bad" genetic type. There is only what you are. You absolutely *can* dominate a market as a Mother and you *can* be a bold innovator as a Mechanic, just as you can disrupt markets and create new categories as any one of the three DNA types. The point is that you should position your company in accordance with the reality of your DNA.

The following survey will help you identify your company's DNA. Remember, it isn't unusual for a company to be convinced of its DNA only to discover that the way it sees itself and what it truly is are two very different things.

1. Which of these statements best describes what your company does? a. We solve a valuable customer need, and we do it better than anyone else. b. We build a truly differentiated product with a great value proposition. c. We shake things up; our goal is to change the world.

2. Think about the achievements your company values. Which of these three important achievements do you perceive your company values the most? a. The quality and value of our relationships with customers. b. Growth in revenue, sales and adoption of our product. c. Sparking a movement that changes people's minds or behavior.

3. Which of these three styles of innovation do you believe occurs most naturally at your company? a. Outside-in: What improves the experiences or better solves the needs of a customer or group of customers? b. Inside-out: How can we do something better, faster, cheaper? c. Way out there: What lies beyond the horizon? What bold idea is next?

4. Which of these best describes your typical pricing strategy? a. Based on usage or service. b. Value or cost-plus. c. Freemium or aspirational.

5. You've just been given a dollar to spend on marketing. On which of the following three projects would your company be most likely to spend that dollar? a. Insight into customer needs and desires. b. R&D on a truly amazing new product design or feature concept. c. A thought leadership platform.

6. Which of these three types of people would fit in best with your company culture today? a. Empathetic servant-leaders who intimately know and understand the customers' point of view. b. Brilliant developers, engineers and leaders who get things done. c. Big thinkers who make a "lifestyle choice" by joining our company.

7. Which of these best describes where product marketing resides within your organization today? (If you don't have a formal product marketing organization, check the option for where it most likely would reside if it did exist.) a. Reporting to our CMO — aligned with sales, marketing, operations and product management. b. Reporting to our CTO — aligned with product management, IT and R&D. c. In the C-suite, reporting to our CEO.

8. For which of the following things is your company's CEO most likely to be lauded in the marketplace? a. Reputation building — for service, relationships, communications and/or customer experience. b. Product evolution — for business performance, technical skills, patents, and IP and/or sales achievements. c. Vision — for gregariousness, personality, inventiveness, pioneering and/or giant thinking.

9. Which of the following three project proposals would most likely be funded by your executive team at its next meeting? a. An end-to-end target customer experience assessment and redesign canvassing all touchpoints. b. An R&D project to develop a near-term to medium-term solution to a present or emerging technical problem. c. A feasibility study on an exciting but theoretical concept.

10. How would your company's leadership team most likely confirm that a value proposition for your company is "correct"? a. We tested it at our latest round of customer advisory groups, and they loved it. b. Sales are up, and brand reputation is high. The metrics

show it's working. c. We simply "feel" it; customers don't know what they want until we invent it.

11. Which of the following three statements best describes how your company defines the word brand? a. The sum of all the experiences a customer has with our company across every touch point. b. The look and feel of our company — our logo, product names, taglines, product packaging, design style, tone of voice and so on. c. The way our spirit is embodied — a challenge to the world to think differently.

If your answers to the first 11 questions were predominantly (a), you're a Mother. If your answers were predominantly (b), you're a Mechanic. If your answers were predominantly (c), you're a Missionary.

The whole idea behind identifying your DNA is to avoid sending your product or service into a competitive arena that is out of concert with your genetic makeup, thus making it more difficult for you to succeed.

The Six Cs of Positioning

Although the genetic type is the single biggest factor in positioning, DNA is not the only consideration; there are other elements — the environment — that go into determining a company's ideal position in the market landscape. To develop positioning, take a close look at them and their ecosystems through six distinct lenses: Core (the company DNA), Category, Community, Competition, Context and Criteria.

Core has been covered in detail. The other five Cs follow.

Category. Where does your company fit within the market landscape? Is there a particular category you can claim with your product or service? Does your company fit into any category at all? Or are you creating a new category? Redefining an existing one? No matter your goal, the category you choose sets the boundaries for the landscape in which you intend to compete. It also shapes the world's understanding of who your competitors are.

Community. Just knowing who your customers are — new moms, neurosurgeons, network engineers — is not enough. You also need to know why they care about what you have to offer and understand why it's relevant to them. You need to find out how they learn about solutions such as yours. Who influences their buying decisions? Who are the other actors that appear in the buying cycle?

Competition. When it comes to your competition, great positioning is informed by the strengths and weaknesses of the alternatives to your product or service as well as by what is going on within your ecosystem. When you are staking a claim in a category that you feel you can own and win, expect the landscape to change around you and to change quickly. The better you understand and predict your evolving alternatives, the better you can evolve your own position and the more leeway you'll have to shape the category rather than have it shaped for you.

Context. Equally important in successful positioning is to consider the forces that currently shape the market — and even the world at large. The market landscape is always shifting, and so it is essential to adapt by capitalizing on the trends that influence customer beliefs, behaviors and language and to incorporate the implications of those trends into your product or service. That is exactly what Jeff Bezos did with Amazon in adapting a mainstream activity — buying books — to the evolving world of online commerce.

Criteria. Unlike the other Cs, which grow out of the environment, Criteria is a set of parameters that should come from the team after it has examined the other five Cs. It should be the last step you take before developing the actual positioning statement. The trick here is to compile a list of five to seven factors you want your positioning statement to accomplish so that you'll know you've arrived when you're there. For example, a retail company eager to appeal to millennials might include among its Criteria the following elements: hipness, 24/7 accessibility, value-based offers, sustainability and philanthropy.

The final step in getting to aha! is to begin the process of fitting all the Cs together to come up with a positioning statement.

Positioning and Message Architecture

It's time to get down to brass tacks and begin dealing with the message architecture, which is the single most useful marketing tool in the shed. The critical element of the message architecture is the positioning statement. A positioning statement is a rational, practical, factual statement about your role and relevance.

Let's examine the great positioning statement of Netflix: "Netflix is the world's leading Internet television network with over 93 million members in over 190 countries enjoying more than 125 million hours of TV shows and movies per day, including original series, documentaries and feature films."

This positioning statement pinpoints the company's role ("world's leading Internet television network") by calling

out the leadership fact ("world's leading") and pointing to a relevant category that Netflix may have coined ("Internet television network"). Notice, however, that it does not devote any space to catering to customers or focusing on their experience; nothing warm and fuzzy here. Nor, tellingly, does it highlight any value or features on offer. Netflix is a Missionary with Next Big Thing written all over it.

The Message Architecture

The next step is the message architecture, which provides the building blocks for your narrative. Message architecture is a framework of components that describe the company, with the positioning statement at the core. It also contains coherent branding elements and all the critical elements necessary for consistent and clear marketing and communication. In fact, it is the most important tool you'll have for communicating anything and everything. The message architecture crystallizes your position in language and a voice that best captures the essence of your brand.

A company's message architecture must contain the critical elements, which are target market, differentiator, category, value proposition, positioning statement, key messages, elevator story, brand archetype, brand personality, brand driver and narrative. This structure will give you the tools needed to inject the messaging virus into all of your external communication vehicles (including every owned, earned and paid channel), as well as into your internal communication vehicles.

Activation

Activating your positioning is what happens after your message architecture is in place. It is about bringing your company's message to life throughout the organization and out into the world. It's about thinking holistically and strategically about how to connect activities, touchpoints, communication vehicles, events and even the physical environment with key messages.

Activating positioning does not mean just adjusting your marketing communication; it's not simply a matter of the marketing department going off and rewriting some copy or updating the website. It doesn't mean just changing the boilerplate on your press releases or creating a new PowerPoint slide or a novel visual identity. Instead, activating positioning requires the injection of your positioning and key messages into all your communication vehicles and ensuring that your internal and external audiences receive precise and frequent doses. Activating your positioning means preparing your team members to understand how their roles connect to this new articulation of your strategy and what they have to do to support it.

Here is the secret to activating any new positioning: Treat it as you would treat a product launch. Like any well-executed, holistically designed launch, your new positioning launch should do all of the following and nothing less:

- Prepare your company to market and support the new positioning.
- Prime the market to understand and embrace the new positioning, and then reach that market.
- Protect your existing customers and your relationships with them.

Genetic Engineering

What if there is tension between who you are as a company and how you think you want to position? Is it possible to change your DNA?

Yes, you can change your company's DNA, but it's not easy. And it's not a decision to be taken lightly.

Although DNA changes are uncommon, a company can, in fact, make a choice to alter its genetic makeup. Amazon, for example, started out as a Missionary, and remnants of that DNA remain. A genetic change, however, is currently under way.

As was noted in an article in the *New York Times* about Amazon dropping list prices from the site, the company "is in the middle of an ambitious multiyear shift from a store selling one product at a time to a full-fledged ecosystem." It also has expanded its retailing platform to build a multibillion-dollar stream of web services. Over the years the company has morphed into a Mother, dedicated to ensuring that customers get exactly what they want, and quickly. To that end, Amazon probably has initiated specific companywide strategy shifts in the way it hires, trains and compensates its employees; the way it is structured; the way it measures success; and so on — all in true Mother form, with a goal of radically improving an already existing service.

In addition to time and effort, it takes a significant sum of money to restructure a company. No one remakes a company, particularly an established company, by fiat alone. It's not a decision that a CEO sleeps on overnight and then announces the next day. A lot goes into a DNA overhaul of any kind.

PART II: AHA! IN ACTION — THE PRACTICE OF POSITIONING

Tile: Delivering Peace of Mind

DNA: Mother
Genotype: Customer Experience
The Challenge: How to differentiate the company in an increasingly crowded market, how to connect better with customers and how to establish leadership.

Tile is the company behind the small square Bluetooth tracker and app of the same name that helps users find lost items. Scroll through Tile's website and you'll find dozens of testimonials: a 6-year-old's beloved stuffed penguin retrieved in Times Square; a motorcycle recovered in San Francisco, 30 miles from where it disappeared; a laptop left on the roof of a car and later tracked to the side of a Minnesota highway; a van stolen in Belgium that turned up in Holland.

No wonder the company calls itself "The World's Biggest Lost and Found." Tile's water-resistant tags use Bluetooth Low Energy to locate any item they're attached to. When a tagged object goes missing, the user fires up the Tile app; if the item is within 100 feet or so, the app signals the Tile to beep. For an object that is farther away — even thousands of miles away — it provides updated coordinates for retrieval every time another Tile user passes the missing item with a mobile device.

The positioning and DNA exercises revealed that Tile's opportunity was not to be a rationally driven hardware product company. Instead, the company would be an emotionally driven software services company offering customers peace of mind.

First, however, it needed to overcome a public relations hurdle — and do it in a way befitting a Mother. While still building the device, Tile had accumulated a large community of people who had bought into the concept, paid for the device and were growing impatient that they hadn't received it. Chat groups mocking the company sprang up online, and angry emails flooded the company's San Mateo, California, headquarters.

New understanding of its DNA as a Customer Experience Mother, however, encouraged the company's management team to view its growing number of up-in-arms customers as a community even before the technology that enabled that community was up and running, and Tile began to incorporate community building into its daily business practices with regular communications and updates going out to the group.

Not only was the outreach effort a success, serving to mollify exasperated customers, but reaching out to the community also laid the groundwork for future community-building initiatives, which have been key to the product's success. Before long, the company delivered on the delayed Tiles and turned its full attention to its Mother role of delivering peace of mind to its customers.

Synaptics: The Human Interface Revolution

DNA: Mechanic
Genotype: Features
The Challenge: Positioning for new relevance in the semiconductor industry.

In the spring of 2016 Synaptics Incorporated, a company founded in 1986 by two engineers deeply interested in the intersection of neural networks and technology applications, celebrated its thirtieth year in business. The founders applied the neural network concept to transistors on chips and built a touch-sensing interface solution that became the first touchpad, a technology that was widely adopted throughout the computer industry, so widely, in fact, that Synaptics became known as "the touchpad company."

Synaptics knew that if it wanted to remain standing in an increasingly global competitive environment — and, in fact, lead the way — it needed to define its position in the marketplace better, particularly in light of recent innovations and acquisitions in areas such as display drivers, touch and display integration and biometrics. The company was eager to establish itself as the innovator it was across a wide range of human interface solutions.

It was quickly apparent that with over 1,900 patents either pending or issued and with the fact that 70 percent of Synaptics' 1,850 employees work in technology, engineering and product-design functions, Synaptics was a poster child for Mechanic DNA. Synaptics has consistently added to its product line over the years, moving from notebook PCs into mobile and then adding display drivers, fingerprint sensors and a myriad of other technologies to its offerings. Notably, it also has continued to update the original touchpad.

The constant iteration to improve an existing product incrementally is exactly what makes Synaptics a Features Mechanic (as opposed to a Value Mechanic).

Human interface in action. And very much in keeping with the company's positioning statement: "Synaptics is

the leader in human interface solutions. With its innovative thinking, best-in-class technologies, and portfolio of integrated solutions, Synaptics empowers its partners to deliver intuitive user experiences."

CEO Rick Bergman notes that five years ago there wasn't one semiconductor company talking about human interface. "But that's what Synaptics is known for now," he said. "It's completely changed the way people perceive us in the industry."

Retrotope: The Next Big Thing

DNA: Missionary
Genotype: Next Big Thing
The Challenge: When caught between a rock and a hard place, how to establish a scientific beachhead in the pharmaceutical industry with a new approach to fighting disease.

Incorporated in 2006, Retrotope has been advancing a revolutionary unified theory of aging and degeneration that could result in dramatically new approaches to fighting disease. It also has created a new category of drugs composed of proprietary, reinforced compounds that both treat degenerative diseases and improve the quality of life as people age.

The company designed a new drug by making a tiny change to linoleic acid, a common and essential nutrient regularly ingested in food, after observing that a small alteration greatly fortified cells against lipid peroxidation, the damage that causes many diseases. In clinical tests the company has shown that when interacting with the altered linoleic acid, the cell membrane under assault from disease is modified to resist the damage. In short, Retrotope's therapies are capable of producing monumental change in the medical and pharmaceutical fields.

That was exactly the problem. Retrotope faced neither scorn nor ridicule; perhaps worse, no attention was paid to the new theory at all. Without other companies doing — or at least talking about doing — something similar, it was as if Retrotope were operating in a vacuum.

Retrotope's method was anything but popular. Instead of working to eliminate specific diseases altogether, it was focusing its efforts on shutting down the ability of free radicals to do the damage that results in disease (not to mention aging). Further complicating matters was the fact that the research also boasted data that seemed too good to be true.

It was immediately apparent to everyone involved that the company was a Next Big Thing Missionary, one that had developed a drug platform that could change and enhance the lives of millions. The issue instead was how to get that message out and, at the same time, to recast the company's narrative about its disease-modifying therapy so that it would be more appealing to investors, clinical trial participants and the press.

To that end, Cunningham Collective created a visionary positioning statement focused on the theory, not the drug — "Retrotope is leading the advance of a revolutionary new unified theory of aging and degeneration that can result in dramatically new approaches to therapy."

Retrotope has also organized a successful roundtable with 30 scientists representing a variety of disciplines from both universities and pharmaceutical companies to discuss ideas about a new unified theory of aging. The goal was to create momentum behind a new way to look at medical problems so that it wouldn't feel foreign when outside-the-box companies such as Retrotope set out to secure funding or partner with foundations, research labs, universities and other companies.

Conclusion

Once you know at your core if your company is a Mother, a Mechanic or a Missionary, you'll have the power to get to aha! and develop a perfect positioning statement that differentiates you from the competition and compels customers to come calling. You'll be able to leverage those innate characteristics to achieve alignment and get all your canoes paddling in the same direction.

Why? Because companies are like people. They have DNA that is reflected in their behaviors. Just as knowing who you are at your core enables you to be a better you, leaders who understand their positioning DNA can use it to their advantage and be better at marketing and selling their products.

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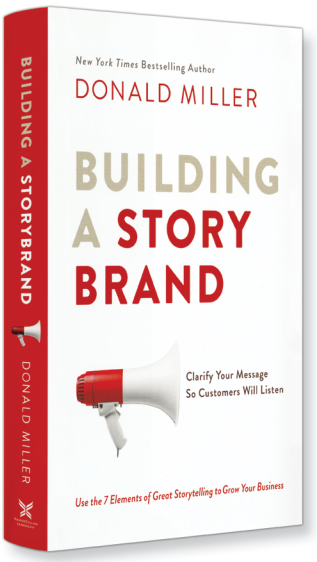
· Book 15 of 106 ·

40-04 Building a StoryBrand

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Building a StoryBrand

Clarify Your Message So Customers Will Listen

by Donald Miller

THE SUMMARY IN BRIEF

Too often, marketing efforts yield little or no results. In *Building a StoryBrand,* best-selling author Donald Miller offers a solution that works, by teaching companies how to dramatically improve how they connect with customers and grow their businesses.

Miller's StoryBrand process is a proven solution to the struggle business leaders face when talking about their businesses. This revolutionary method for connecting with customers provides organizations with the ultimate competitive advantage, revealing the secret for helping their customers understand the compelling benefits of using their products, ideas or services. *Building a StoryBrand* does this by teaching readers the seven universal story points all humans respond to; the real reason customers make purchases; how to simplify a brand message so people understand it; and how to create the most effective messaging for websites, brochures and social media.

Whether you are the marketing director of a multibillion dollar company or the owner of a small business, *Building a StoryBrand* will forever transform the way you talk about who you are, what you do and the unique value you bring to your customers.

IN THIS SUMMARY, YOU WILL LEARN:

- The seven elements of the StoryBrand Framework and how to use them.
- Why your customers, not your company, are the real heroes.
- Why all great stories and brands are about survival and transformation.
- To use your StoryBrand script to transform your organization.

CONTENTS

Part I: Why Most Marketing Is a Money Pit
Page 2

The Secret Weapon That Will Grow Your Business
Page 2

The Simple StoryBrand (SB7) Framework
Page 3

Part II: Building Your StoryBrand
Page 3

Part III: Implementing Your StoryBrand BrandScript
Page 7

Building a Better Website
Page 7

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THE COMPLETE SUMMARY: **BUILDING A STORYBRAND**

by Donald Miller

The author: Donald Miller is the CEO of StoryBrand, a company dedicated to helping individuals and organizations clarify and simplify their marketing. He has helped more than 3,000 businesses clarify their marketing messages so their companies grow. He is also the cohost of the Building a StoryBrand Podcast and the author of several books, including the best-sellers *Blue Like Jazz* and *A Million Miles in a Thousand Years.*

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PART I: WHY MOST MARKETING IS A MONEY PIT

The Key to Being Seen, Heard and Understood

Most companies waste enormous amounts of money on marketing. We all know how mind-numbing it is to spend precious dollars on a new marketing effort that gets no results. When we see the reports, we wonder what went wrong, or worse, whether our product is really as good as we thought it was.

But what if the problem wasn't the product? What if the problem was the way we talked about the product?

The fact is, pretty websites don't sell things. Words sell things. And if we haven't clarified our message, our customers won't listen.

The first mistake brands make is they fail to focus on the aspects of their offer that will help people survive and thrive. All great stories are about survival — either physical, emotional, relational or spiritual. This means that if we position our products and services as anything but an aid in helping people survive, thrive, be accepted, find love, achieve an aspirational identity or bond with a tribe that will defend them physically and socially, good luck selling anything to anybody. These are the only things people care about.

The second mistake brands make is they cause their customers to burn too many calories in an effort to understand their offer. When having to process too much seemingly random information, people begin to ignore the source of that useless information in an effort to conserve calories. There's a survival mechanism within our customers' brain that is designed to tune us out should we ever start confusing them.

The most powerful tool we can use to organize information so people don't have to burn very many calories is story. Story is a sense-making device. It identifies a necessary ambition, defines challenges that are battling to keep us from achieving that ambition and provides a plan to help us conquer those challenges. When we define the elements of a story as it relates to our brand, we create a map customers can follow to engage our products and services.

The narrative coming out of a company must be clear. Our customers have questions burning inside them, and if we aren't answering those questions, they'll move on to another brand. If we haven't identified what our customer wants, what problem we are helping them solve and what life will look like after they engage our products and services, for example, we can forget about thriving in the marketplace.

To clarify our message we're going to need a formula. A serious formula. This formula needs to organize our thinking, reduce our marketing effort, obliterate confusion, terrify the competition and finally get our businesses growing again.

The Secret Weapon That Will Grow Your Business

To grow your company, you can simplify your message into soundbites that come from seven categories. Once you have these seven messages down, any anxiety you

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Rebecca S. Clement, Publisher; **Sarah T. Dayton**, Editor in Chief; **Ashleigh Imus**, Senior Editor; **Masiel Tejada**, Graphic Designer; **A. Imus**, Contributing Editor

experience talking about your brand will subside, and customers will be more attracted to what you offer.

Here is nearly every story you see or hear in a nutshell: A CHARACTER who wants something encounters a PROBLEM before they can get it. At the peak of their despair, a GUIDE steps into their lives, gives them a PLAN and CALLS THEM TO ACTION. That action helps them avoid FAILURE and ends in a SUCCESS.

That's really it. You'll see some form of this structure in nearly every movie you watch from here on out. In the first *Hunger Games* movie, for example, Katniss Everdeen must compete in a twisted fight-to-the-death tournament forced upon the people of Panem by an evil, tyrannical government called the Capitol. The problem she faces is obvious: She must kill or be killed. Katniss is overwhelmed, underprepared and outnumbered.

Along comes Haymitch, the brash, liquor-loving, grizzled winner of a previous *Hunger Games* tournament. Haymitch assumes the role of Katniss' mentor, helping her hatch a plan to win over the public. This gains Katniss more sponsors, thereby equipping her with more resources for the fight and increasing her chances of winning.

The fact that nearly every movie you go see at the theater includes these seven elements means something. Simply put, this framework is the pinnacle of narrative communication. The further we veer away from these seven elements, the harder it becomes for audiences to engage.

The Three Crucial Questions

The greatest enemy our business faces is the same enemy that good stories face: noise. At no point should we be able to pause a movie and be unable to answer three questions: 1. What does the hero want? 2. Who or what is opposing the hero getting what she wants? 3. What will the hero's life look like if she does (or does not) get what she wants?

Just like there are three questions audiences must be able to answer to engage in a story, there are three questions potential customers must answer if we expect them to engage with our brand. And they should be able to answer these questions within five seconds of looking at our website or marketing material: 1. What do you offer? 2. How will it make my life better? 3. What do I need to do to buy it?

When customers finally understand how you can help them live a wonderful story, your company will grow. With that, let's take a look at the StoryBrand Framework.

The Simple StoryBrand (SB7) Framework

Let's fly over the SB7 framework so you can understand, in summary form, all that it can do to simplify your marketing and messaging.

1. A Character. StoryBrand Principle One: The customer is the hero, not your brand.

2. Has a Problem. StoryBrand Principle Two: Companies tend to sell solutions to external problems, but customers buy solutions to internal problems.

3. And Meets a Guide. StoryBrand Principle Three: Customers aren't looking for another hero; they're looking for a guide.

4. Who Gives Them a Plan. StoryBrand Principle Four: Customers trust a guide who has a plan.

5. And Calls Them to Action. StoryBrand Principle Five: Customers do not take action unless they are challenged to take action.

6. That Helps Them Avoid Failure. StoryBrand Principle Six: Every human being is trying to avoid a tragic ending.

7. And Ends in a Success. StoryBrand Principle Seven: Never assume people understand how your brand can change their lives. Tell them.

How do you narrow down your message so your marketing material starts working again? The StoryBrand BrandScript is a tool to simplify the process, and it's going to become your new best friend. The next seven sections walk you through these seven elements and help you create your BrandScript.

PART II: BUILDING YOUR STORYBRAND

A Character

A story doesn't really pick up until the hero needs to disarm a bomb, win someone's heart, defeat a villain or fight for their emotional or physical survival. And then the question becomes: Will the hero get what she wants?

As a brand it's important to define something your customer wants, because as soon as you define something your customer wants, you posit a story question in the mind of the customer: "Can this brand really help me get what I want?"

One university defined their customer's desire as a "hassle-free MBA you can complete after work." A caterer in Los Angeles defined his customer's desire as a

"mobile fine-dining experience in the environment of your choice." When you define something your customer wants, the customer is invited to alter their story in your direction. If they see your brand as a trustworthy and reliable guide, they will likely engage.

Open a Story Gap. Identifying a potential desire for your customer opens a story gap. The idea is that you place a gap between a character and what they want. Defining something your customer wants and featuring it in your marketing materials will open a story gap.

Pare Down the Customer's Ambition to a Single Focus. The most important challenge for business leaders is to define something simple and relevant their customers want and to become known for delivering on that promise.

Choose a Desire Relevant to Their Survival. In their desire to cast a wide net, brands often define a blob of a desire that is so vague, potential customers can't figure out why they need it in the first place. Here, survival means that primitive desire we all have to be safe, healthy, happy and strong. Survival simply means we have the economic and social resources to eat, drink, reproduce and fend off foes.

Desires that fit under this definition include conserving financial resources, conserving time, building social networks, gaining status, accumulating resources, the innate desire to be generous and the desire for meaning.

Has a Problem

Now that you've entered into your customers' story, how do you increase their interest in your brand? You borrow another play from the storyteller's playbook; you start talking about the problems your customers face.

Identifying our customers' problems deepens their interest in the story we are telling. Every story is about somebody who is trying to solve a problem, so when we identify our customers' problems, they recognize us as a brand that understands them.

How to Talk About Your Customers' Problems

Every story needs a villain. The villain is the number-one device storytellers use to give conflict a clear point of focus. How sympathetic would Batman be without the Joker? Luke Skywalker without Darth Vader? Harry Potter without Voldemort?

If we want our customers' ears to perk up when we talk about our products and services, we should position those products and services as weapons they can use to defeat a villain. And the villain should be dastardly.

A villain is the antagonist because the villain causes the hero serious problems. What's less obvious is that in a story, there are three levels of problems that work together to capture a reader's or a moviegoer's imagination.

1. External Problems. In stories, the external problem is often a physical, tangible problem the hero must overcome in order to save the day: a ticking time bomb or a runaway bus. Most of us are in the business of solving external problems. We provide insurance or clothes or soccer balls.

2. Internal Problems. Companies tend to sell solutions to external problems, but people buy solutions to internal problems. The only reason our customers buy from us is because the external problem we solve is frustrating them in some way. If we can identify that frustration, put it into words and offer to resolve it along with the original external problem, something special happens. We bond with our customers because we've positioned ourselves more deeply into their narrative.

If we own a house-painting business, our customer's external problem might be an unsightly home. The internal problem, however, may involve a sense of embarrassment about having the ugliest home on the street. Knowing this, our marketing could offer "Paint That Will Make Your Neighbors Jealous."

3. Philosophical Problems. The philosophical problem in a story is about something even larger than the story itself. It's about the question why. Why does this story matter in the overall epic of humanity? Brands that give customers a voice in a larger narrative add value to their products by giving their customers a deeper sense of meaning.

For Tesla Motor Cars, the villain is gas-guzzling, inferior technology. The external problem is, "I need a car." The internal problem is, "I want to be an early adopter of new technology." The philosophical problem is, "My choice of car ought to help save the environment."

When these three levels of problems are resolved in one shot, the audience experiences a sense of pleasure and relief, causing them to love the story.

And Meets a Guide

If a hero solves her own problem in a story, the audience will tune out. Why? Because we intuitively know if she could solve her own problem, she wouldn't have gotten into trouble in the first place. Storytellers use the guide character to encourage the hero and equip them to win the day.

You've seen the guide in nearly every story you've read, listened to or watched: Frodo has Gandalf, Katniss has Haymitch and Luke Skywalker has Yoda. Hamlet was "guided" by his father's ghost, and Romeo was taught the ways of love by Juliet.

Just like in stories, human beings wake up every morning self-identifying as a hero. They are troubled by internal, external and philosophical conflicts, and they know they can't solve these problems on their own.

The fatal mistake some brands make is they position themselves as the hero in the story instead of the guide. If we are tempted to position our brand as the hero because heroes are strong and capable and the center of attention, we should take a step back. In stories, the hero is never the strongest character. Heroes are often ill-equipped and filled with self-doubt. They are often reluctant, being thrown into the story rather than willingly engaging the plot.

The guide, however, has already "been there and done that" and has conquered the hero's challenge in their own backstory. The guide, not the hero, is the one with the most authority. Still, the story is rarely about the guide. The guide simply plays a role. The story must always be focused on the hero, and if a storyteller (or business leader) forgets this, the audience will get confused about who the story is really about, and they will lose interest. People are looking for a guide to help them, not another hero.

The Two Characteristics of a Guide

The two things a brand must communicate to position themselves as the guide are empathy and authority.

Oprah Winfrey, an undeniably successful guide to millions, once explained the three things every human being wants most are to be seen, heard and understood. This is the essence of empathy.

Empathetic statements start with words like, "We understand how it feels to . . ." or "Nobody should have to experience..." Empathy is more than just sentimental slogans, though. Real empathy means letting customers know we see them as we see ourselves. Customers look for brands they have something in common with.

Also, when looking for a guide, a hero trusts somebody who knows what they're doing. The guide doesn't have to be perfect, but the guide needs to have serious experience helping other heroes win the day.

Once we express empathy and demonstrate authority, we can position our brand as the guide our customer has been looking for.

Who Gives Them a Plan

When a customer is deciding whether to buy something, we should picture them standing on the edge of a rushing creek. It's true they want what's on the other side, but as they stand there, they hear a waterfall downstream. What happens if they fall into the creek? What would life look like if they went over those falls?

To ease our customers' concerns, we need to place large stones in that creek. When we identify the stones our customers can step on to get across the creek, we remove much of the risk and increase their comfort level about doing business with us. It's as though we're saying, "First, step here. See, it's easy. Then step here, then here, and then you'll be on the other side, and your problem will be resolved."

In the StoryBrand Framework, we refer to these "stones" as a plan. In nearly every movie you can think of, the guide gives the hero a plan. The plan is the bridge the hero must cross in order to arrive at the climactic scene. Rocky has to train using nontraditional methods, Tommy Boy has to embark on a national sales trip, and Juliet must drink the potion the apothecary gives her in order to trick her family into thinking she's died and to be free to be with Romeo.

The plan tightens the focus of the movie and gives the hero a "path of hope" she can walk that might lead to the resolution of her troubles.

Plans can take many shapes and forms, but all effective plans do one of two things: They either clarify how somebody can do business with us, or they remove the sense of risk somebody might have if they're considering investing in our products or services.

A **process plan** can describe the steps a customer needs to take to buy your product, or the steps the customer needs to take to use your product after they buy it, or a mixture of both. For instance, if you're selling an expensive product, you might break down the steps like this: 1. Schedule an appointment. 2. Allow us to create a customized plan. 3. Let's execute the plan together.

If process plans are about alleviating confusion, **agreement plans** are about alleviating fears. An agreement plan is best understood as a list of agreements you make with your customers to help them overcome their fear of doing business with you. The best way to arrive at an agreement plan is to list all the things your customer might be concerned about as it relates to your product or service and then counter that list with agreements that will alleviate their fears.

And Calls Them to Action

At this point in our customers' story, they are excited. We've defined a desire, identified their challenges, empathized with their feelings, established our competency in helping them and given them a plan. But they need us to do one more thing: They need us to call them to action.

The reason characters have to be challenged to take action is because everybody sitting in the dark theater knows human beings do not make major life decisions unless something challenges them to do so. Tom Cruise's character would never have journeyed to pick up his brother in the movie *Rain Man* unless he'd received a call explaining his father had died. Romeo wouldn't have climbed into the Capulet courtyard unless he'd fallen sick with love for Juliet.

Bodies at rest tend to stay at rest, and so do customers. Heroes need to be challenged by outside forces.

Two Kinds of Calls to Action

StoryBrand recommends two kinds of calls to action: direct calls to action and transitional calls to action. They work like two phases of a relationship.

Let's say we ask a customer to buy, but they don't. Who knows why, but they don't. There's no reason to end the relationship just because they aren't ready. You may want to deepen the relationship so that whenever they need what you sell, they will remember you. The way you deepen that relationship is through transitional calls to action.

A direct call to action is something that leads to a sale or at least is the first step down a path that leads to a sale. Direct calls to action include requests like "Buy now," "Schedule an appointment" or "Call today."

Transitional calls to action, however, contain less risk and usually offer a customer something for free. Transitional calls to action can be used to "on-ramp" potential customers to an eventual purchase. Inviting people to watch a webinar or download a PDF are good examples of transitional calls to action.

That Helps Them Avoid Failure

A story lives and dies based on the question, will the hero succeed or will they fail? Throughout a story, storytellers foreshadow a potential successful ending and a potential tragic ending. The audience remains in suspense as long as the storyteller keeps the hero teetering on the precipice of success and failure.

We sat on the edge of our seats in *Jaws* because we knew the citizens of Amity Island might be killed by the shark if Chief Martin Brody didn't do something.

Brands that don't warn their customers about what could happen if they don't buy their products fail to answer the "so what" question every customer is secretly asking. The obvious question is, what will the customer lose if they don't buy our products?

The last thing you want to be is a fearmonger, because it's true that fearmongers don't do well in the marketplace. But fearmongering is not the problem 99.9 percent of business leaders struggle with. Most of us struggle with the opposite. We don't bring up the negative stakes enough, and so the story we're telling falls flat. Remember, if there are no stakes, there is no story.

If you're a financial advisor, for example, the list of what you're helping customers avoid might look like this:

- Confusion about how your money is being invested;
- Not being ready for retirement;
- A lack of transparency from your financial advisor;
- A lack of one-on-one interaction with your advisor;
- Hidden fees.

We can even imagine a tragic scene that might befall our customers if they don't engage. A financial advisor might write something like this: "Don't postpone your retirement. You've worked too hard for too long to not enjoy time with your grandchildren."

Once we've defined the stakes, your customers will be motivated to resist failure. Next, we'll dramatically increase their motivation by helping them imagine what life can look like when they buy your products or services.

And Ends in a Success

Successful brands make it clear what life will look like if somebody engages their products or services. Nike promised to bring inspiration and innovation to every athlete. Starbucks offered to inspire and nurture their customers, one cup at a time.

In the final and most important element of the StoryBrand Framework, we're going to offer our customers what they want most: a happy ending to their story.

The ending should be specific and clear. Stories aren't vague, they're defined; they're about specific things happening to specific people. President John F. Kennedy would have bored the world had he cast a vision for a "highly competitive and productive space program." Instead, he

defined the ambition specifically and, as such, inspired a nation: "We're going to put a man on the moon."

Before and After

Ryan Deiss at DigitalMarketer created a great tool to help us imagine the success our customers will experience if they use our products and services. Answer the following questions about your customers' experience before they engage your brand and after they engage it:

- What do they have?
- What are they feeling?
- What's an average day like?
- What is their status?

Once you know how your customers' lives will change after they engage your brand, you will have plenty of copy to use in your marketing collateral.

The next step is to say it clearly. We must tell our customers what their lives will look like after they buy our products, or they will have no motivation to do so. We have to talk about the end vision we have for their lives in our keynotes, in our email blasts, on our websites and everywhere else.

Ultimately, the success module of your StoryBrand BrandScript should simply be a list of resolutions to your customers' problems. Brainstorm what your customer's life will look like externally if their problem is resolved; then think about how that resolution will make them feel; then consider why the resolution to their problem has made the world a more just place to live in. When we resolve our customers' internal, external and philosophical problems, we've truly created a resolution that will satisfy their story.

People Want Your Brand to Participate in Their Transformation

Everybody wants to be somebody different, somebody better or, perhaps, somebody who simply becomes more self-accepting. When you look closely at your BrandScript, you'll see it. Your brand is helping people become better versions of themselves, which is a beautiful thing. You are helping them become wiser, more equipped, more physically fit, more accepted and more at peace. Brands that participate in the identity transformation of their customers create passionate brand evangelists.

Heroes Are Designed to Transform

At the beginning of a story, the hero is usually flawed, filled with doubt and ill-equipped for the task set before them. The guide aids them on their journey, rife with conflict. The conflict begins to change the character, though. Forced into action, the hero develops skills and accrues the experience needed to defeat their foe. Though the hero is still filled with doubt, they summon the courage to engage and, in the climactic scene, defeat the villain, proving once and for all they have changed, that they are now competent to face challenges and are better versions of themselves. The story has transformed them.

This is the same character arc for *The Old Man and the Sea, Pride and Prejudice, Pinocchio, Hamlet, Sleeping Beauty* and *Tommy Boy.* It's the arc of almost every popular story we can name. Why? Because feelings of self-doubt are universal, as is the desire to become somebody competent and courageous. And all of this matters when it comes to branding our products and services.

When others talk about you, what do you want them to say? How we answer that question reveals who it is we'd like to be. It's the same for our customers. As it relates to your brand, how does your customer want to be perceived by their friends? And can you help them become that kind of person?

If you offer executive coaching, your clients may want to be seen as competent, generous and disciplined. If you sell sports equipment, your customers likely want to be perceived as active, fit and successful in their athletic pursuits.

When a brand commits itself to their customers' journey, to helping resolve their external, internal, and philosophical problems and then inspires them with an aspirational identity, they do more than sell products — they change lives. And leaders who care more about changing lives than they do about selling products tend to do a good bit of both.

PART III: IMPLEMENTING YOUR STORYBRAND BRANDSCRIPT

Building a Better Website

We will only see an increased engagement from customers if we implement our StoryBrand BrandScript in our marketing and messaging material.

These days we can get serious traction just paying attention to our digital presence. A great digital presence starts with a clear and effective website. Businesses were once able to post all the small print about what they do

on their website, but the Internet has changed. Today your website should be the equivalent of an elevator pitch. Here are five things you need to include to see results:

1. An Offer Above the Fold. On a website, the images and text above the fold are the things you see and read before you start scrolling down. Above the fold, make sure the images and text you use meet one of the following criteria: they promise an aspirational identity; they promise to solve a problem; they state exactly what they do.

2. Obvious Calls to Action. While we're in business to serve our customers and better the world, we'll be out of business soon if people don't click that "Buy Now" button. Let's not hide it. There are two main places we want to place a direct call to action. The first is at the top right of our website, and the second is at the center of the screen, right above the fold.

3. Images of Success. Words make up the majority of our messaging but not all of it. Images of smiling, happy people who have had a pleasurable experience (closed an open story loop) by engaging your brand should be featured on your website.

4. A Bite-Sized Breakdown of Your Revenue Streams. You may think your business is too diverse to communicate clearly, but it probably isn't. In most cases you can find an umbrella theme to unite them all. The key is clarity. When you break down your divisions clearly so people can understand what you offer, customers will be able to choose their own adventure without getting lost.

5. Very Few Words. People don't read websites anymore; they scan them. If there is a paragraph above the fold on your website, it's being passed over. Write copy that is brief, punchy and relevant to your customers.

If you think about your StoryBrand BrandScript as a drum kit, think of your website as a drum solo. There shouldn't be a single word, image or idea shared on your website that doesn't come from the thoughts generated by your StoryBrand BrandScript.

Using StoryBrand to Transform Company Culture

A solid StoryBrand BrandScript transforms *customer* engagement. But its value doesn't stop there. Your BrandScript can also be leveraged to transform *employee* engagement. And that has enormous implications for large organizations.

The Narrative Void is a vacant space that occurs inside the organization when there's no story to keep everyone aligned. For years, companies have attempted to exorcise the Narrative Void using the most sacred document available: the mission statement. But companies who calibrate their activities around a common story don't just *state* their mission, they operate *on mission*.

A true mission isn't a statement; it's a way of living and being. And it all starts with your StoryBrand Brandscript. When you leverage the StoryBrand Framework externally, for marketing, it transforms the *customer value proposition*. When you leverage it internally, for engagement, it transforms the *employee value proposition*.

All engagement rises and falls on the employee value proposition. To add value to employees, many StoryBrand BrandScripts are created. In these BrandScripts, the team is positioned as the hero and the company leadership is positioned as the guide. Compensation packages, leadership development, organized events and more are all "tools" the leadership creates to help their employees win the day.

Getting your company on mission may be the first step in a turnaround. Not just for the company but for your customers, your team members and even you. When there's no story, there's no engagement.

Business is one of the most powerful forces in the world for good. Businesses provide jobs, a nine-to-five community for our teams, meaningful work for terrific people and, most importantly, products and services that solve our customers' problems.

Getting up every day to grow your company is difficult work. The StoryBrand Framework was created to reduce this stress. It was created so you would be heard in the marketplace, grow your business and transform your customers' lives.

If you confuse, you'll lose. But if you clarify your message, customers will listen. Here's to helping the good guys win. Because in a good story, they always do.

MORE SV CONTENT ON MARKETING

Access these and more in your Soundview Online Library:

Summary: *Absolute Value* by Itamar Simonson and Emanuel Rosen. Itamar Simonson and Emanuel Rosen answer the question of what influences customers and describe how a company should design its communication strategy, market-research program and segmentation strategy in order to adopt a new way of thinking about marketing in this new environment.

Webinar: *How to Create Strong Relationships with Consumers* by Tim Halloran. In this webinar, branding expert Tim Halloran reveals what it takes to make consumers fall in love with your brand. This webinar will arm you with an arsenal of classic and emerging marketing tools that make best-in-class brands so successful.

· Book 16 of 106 ·

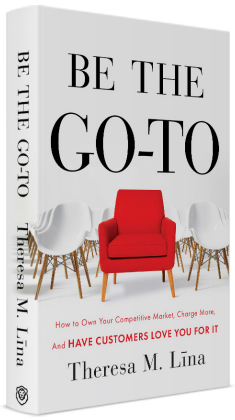
Be the Go-To

Theresa M. L·na

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Executive Book Summaries®

Be the Go-To

How to Own Your Competitive Market, Charge More, and Have Customers Love You For It



by **Theresa M. Līna**

Contents

Introduction
Page 2

Commoditization is Enemy #1
Page 2

What a Go-To Brand Does Differently
Page 2

The Apollo Method for Market Dominance
Page 3

Your Flight Plan
Page 4

THE SUMMARY IN BRIEF

What can the Apollo lunar mission teach companies about market dominance? Consultant and author, Theresa M. Līna is here to reveal the secrets to becoming the first name in customers' call lists with ***Be the Go-To***.

The weakness with most marketing plans is that there is terrific analysis of the situation, the market, the competition, the strategy, and so forth— and then one giant bucket of tactics you may as well call "Stuff." Not so with this book, where you'll find detailed tactics for confronting the commoditization challenge, embracing the advantages of being a Go-To, discovering what a Go-To brand does differently from other companies, how to gain market dominance step-by-step, and more.

If you implement the plans and strategies outlined here in detail, you should see immediate improvements in competitive differentiation, brand image, and your ability to deliver more powerful results to customers at healthy prices.

IN THIS SUMMARY, YOU WILL LEARN:

- How to set your business on a new, better path for market dominance.
- How to use early momentum to fuel even greater growth and infiltration with your key audiences.
- How to navigate the delicate world of client relationships to keep your perceived value at a maximum.
- How to accelerate and reach greater heights and never rest on current success.

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Sarah T. Dayton, Editor-in-Chief • Meghan Kozak, Director of Content • Kylie Waytuck, Graphic Designer

Introduction

Somehow, certain companies succeed at becoming and remaining dominant 'go-to' brands, able to command high prices relative to the competition, while others languish as me-too providers.

There are significant parallels between how successful businesses approach their work and how the United States put a human on the moon, what then seemed like an utterly impossible task. The fundamental circumstances were very similar, but the stakes were infinitely higher and the challenge infinitely greater at a time when technological superiority represented the power of liberty over oppression.

In this book summary, you'll learn how great organizations rally all necessary players around a goal; manage the program, projects, and business processes; build and motivate numerous organizations and engage partners; demonstrate milestone successes along the way and continuously make the case to their audience for their continued engagement; and much more.

The approach outlined in this book works, especially now that enterprise customers and even consumers are demanding full solutions to their problems and not just generic products or services. They want to buy results— offerings that take them all the way to the outcome and not just buy functions or features. You'll learn about what this means and how to do it.

Commoditization is Enemy #1

The most critical competitive threat to most companies is commoditization in the eyes of customers and the market as a whole, which then puts downward pressure on prices customers are willing to pay. This causes margins to shrink, which then reduces the money available to invest back into the business to fund growth, R&D, and continued training and development of people, marketing, and other important investments.

Determine the current gross margin and gross contribution margin for the parts of your business that drive most of your revenue. How do they compare to the rest of the industry? Are they sufficient to drive future growth and investment? (If you are a startup, project what these are likely to be once you have traction).

Answer these questions: What financial difference would it make for your business to be able to double your gross margins? What would you be able to do that you can't do today?

Since your costs are always going to rise at least linearly, if not exponentially, you had better be doing two things: figuring out how to raise the value of your offerings in order to raise your prices at least proportionally to rising costs, and figuring out how to get the most leverage and efficiency possible out of your operations to reduce costs.

Remedy: Be the Go-To Solution for a Market Problem

What's it like to be a Go-To company? A Go-To sometimes turns work away. It names its terms. Prospects may even compete for its business, not the other way around. It's one thing to differentiate and focus. But taken a step further, it's incredibly powerful and profitable to become the Go-To brand in your chosen markets. In addition to obtaining sustainable differentiation, your firm will maintain healthy margins and grow revenues over time.

Market dominance simply means becoming the Go-To brand for a particular market need and being so unique and superior at filling that need that you are able to command premium prices, work with premium customers, and hire premium people. Any company, no matter its size, can pursue it. Your goal is to get people to seek you out and believe so firmly in your ability to make a unique contribution that they will pay you whatever it takes.

There are tremendous economic, operating, and long-term shareholder value advantages in being the Go-To brand in a given market. By having a reputation that precedes you, being able to name your price, and having customers seek you out, you stand above competitive jockeying as an also-ran. You earn healthy margins that fuel growth and investment in your future. And life is just easier.

What a Go-To Brand Does Differently

Companies that achieve Go-To status in their chosen markets follow a particular set of strategies that me-toos typically don't. Here are eight things a Go-To brand does differently.

- A Go-To has maniacal focus.
- A Go-To starts with a central theme and market before it broadens.
- A Go-To is obsessed with its area of expertise.
- A Go-To has a higher purpose: to take market ownership of a problem.

- A Go-To evangelizes a prescriptive point of view on the problem with conviction, and builds a following around that view.
- A Go-To doesn't sell, it solves. It becomes more than a product or service, instead becoming the complete solution required to give a customer a desired outcome.
- A Go-To Constantly adjusts and adapts based on changes in the market, their customers' needs, and more.
- A Go-To takes a less-is-more approach.

These qualities and actions are what can separate you as a Go-TO from the me-toos. They are the crux of a market-dominance strategy. By establishing your company as the Go-To expert in its chosen markets, you are ethe first name that comes to mind when a prospect has a particular problem to solve. You become widely known and respected as the primary thought leader on a particular market issue, have unmatched expertise in a particular market, charge premium prices, and earn high margins.

The Apollo Method for Market Dominance

The Apollo Method for Market Dominance consists of four major phases that may happen sequentially or concurrently in the journey towards becoming the Go-To brand in your space. Sequence and timing will depend on your particular situation.

The first phase, Launch, is all about deciding on and publicly declaring what you want to stand for in the marketplace. You launch yourself into the market. This includes a unique and prescriptive point of view on a common, critical, and urgent market problem, and a unique, results-oriented solution.

The Ignite phase is about building momentum. You build support among powerbrokers and continuously ignite a movement in the marketplace around your point of view and solution.

The Navigate phase is where you walk your talk and guide customers along the journey. You deliver on your promises to the marketplace, developing and taking your solution to market to thrill customers with powerful results they're willing to pay you well for.

The Accelerate phase is all about picking up speed to further cement your status as the Go-To and stay far ahead of the pack, since me-too copycats will inevitably emerge.

Launch Phase

The primary objective of the Launch phase is to figure out and declare what you want to be the Go-To for—the one 'thing' you want to mean and in what marketplace, captured in just a few words. You must determine the problem you intend to own in a particular market, formulate a unique solution to that problem, and then publicly declare intellectual and execution ownership for that problem. You also need to develop a concise point of view on that problem that you can boil down to just three sentences as a start—Why there's a problem, what needs to be done about it, and how you've uniquely solved the problem.

Now is the time to put your infrastructure fundamentals in place so that you're ready and supported when you rev up sales efforts and business starts coming in. you want people up the learning curve and the kinds worked out of your processes by game time. Just be sure not to overinvest. You want to layer in infrastructure on a just-in-time basis as you build stable revenue streams with healthy margins that support ongoing investment.

Once you've identified your Go-To positioning, identify the baseline items you'll need in order to declare ownership and get your operation started.

Ignite Phase

Your goal is to Ignite the market and start a movement around your point of view and solution. You'll do this by building your reputation as a major industry player and becoming closely associated with your simple, boiled-down, memorable them.

The theme is centered on a common, critical, and urgent business problem most companies in your target sector do or will be facing. You're going to frame it in a provocative and counterintuitive manner in order to attract attention and rise above the market nose. You're going to be completely consistent, pounding the same theme over and over and over again. Every communication you put into market will be built around it. This will help people develop a top-of-mind association between you and the theme.

The more contagious your point of view, the faster and more effectively it will spread and reach a tipping point. Your goal is to establish a groundswell, a rolling-thunder effect, so that you build and gain momentum over time that eventually takes on a life of its own.

Navigate Phase

The Navigate phase is where you deliver on your promises and walk the talk. Your goal is to take clients on a journey toward solving their problem and leave them so thrilled that they are willing to pay handsomely for the valuable end results you deliver and, ideally, start promoting you to others. The Navigate phase encompasses sales and marketing, solution development and delivery, and operations.

You cement your position as a market leader through an industry "community of believers" who become ambassadors for your point of view and approach. You expand your infrastructure at an appropriate pace, and importantly, you measure progress and adjust accordingly. Don't get lost in the weeds, though. The objective is to help customers navigate their way to such a valuable outcome that they are willing to pay a premium to get it.

Accelerate Phase

The Accelerate phase is all about refreshing the vision and picking up speed to stay ahead of market changes and competition. You are operating in constantly changing conditions and must therefore constantly adapt and course correct. Adjust your vision, strategy, point of view, solution, and operations as needed, starting with an honest assessment of your current situation. Meanwhile, strengthen and expand customer relationships, break into the Early Majority, and broaden to other segments as appropriate. Continue to provide leadership across the market and grow your community of believers to further solidify your position as a market influencer and Go-To.

Above all, maintain a healthy paranoia, because no matter how firmly established you are as a Go-To, the market will inevitably fill with me-toos.

Jeff Bezos put it best in the company's IPO filing in 1997—

"Day 2 is stasis, followed by irrelevance. Followed by excruciating, painful decline. Followed by death. And that is why it's always Day 1…An established company might harvest Day 2 for decades, but the final result would still come. The outside world can push you into Day 2 if you won't or can't embrace powerful trends quickly. If you fight them, you're probably fighting the future. Embrace them and you have a tailwind."

Your Flight Plan

The overarching goal of the Apollo Method for Market Dominance is to help you build a platform as the Go-To brand. It will help you achieve sustainable differentiation in your crowded market.

Even today, almost sixty years after its inception, the successful Apollo Space Program remains one of the most powerful examples of human achievement in the face of competition and radical change. By applying valuable lessons from the efficacy of the Apollo Space Program as a focused, unified effort aimed at a specific and tangible outcome, any of us can win a business space race. Apollo serves as a dramatic role model, encouraging companies to take a focused, methodical approach.

May this book inspire you to declare your own moonshot by aiming to be the Go-To in your market, giving you the tools for a swift, relatively safe journey to the top. May you win your own space race.



Theresa M. Līna has over twenty years of experience as a recognized Silicon Valley thought leader and strategist. She is the CEO of Līna Group, Inc., which specializes in market dominance strategy, and has been involved at Stanford University since 2006. She has served as chief strategy and marketing officer for several technology startups, has advised hundreds of companies, and began her career at Accenture, where she helped found, lead, and grow the firm's communications industry group, now a multibillion-dollar business unit. Theresa is a frequent speaker and workshop leader on strategy, market leadership, innovation, and technology topics.

Be the Go-To: How to Own Your Competitive Market, Charge More, and Have Customers Love You For It by Theresa M. Līna. © 2020 Theresa M. Līna. Summarized by permission of the publisher, Lioncrest Publishing. 380 pages, ISBN 978-1544514352 Summary copyright ©2020 by Soundview Book Summaries®

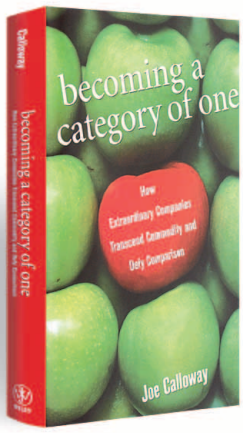
· Book 17 of 106 ·

Becoming a Category of One

Joe Calloway

SOUNDVIEW Executive Book Summaries®

FILE: MARKETING



How Extraordinary Companies Transcend Commodity and Defy Comparison

BECOMING A CATEGORY OF ONE

By Joe Calloway

CONTENTS

Deciding to Go
Pages 2, 3

Knowing Who You Want To Work for You
Page 3

Know Who You Are
Pages 3, 4

You Know What *Used* to Work
Pages 4, 5

The Commodity Trap
Pages 5, 6

Les Schwab Differentiates With People Power
Page 6

Your Brand Is Everything
Pages 6, 7

Three Customer Rules
Page 7

Brand Focus at Quill and R.J. Young
Page 7

The New Customer Reality
Page 8

Tough Customers, Tough Questions
Page 8

THE SUMMARY IN BRIEF

What if you could completely eliminate your competition from your customers' consideration — would you do it? Of course, you would. These days, so many companies strive to fit into a niche that they must elbow their way past a mass of competitors to do so. Why strive to be a leader in your category when you can create a different category and be the only one in it?

Such are the lessons to be learned in Becoming a Category of One. *By using consultant Joe Calloway's tips and advice, you can avoid being "commoditized" and differentiate yourself and your business from your competitors simply by shifting focus to your customers. Calloway describes real-life examples of companies that have gotten to know their customers very well, and have reaped the benefits of that knowledge in long-term relationships and continuous sales. Armed with proof that true success comes to organizations that can stand alone in their fields, he points out how a little self-discovery can take your business far, and how knowledge of self is critical to creating a successful branding strategy.*

What You'll Learn In This Summary

✓ **The importance of "deciding to go."** Learn why you must make the commitment to do what it takes to achieve your goals.

✓ **The pertinence of self-knowledge.** Find out what you must know to communicate your brand to a waiting, adoring public.

✓ **Complacency breeds inertia.** Success means you know what used to work — and know how to use that knowledge to build on your success.

✓ **Your brand is everything.** Discover how you are responsible for your brand and for making sure all you and your employees do supports it.

✓ **There is a new customer reality.** Learn how customers are tougher than ever before and how they have great demands and greater expectations.

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BECOMING A CATEGORY OF ONE

by Joe Calloway

— THE *COMPLETE* SUMMARY

Deciding to Go

In the film *Apollo 13*, Tom Hanks' character, astronaut Jim Lovell, reacts to the U.S. landing on the moon by telling his wife, "From now on, we live in a world where man has walked on the moon. It's not a miracle. We just decided to go."

"Deciding to go" is the first step toward becoming a "Category of One" — making the commitment that creates a new level of success. Unfortunately, it's also the step usually not taken. Most companies never decide to go. They *talk* a lot about it; they write mission statements and hold meetings, but when it comes down to making that commitment, they back away. Extraordinary companies make very deliberate decisions to go in terms of pursuing greatness; of seeing how far they can go and how successful they can become. Then, in order to sustain that success, they recommit to that decision again and again.

Go Big or Go Home

Most companies never get beyond the talking stages of the decision to go. Even though they think they've committed to doing something different and significant, what they've really done is commit to the *discussion* of doing something different and significant — they talk a good game, but never make a single play. The decision to go must be followed by immediate and significant action — a clear sign throughout the company that signals there's something big going on, made real by action.

Many companies encounter their first real obstacle at this juncture — informing employees of impending change. They assume — mistakenly — that all employees not only want to be the best, but are also willing to do what it takes in terms of commitment, change and hard work in order to make it happen. This is often a false and, occasionally, dangerous assumption. If the company's leadership is unable to rectify the situation, greatness on any level is virtually impossible — nothing of any substance will take place without the commitment of the employees.

You Get What You Want the Most

Talk is cheap; actions speak louder than words. If you want to be a Category of One, you must back up your stated desire with action. Some companies say, "We want to have the best people in the world," but they won't invest in training or better hiring practices. They want their people to take responsibility, but they don't give those people any real decision-making authority, and they micromanage everything those people do. They say, "We want teamwork," but they do nothing to improve communication between departments. What they *really* want is the status quo, with slogans. They get what they want the most.

Straight Answers to Tough Questions

Companies must confront themselves with these simple yet very tough questions about their stated goals:

- **Do we really mean this?**
- **How far are we willing to go to achieve our goals?**
- **What is our organization's tolerance for chaos?**
- **Are we willing to let go of everything that works in order to reach our destination?**
- **Who are we?**
- **What do we stand for?**
- **Are we serious about this effort?**

There are very serious ramifications involved if your organization is serious about achieving its goals. By answering "Yes," you make the commitment to seeing the effort through. Be careful when you do this. It is better to be honestly mediocre and try to stay where you are with a sense of contentment, than to be unrealistically ambitious about what is yet to be and never get there, because you never really wanted to go in the first place.

(continued on page 3)

The author: Joe Calloway is a consultant on branding and competitive positioning whose clients include newspapers in Sweden, hotels in Great Britain, and world brands like BMW and IBM. He speaks frequently and has been inducted into the International Speaker's Hall of Fame.

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Deciding to Go

(continued from page 2)

Making the decision to go means you start with an idea and do what must be done to make that vision a reality. You can't just "believe" your way to becoming extraordinary, but you also can't take action that isn't driven by a belief shared throughout your organization.

How does it get through your organization? Through communication. Some companies make a big deal of their push to greatness. They make big presentations, then follow up with communications that reinforce their goals. They also take the personal approach, making sure ongoing changes are discussed with employees face to face, encouraging buy-in at each stop, and building momentum as more and more people embrace the vision. ■

Know Who You Are

Who are you?

It's a tough question; most companies can't answer it. *Who are you?* Think about what's important to you, what you're about, and why your organization opens for business every day. If you have no sense of who you are, what's really important, and what the point of it all is, you will find it difficult to compete with other companies who have these basics figured out. Every Category of One company creates clarity around the "why" of its business, not simply the "what."

Much of this is wrapped up in your company's culture; how things are done in your business. Culture is the rules, spoken or unspoken, that the company plays by — every company, whether by design or accident, has a culture. The question for your organization to ponder is whether your culture is the one you want; the one that matches the idea of what your company wants to be.

Strengthen Your Language

Most companies have a mission statement, or a vision statement, or both — carefully crafted declarations that proclaim things like, "We will be the market leader," or "We will create a superior return for stakeholders," or some such uninspiring corporate-speak that means little or nothing to anyone in the real world. What is the point of having a mission statement if not to get to the guts of what you're all about, in a way that actually means something significant, personal and exciting to the people in your organization?

A weakness of so many companies is their reluctance to use powerful language to express what they claim are powerful ideas. Sometimes, people in business are so afraid of being "inappropriate," they use bland corporate-speak that accomplishes nothing. What's really inappropriate is having a mission statement that means nothing to anyone and fails to excite people. If you have strong feelings about your company, your customers and your people, use strong language.

Knowing Who You Want To Work for You

In a marketplace where companies compete for the scarce number of truly great employees, you must have a clear sense of who you are so that you can attract the people you want. Employer branding is as important as being branded with customers. They both want to know who you are. If you don't know, how in the world are they supposed to know?

LensCrafters Expresses Its Unique Vision

If you were asked to say what business LensCrafters is in, it would be reasonable if you said the company is in retail sales: It has stores and it sells eyeglasses. Ask a LensCrafters employee, and he or she will likely tell you something different — that the company spends its energy "giving the gift of sight to those who have the least and need [LensCrafters] the most."

This powerfully worded statement of vision is the switch that turns the company's people on. It is where these people become more than what they sell: They have a purpose much bigger than product sales. They believe that good vision is a basic human right, and they back that up in all they do, whether it is serving a customer in a mall store, or delivering eyeglasses to underprivileged people through its charitable program, Give the Gift of Sight. They are the walking, talking embodiment of their company's unique vision, and their attitude fuels their goal: to help the world see better.

Position Yourself in Advance

A companywide sense of purpose and identity makes decision making easy and efficient. You can better know how to do the right thing when faced with difficult decisions by making those decisions in advance. It's like being an umpire in a baseball game — the key to being good is in calling pitches consistently, positioning yourself behind the plate in such a way that you call the pitches the same way every time. The same principle works in our everyday lives: You position yourself in advance so that, when difficult questions arise, you don't have to wrestle with an answer — you've made it in advance.

Extraordinary companies stay focused because they decide in advance what businesses they do not want to be in, or what customers they do not want to work with. They've created clarity around who they are and what their point is — that is how goal setting works. They

(continued on page 4)

Know Who You Are

(continued from page 3)

make sacrifices along the road to achieving their goals, because they understand what they want most from their business and, perhaps more importantly, what they do not want.

Who You Are as an Employer

The necessity for differentiating your company as an employer is the same as it is with customers. It does not suffice to feed prospective employees lines like, "We're a great place to work." The best and brightest people in the marketplace want to have a clear sense of *what it's like* to work for you. Any company can tout competitive pay, great benefits, vacation time, and so forth — *every* company offers these. Don't be afraid to distinguish your organization from all others — if you fail in this effort, you, in effect, commoditize yourself as an employer.

Southwest Finds the Right People

Southwest Airlines, in its quest to find the right people to be its flight attendants, has run a print advertisement that contains a photo of a clear blue sky, as seen from the window of an airplane in flight. The headline of the ad is, "Does Your Current Job Have a View Like This?"

The headline is followed by copy that reads, "We're looking for unique people interested in a rewarding career … You'll receive outstanding benefits, travel privileges, and the power to express yourself while being part of a company renowned for its fun, supportive culture."

While some of the copy is run-of-the-mill, Southwest appeals to the heart of the prospective employee when it mentions "the power to express yourself" and a "fun, supportive culture." Most businesses shy away from such powerful descriptions, preferring vanilla corporate language that says absolutely nothing. Southwest connects to the type of employee it wants by revealing its culture in descriptive, alluring terms. Such an ad is one significant way Southwest finds the right people to join its work force. ■

You Know What *Used* to Work

Everything about the way we do business is changing. While most people will agree that change is a good and necessary thing, most of us are, to some degree, resistant to change. The Web changed everything, just like the telegraph did, the railroad did, the internal combustion engine did, the assembly line did, television did, and computers did. The significance of the Internet is the speed at which changes now cascade around us in a constant flow that never lets up and, in fact, increases in speed all the time. Big changes aren't new; big changes that come to you at light speed in a never-ending stream — that is new. Change is constant, sudden and significant. Competition, likewise, can shift in a nanosecond.

Rest Not on Your Laurels

Past success can be (and usually is) the enemy of future success. If you have a track record of past successes and are good at what you do, you might be in a dangerous position. Complacency tends to set in when a level of sustained success is achieved. The great danger of past success is that companies relax into thinking they know how their business works, or how their customers operate, and they fail to do the things that made them successful in the first place.

If you're successful, you know what used to work. If you're successful, you can compete and win in markets that *no longer exist*. The game starts over today and will start over again tomorrow.

Think of your company as the planet Saturn, with a stable core — your values, who you are, and what you stand for — surrounded by rings, representing the tactics you use when conducting your business. The rings change constantly, just as your customers do, or the technology you use, etc. Always remember who you are and what you stand for, but also look at how you must change to meet the needs of a world that is new every day.

Keeping Your Balance Through Changes

Changes in business are nothing new. These days, the biggest difference is that major changes don't happen occasionally — they happen all the time, and it's often difficult to see them coming. Not only does a company have to be willing to change and change often, it has to be willing to be wrong, because it must sometimes move a step or two ahead of its forecasts. Things change so constantly that by the time a situation is analyzed and a course of action is chosen, the situation itself has likely changed. Thus, analysis of a market or competitor can't take place periodically: It must happen constantly.

Today, if a company does not change, not only is it most likely not stable; it is at serious risk of disappearing altogether. You can most successfully change what you're doing and how you do it if you have a clear sense of who you are.

Embracing Change

Category of One companies learn to create their own sense of urgency without waiting for crises to shake them from their complacency. Failure is a constant companion — the prospect of failure, real or imagined, pushes these companies to take steps to avoid that failure and to make what they do obsolete, so that they're always several steps ahead of the competition. Far from resisting change, they run with change to create their own future, rather

(continued on page 5)

You Know What *Used* to Work

(continued from page 4)

than leave it to others or to circumstances that are out of their control.

Success runs in cycles. What you're doing right now will run its course with a period of initial introduction to the marketplace, followed by a peak of popularity, with a period of decline coming thereafter. To achieve sustained success, you should introduce the next product while the first product is at its peak, so that you are continually replacing what is declining with what is ascending. Even products that don't appear to wax and wane in such cycles (soft drinks, for example) do, at least where marketing is concerned. The reasons people buy the product change, even if the product itself does not. Nothing stays the same.

What You Don't Know

The very act of becoming successful demands that you change, learn new skills, and morph into a bigger, better, more successful you. You must take things up a notch, or you're sure to slide backward. Category of One companies embrace this frantic method of doing business and embrace the fact that continuous change is the norm.

Indeed, individuals and companies that excel at change are those that accept the idea that they don't know what's going to happen next, and they're perfectly fine with not knowing. They navigate periods of uncertainty with the confidence of knowing that whatever happens, they can make the appropriate adjustments and will handle it in a way that creates opportunity.

A New Definition of 'Normal'

One of the most valuable ideas you can embrace as a proponent of change is the idea that whatever happens is normal. That's not to say that every given circumstance is desirable, or even acceptable, but it's almost always normal. That concept is what separates those who handle change effectively from those who go ballistic at the slightest deviation from the expected process of things.

You've seen both kinds. One person might completely lose it if he or she is told there's been a change in plans, policy or strategy. The other kind of person is the type who, regardless of what changes you throw at him or her, seems to handle any situation almost effortlessly. The value of this type of person — one who can perform well under pressure — cannot be overestimated.

Category of One companies have a knack for creating opportunity out of virtually any set of economic or market conditions. How you react to different conditions depends on your perspective of the environment. Perception is reality; the challenge is to choose a perception that will create opportunity. Once you've mastered that skill, your perception really does become your reality — what are difficult times for others prove to be opportunities for you.

Good times are easygoing times for most companies; when things are easy, anyone can lead any company. Companies that are truly good at what they do welcome the occasional rough patch, because it helps shake out the competition at the same time new opportunities arise for those who are paying attention. ■

For additional information on a crisis that brought success, go to http://my.summary.com

The Commodity Trap

The most basic competitive question is, simply, "Why should I do business with you?" Most companies answer that most competitive question in a most noncompetitive way, by telling the customer, "Do business with us, because we're pretty much the same as our competition, but we're good at it." Not much differentiation there.

Customers see parity everywhere. They look at your business, your competitor's business, or some unrelated business, and they believe they can get the same thing, just as good, for a similar or lower price, from the competition. And they are exactly right. Businesses are forced to compete as commodities until they do something to change the customer's perceptions of them.

Transcending Commodity

The great challenge for any business today is to transcend commodity — to differentiate itself from competitors in an effort to avoid being compelled to compete in low-margin price wars. You want, in other words, to force an "apples and oranges" comparison between your business and the competition, to create such a significant difference in what it's like to do business with you that customers can go nowhere else to get their desired experience.

Once you have your superior product and exceptional service offering, the *real* fun begins. The first step in transcending commodity is to recognize that the marketplace sees you as a commodity. Don't fight it — it's a competitively powerful perspective to admit you're pretty much the same as your competitors; to be realistic and see your company through the eyes of your customers and prospective customers.

What you do not want to do is try to differentiate your business with false promises, making things up in order to pull in customers. They're not dumb. Once they figure out you're promising more than you can deliver, you won't have to worry about them anymore, because they'll be gone, beyond your reach for good. It's a strategy that doesn't differentiate a business — it destroys it.

You cannot advertise your way to superior performance, either. If you want to run an ad campaign that tells the public how great you are, here's a tip — get great first. The

(continued on page 6)

The Commodity Trap

(continued from page 5)

customers know the truth; they're flexing their economic muscles as never before. They will not be lied to. They are a determined bunch, and they will not tolerate deception.

Not only will they leave you if they feel misled or mistreated; they'll look for justice, whether that justice takes the form of letters to the Better Business Bureau, hiring an attorney, or simply telling everyone they know that your business is making promises it cannot keep. There is no longer such a thing as a "normal" exaggeration of claims for a product or service — you *must* deliver what you promise.

Exaggeration: A Case Study

The author was doing consulting work with a bank that was losing market share. Instead of doing the work needed to improve its services and relationships with customers, the bank ran an ad campaign with the slogan, "People Matter Most." A fine idea — all the benefits of improved service to customers, without the work!

Not quite. The first people to see through the campaign were the employees, who merely laughed and shook their heads. The customers eventually caught on as well, and some of them did more than laugh — they took their business elsewhere. The bank ended up with a much worse problem than the one with which they had started. Its campaign had called attention to what, in fact, was its greatest weakness — it was terrible at dealing with people.

Beyond Expectation

To avoid the commodity trap, you have to find points of genuine differentiation, mostly by looking in places you've previously neglected, and going beyond the expected factors of price, quality and service. The key is value. Customers are looking for a way to solve problems or create opportunities. You need to offer more than simply a good price to keep customers happy. You need to help them use your product or service to make their dreams come true.

Indeed, the real competitive battle in many marketplaces is being fought beyond traditional notions of service in areas such as problem solving, or what experience or feeling is created for the customer. Think about where you differentiate or, more accurately, where you do not. It's probably not with your product: It's rare anyone gains competitive edge strictly on product quality. Quality is an expectation, an entry-level factor. Everyone makes good products. Gone are the days when, for example, only a handful of car companies made quality automobiles, and the rest made autos of questionable quality. Now, even economy cars impress with their durability and features.

Les Schwab Differentiates With People Power

Les Schwab Tires is one of the largest independent tire dealers in the United States. The company offers good quality tires at a competitive price, with a great selection and excellent warranty. What differentiates Les Schwab, however, is what it does beyond price, quality and even service.

Les Schwab attendants *run* to your car. This running doesn't occur by accident — the company calls it "sudden service." With the simple act of running to the car, Les Schwab Tires sends a powerful message to every customer — "We want and appreciate your business." Customers remember this; Les Schwab is known far and wide for its running attendants, resulting in instant differentiation from slower competitors.

People as Differentiation Factors

The irony is that when you create a truly high-quality product, you compete only against other high-quality products, so the competitive battle shifts from quality to other areas, such as your people. Think your people are better than your competitors'? Prove it. What do they do that others do not? How is your training better? People can be that great differentiating factor that enables you to transcend commodity and defy comparison. ■

For additional information on examples of how people help transcend commodity, go to http://my.summary.com

Your Brand Is Everything

Your brand is not your advertising. It is not your logo, your company name, or even your product. Your brand is owned by your customers and anyone else who has an impression of your company. Your brand resides in the minds of your customers — whatever they think you promise them, and whether or not you keep your promise. It is what defines you in the marketplace. It should be the top priority of every employee — from the president of the company, to the employees in the warehouse, to the receptionist — to build, protect and represent your brand to the best of their ability.

What Branding Is All About

Some other things you should keep in mind about your brand include the following:

- **It's not just about storytelling.** It's not the job of the marketing, advertising or public relations departments to create the brand. They have a hand in it, certainly, but their job is to tell the story of the brand. It's

(continued on page 7)

Your Brand Is Everything

(continued from page 6)

the job of everyone else in the company to create the brand with the quality of how they do their work, every day. Brands are not created by commercials: They're created by every single employee in your company.

- **Inconsistency kills.** Category of One companies understand the ongoing nature of building, protecting and communicating the brand all the time, 24 hours a day, seven days a week. You can advertise all you want, and you can have some really terrific people working for you, but your brand is only as strong as the employee with the weakest commitment to excellence. If that person fails to fulfill your promises to your customers, you run the risk of losing vital support from those customers.
- **Focus is key.** To maintain brand strength requires focus and constant reinforcement with everyone in your organization. Brand isn't the mission statement you wrote, nor is it your 10-point list of priorities. Your brand should be a simple understanding of who you are, what you promise in the marketplace, and your ability and willingness to keep that promise.
- **Communication reinforces your branding effort.** Reinforcing the strength of your customer relationships as the core of your branding effort is a process, not an event. It starts with getting buy-in internally from managers and employees through constant communication to and feedback from your work force. Only when you have their blessing can you take the strengths and message of your brand to the people outside the company — your customers.
- **Your brand is personal.** A job well done means more than simply doing great work: It means doing great work in a way that builds successful relationships with customers, employees and partners. People are at the heart of your brand and branding efforts. Your promise to the marketplace — the foundation of your brand — is *personal*. ■

For additional information on branding the Starbucks way, go to http://my.summary.com

Brand Focus at Quill and R.J. Young

Larry Morse, president of Quill (a leading direct marketer of office supplies), explains the essence of his company's brand as a dedication "to providing customers with the very best service possible … Quill's mission is simple — Treat our customers better than anyone else … that is what our organization will always be totally focused on." After 46 years in business, Quill understands the importance of picking one thing and staying totally focused on it.

R.J. Young Co., a leading supplier of copiers and office machinery, has a similar brand concept. For many years, the company has stated, "We'll make it right." Period. Forget what the warranty says. The company wants to know what *you* say will make you happy. "We'll make it right" truly is its brand.

Three Customer Rules

Every Category of One company excels at following and living three essential rules:

1. Know more about the customer than anyone else.

2. Get closer to the customer than anyone else.

3. Emotionally connect with the customer better than anyone else.

In a customer-driven market, there are no substitutes for these rules. Combining these three actions will give you the single greatest advantage over your competition, enabling you to truly transcend commodity and defy comparison.

The single most powerful selling tool is to know more about your customer going into the relationship. The problem with this idea is that, in some eyes, it takes too much time. Who has time to do the legwork or the research required to get to know prospective and existing customers better?

You must make the time, and not simply to gain more business. Knowledge of a prospective customer can help you recognize what business you *don't* want to pursue. It can be very damaging for a business to try to make itself fit into a situation with a customer that is not mutually beneficial. Why be a square peg trying to fit into a round hole? You can't qualify your prospects without the right knowledge.

Walking Away

Category of One performers are very good at knowing where they fit and where they do not. They will quickly walk away from a situation that does not fit them. They focus on gaining knowledge not for the purpose of making a sale, but for the purpose of seeing if it's a good fit. The worst thing you can do for your business long term is to get outside of what you're good at and try and do a job that someone else should be doing.

Walking away from an imperfect fit is just another example of why it is important to know yourself, to know your business, what it's there for, and what you're there to do. Pursuing a bad business fit takes time and resources away from where you should be focused — on building customer relationships that *do* fit. ■

For additional information on making an emotional connection with customers, go to http://my.summary.com

The New Customer Reality

Have you noticed something different about your customers lately? Or, to put it another way, have you noticed *everything's* different about your customers lately? Old conceptions of your business' relationship with its customers can be tossed out the window. There's a new reality you must face or risk losing customer relationships if you do not.

Here are some things you should know about the new customer reality:

● **Their minimum expectations are higher than before.** Today's incredible innovation is tomorrow's minimum expectation. A few years ago, hotel owners would have scoffed if you suggested that they put an iron and ironing board in every room. Today, it's expected. The crazy ideas that broke rules yesterday are expected standards of performance today.

● **They're mad as hell.** Customers used to know their place and generally took whatever a seller was willing to give them. If they weren't happy, they kept it to themselves. Things have changed. The dissatisfied refrain from the movie *Network* — "I'm mad as hell, and I'm not going to take it anymore!" — is the exclamation heard far and wide by customers everywhere. Your customers. Your competitor's customers. Everyone's customers. You are not in control. Today's customers have power like never before, and they are using it.

Quality Is Expected

● **Quality is an entry-level factor.** Product quality is no longer a competitive factor: It is now but a single component in the whole concept of value. It is expected. Everyone brings a quality product or service to the marketplace.

● **They look for the total experience.** People don't buy just products anymore. They buy an experience. The whole experience of doing business with a company is much more than simply the product one buys: It's about the experience the buyer has as the owner of the product. You must change the weight you give to the importance of the customer's total experience with your business. Service and experience are the primary competitive factors you must address. Adjust accordingly.

● **They make the decisions.** You need to make the conscious decision to let your customers make up the rules — they already do anyway. If you aren't willing to play by those rules, you can't play at all. They won't let you.

Do You Know What Their Expectations Are?

● **It's hard to exceed their expectations.** You often hear companies claim they strive to "exceed the customer's expectations." Do you have even a remote idea how incredibly high your customers' expectations are? Exceeding customers' expectations is a very powerful goal, as long as you remember that you do not decide if you've exceeded their expectations. They do that.

● **They're not yours for life.** No business today automatically has "customers for life," which is a big change from the way things used to be. Some businesses, almost by nature, seemed to be able to hold onto their customers without really trying. Today, customers feel they can find whatever you're selling somewhere else, for the same price or better. They're probably right.

● **They compare you to everything.** Every company loves to benchmark, but most only benchmark themselves against others in their market or competitive realm. Customers don't think that way — they'll compare you to everyone they do business with. You need to deliver on time like Federal Express and know their names, just like the local dry cleaner. If someone out there provides the level of service they want, they'll want you to give them that same level, regardless of your business or the other business. ■

Tough Customers, Tough Questions

If you want to gain some insight into how your customers have changed and toughened over time, think of yourself and what you want as a customer, and then answer the following questions:

- ✓ Are you a tougher customer than you were five years ago?
- ✓ Are you a more informed and more educated buyer than you were five years ago?
- ✓ Are you more likely to complain on the spot if you experience a problem?
- ✓ Do you demand better service than you used to?
- ✓ If you do not receive the service you want, are you more likely to fire that business and never come back?
- ✓ Are you more likely today to take action such as writing or calling a company's management with a complaint?
- ✓ Do you tell more people today about companies that you have experienced problems with?
- ✓ Do you take no for an answer or are you more likely to go up the chain of command until you get satisfaction?
- ✓ Do you demand more value than ever before for every dollar that you spend?
- ✓ Do you feel like you have choices in who you do business with and that you will exercise those choices if you don't get the service you want?

You're pretty tough yourself, aren't you? Well, your customers are at least as tough as you are.

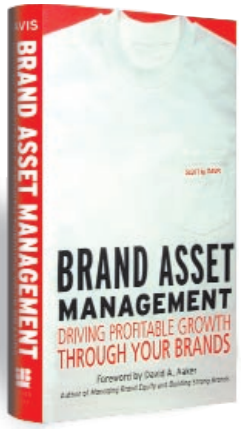
· Book 18 of 106 ·

Brand Asses Management

Scott M. Davis

SOUNDVIEW Executive Book Summaries®

FILE: MARKETING



By Scott M. Davis

CONTENTS

Developing a Brand Vision
Pages 2, 3

What Makes a Brand Vision Statement?
Page 2

Determining Your BrandPicture
Pages 3, 4, 5, 6

The Brand Value Pyramid
Page 3

Brand Association Questions
Page 4

Developing a Brand Asset Management Strategy
Pages 6, 7, 8

Bookstores Position Their Brands
Page 7

Supporting a Brand Asset Management Culture
Page 8

Driving Profitable Growth Through Your Brands

BRAND ASSET MANAGEMENT

THE SUMMARY IN BRIEF

Brands are among a company's most valuable assets, and smart companies today realize that capitalizing on their brands is important. Doing so can help them achieve growth objectives more quickly and more profitably. In this summary you will use author Scott Davis' 11-step process to leverage your company's brands into a valuable asset that will let you charge a premium for your products and services and still retain market leadership. The 11 steps in the process are grouped into four phases:

- **Phase 1. Developing a Brand Vision.** The vision you develop for your brand must be linked to your corporate vision and must fill a financial growth gap. The vision you create must be shared by senior management.
- **Phase 2. Determining Your BrandPicture.** You will learn to view your brand as the consumer views it, and will discover what your brand stands for, why customers choose your brand over others, and what additional needs and wants your brand could fill. You will also see clearly what your brand promises customers and how to deliver on those promises.
- **Phase 3. Developing a Brand Asset Management Strategy.** Once you have developed your Brand Vision and BrandPicture, you will learn how to create a brand asset management strategy. You will learn how to position your brand, how to expand into new areas, when to charge a premium price, and how to keep your brand fresh and new.
- **Phase 4. Supporting a Brand Asset Management Culture.** The purpose of this phase is to determine how to get your company to rally around the brand as an asset and make sure the strategies you recommend are implemented and measured. Specifically you will learn how to measure your return on brand investment (ROBI) and establish a brand-based culture that affects the roles of every functional area; of top management, of internal communications and of the company's reward and measurement systems.

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Developing A Brand Vision

The first phase of brand asset management is to develop a Brand Vision. A Brand Vision is the most important statement your company can make about its future. A good Brand Vision gives clear direction about what role the brand should play in helping a company achieve its longer-term strategic and financial growth goals. A Brand Vision belongs alongside your company's mission, values and vision statements.

Many companies don't treat their brand as an asset that has the power to affect revenue and profit streams. They treat their brand as something left to the guys in marketing or farmed out to ad agencies. All too often, the first budget to get cut when it's time for cost-cutting is the brand budget. If your company has the foresight to draft a Brand Vision at the same time mission, values, and vision statements are being created, that won't happen.

There are three primary reasons for developing a Brand Vision. First, it forces management to reach consensus on longer-term growth objectives and stake out where that growth will come from. Second, a Brand Vision guides research. Third, it tells all stakeholders where the company is heading and what role the brand will play in getting there.

The brand vision phase consists of the first of the 11 steps in the brand asset management process. This first step is to define the strategic and financial goals and objectives that your brand should help achieve. Here's how:

Begin by conducting senior management interviews. Ideally, these should be one-on-one. The entire management team should be consulted, including the CEO or President, the CFO, all senior vice presidents and other key influencers. Probe for answers to these key questions:

- **"What markets, business lines and channels do we want to compete in?"**
- **"What are the strategic and financial objectives for our organization, and what role do brands play in achieving these objectives?"**
- **"What does our brand stand for today? Tomorrow?"**
- **"What level of resources are we willing to commit to our brand?"**
- **"Will our existing brands let us achieve our goals or do we need to redefine our business?"**

Next, determine your company's financial growth gap. To calculate your financial growth gap, first estimate what would happen if you invested nothing in growing your company's revenues over the next five years. How much of your revenue would be lost to competitive pressures and shifting marketplace needs? For example, if you calculate that your current revenues of $100 million would decrease by five percent per year, in five years you will have revenue of less than $80 million. Now compare that figure with your revenue goals — for example, $200 million in five years. Your company's growth revenue gap would be about $120 million ($200 million minus $80 million).

The gap must be filled, either with increased prices, increased distribution, new market penetration, new products or new strategic acquisitions. A viable option is to begin leveraging your company's brand more successfully. Management needs to set financial goals for brand management, treating brands as an asset. If brand management is left out of the planning, a company might never think to increase revenues through price

(continued on page 3)

What Makes A Brand Vision Statement?

A good Brand Vision has four components:

- ✓ A statement of the overall goal for the brand
- ✓ The target market the brand will pursue
- ✓ The point of differentiation the brand will strive for
- ✓ The overall financial goals for which the brand will be accountable.

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Developing A Brand Vision

(continued from page 2)

premiums, sales to loyal customers or word-of-mouth.

During the Brand Vision process, don't just rely on internal goals. Conduct external research to support your decisions about Brand Vision. For example, take an in-depth look at your company's top two competitors and one up-and-comer. Once you've considered internal goals and external data, prepare a high-level report of what the Brand Vision could be.

You are now ready to meet with senior management to create a Brand Vision. Report on your interview findings, facts and conclusions, and strive for consensus. ■

Determining Your BrandPicture

Phase 2 of the process is to determine your BrandPicture. Your company's BrandPicture is a snapshot of your brand today, as seen by the customer.

Determining your BrandPicture involves the next three steps of the 11-step process: determining your brand's image; creating your brand's contract; and crafting a brand-based customer model.

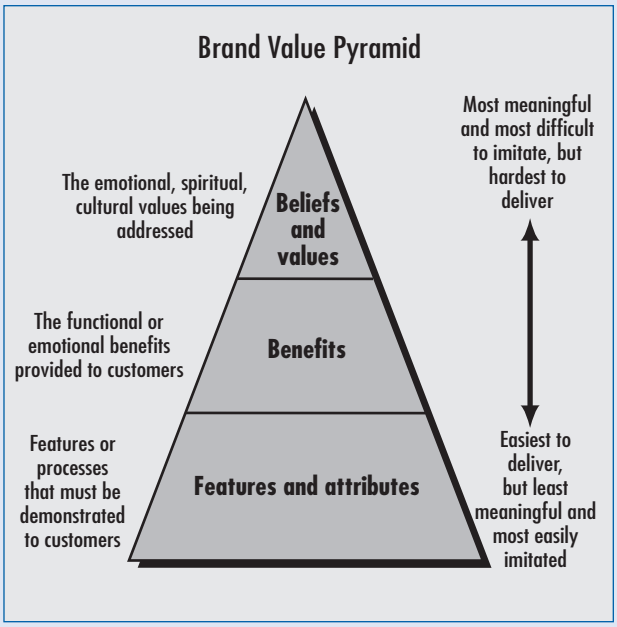
Determining Your Brand's Image

Your brand's image includes the associations customers ascribe to the brand and the brand's persona. Brand associations show you what benefits your brand delivers to customers and the role it plays in their lives. Brand persona is a description of the brand in human characteristics.

Brand Associations. Product and service features and attributes don't do much good unless they translate into higher brand value in consumers' minds. Take, for example, Ralph Lauren designer clothing and accessories. While many designers offer high-quality, durable, classic clothing, Ralph Lauren clothing makes a statement, at least in the customer's mind. Lauren apparel becomes part of who the customer is by striking an emotional chord with that customer. Ralph Lauren customers feel good about themselves. That emotional value helps the brand transcend other brands. Others can copy the clothes, but not the feeling. That's why the Lauren brand is so powerful that it is at the *brand pinnacle*, the place every brand should strive for.

To build brand associations, you will need to conduct research on competitive brands at the same time you conduct research on your own. Start by talking to customers, including current buyers, customers of your competition, prospects and even disgruntled customers. You must also include industry experts, channel members such as distributors and retailers, and competitors.

Brand Value Pyramid



The Brand Value Pyramid best illustrates the power of brand associations. The further up the pyramid you go, the more powerful your brand, and the harder it is for the competition to usurp your position. Some brands at or near their pinnacle are Saturn, Nordstrom's, American Express, Disney, Hallmark, Ben & Jerry's, Federal Express, Intel, G.E., John Deere and Caterpillar. These brands enjoy incredible customer loyalty, the ability to charge premium prices and the ability to sell new products and services through the brand's endorsement power.

Ask them questions designed to get at the associations they have with your brand (see box on next page).

The idea is to figure out where your brand fits on the Brand Value Pyramid. If you're at the top, you have to figure out how to stay there. If you're not, figure out how to get there.

Brand Persona. Brand associations and the Brand Value Pyramid are half of your brand image. Brand persona is the other half. Independently, the two halves provide little value. But together, they provide you with a deep understanding of your brand's image, its strengths and weaknesses, and its points of differentiation. Brand persona is the set of human characteristics that consumers associate with the brand, such as personality, appearance, values, gender, size, shape, ethnicity, intelligence, socioeconomic class and education. These bring the brand to life and let consumers describe it to others as they would a friend. Similarly, consumers

(continued on page 4)

Determining Your BrandPicture

(continued from page 3)

decide whether they want to be associates with a brand in the same way they decide what people they want to be associated with. Personas can be translated into selling propositions when they are attractive. When they are not, it's necessary to fix the brand so that customers want to be associated with it.

Ask customers about your brand's persona to see if it is attractive or not. Some questions to ask include:

- **If you saw a customer using our brand, what would you know about him or her? Age? Sex? Education? Income?**
- **If our brand were a car, what kind of car would it be?**
- **If our brand were a place, where would it be?**
- **If our brand were an animal, what would it be?**

There are five human characteristics that make up the persona of most brands. These are sincerity (think Campbell's and Hallmark), excitement (think Porsche and Absolut), competence (think AMEX and IBM), sophistication (think Lexus and Mercedes) and ruggedness (think Levis).

If you don't like what you see as your brand's persona, you can change it over time. Take the case of the old K-Mart persona. Say "K-Mart", and customers saw an older, dilapidated store chain with poor service whose customers were lower to middle class. The new Big K is younger, more hip, with well-designed, clean stores, great brands and values, high levels of customer service and serves all classes of customers. Martha Stewart sells her designs through Big K and Rosie O'Donnell is a spokeswoman. K-Mart has a new persona.

Creating Your Brand's Contract

A Brand Contract is a list of all the promises the brand makes to customers. It is executed internally, but is defined and validated by the marketplace. Brand Contracts can and do change over time. New promises can be added, while other promises are updated and irrelevant promises deleted. A Brand Contract is a critical piece of the BrandPicture because it helps to define marketplace perceptions and expectations and forces managers to be honest with themselves.

Some Brand Contracts are implicit. Look at your company's current performance and you will see the contract that it implicitly offers its customers. Consider what Starbucks' implicit Brand Contract probably looks like. Starbucks promises its customers the following:

- **Highest quality coffee on the market today,**
- **Wide variety of coffee options and complementary food,**
- **Warm, friendly, homelike atmosphere appropriate for conversation or reading,**
- **That visiting is about the experience of drinking coffee rather than the coffee itself,**
- **Friendly, outgoing employees who fill orders fast.**

To meet the terms of the implicit contract, Starbucks hires outgoing people, adds new products, educates customers about coffee and provides consistency between locations.

To develop a good Brand Contract, start by asking customers how they perceive your brand's image. Ask

(continued on page 5)

Brand Association Questions

These are the types of questions you should be asking about your brand:

- ✓ **When you hear the name of our brand, what is the first thing that comes to mind? Why?**
- ✓ **What are the strengths and weaknesses of our brand?**
- ✓ **What factors contribute to those strengths and weaknesses?**
- ✓ **What other brands did you consider buying?**
- ✓ **What do you think of those other brands?**
- ✓ **Why did you choose our brand?**
- ✓ **Does our brand meet your needs and expectations?**
- ✓ **Describe your experience with our brand before you bought it, while you were using it and after you used it.**
- ✓ **Describe exactly what you bought.**
- ✓ **How would you describe our brand to a friend?**
- ✓ **Does our brand make you feel differently about yourself than another brand?**
- ✓ **How did our staff make you feel?**

Saturn Ascends to the Top of the Pyramid

Saturn has risen to the highest level of the Brand Value Pyramid because it has touched a customer value that no other car manufacturer has. It has created an automobile that is as much about service as about the car itself. At the bottom of the pyramid, Saturn promises high-quality cars, fair prices, and noncommissioned salespersons. At the next level, Saturn provides customers with a friendly, no-hassle buying experience. This translates into the values associated with Saturn as a respectful friend.

Determining Your BrandPicture

(continued from page 4)

what promises your brand has made, and how the customer arrived at that promise. Ask how the company could make the experience better and how well the promises made were delivered. Ask what other promises the customer would like to see the company make. The key to the process is that it must be driven by customers, not by internal managers.

Next, you must translate the Brand Contract into standards that will make the promises come true. Take an example from the fast food world of McDonald's. The implicit Brand Contract is that customers will get the same experience in each and every McDonald's, whether it is across town or across the world. That promise has been translated into common guidelines for all restaurants, assuring quality control and consistency. You must be able to translate promises into action.

Third, fulfill the "good" promises of your Brand Contract or risk damaging the brand. Remember that whatever implicit promises you have created may be harmed if you do not follow true. Starbucks, for example, risks harming its brand if it does not maintain the highest quality standards as it expands into other segment of the market. If the Starbucks coffee served on United Airlines is better than the usual airline coffee but not as good as travelers would get at a Starbucks store, the company risks harming its brand.

Finally, uncover and address the "bad" promises of your brand. Take TCI, which until its recent acquisition by AT&T, was one of the largest cable companies in the country. There were at least three "bad" promises associated with the brand: customers knew they would wait forever in the company's voice mail system before speaking with a human being; that they would have to take a whole day off to wait for a service technician; and that someone would always have to come out to fix any problem with the cable. These three promises were each addressed by the company. Now TCI answers each call on the first ring, technicians can solve many problems over the phone, and service calls take place within a window of a few hours rather than the whole day.

Crafting a Brand-Based Customer Model

Developing a customer model is the third and final part of the BrandPicture. The customer model represents a comprehensive understanding of customer beliefs and behaviors, the product or service, the category and the competitors. It considers former, present and potential customers and all the beliefs and behaviors they hold.

A customer model answers three questions. Finding the answers lets a company better position and extend its brand and to exert greater influence on the purchase decision. The questions are:

- **How do customers choose one brand over another?**
- **How does your brand stack up against others?**
- **What opportunities exist for brand growth and expansion?**

Begin by exploring what makes customers choose a product or service. Nine criteria are most often cited. These are: high quality and reliability; consistent performance; familiarity; availability and convenience; price and value; fit with customer personality; ability to solve customer's problem; customer service; and advertising. Implicit in this list is a high level of trust in the brand name. The essence of a good brand is that people trust it.

Once you know which of these criteria are important to your customers, begin finding out how your brand compares with others. Ask customers to rate your product and the alternatives available on a 1-to-5 point scale. This method lets you compare your product performance to the competition.

You should also find out who makes the purchase decision and who else may be influencing that decision. Smart brand managers think about everyone involved in the decision-making decision, and figure how to sell their brand to everyone involved. Examples abound. Hallmark markets to recipients as well as card purchasers by running ads showing recipients turning cards over to make sure they are Hallmark. Beltone hearing aids markets to the significant other in the hearing-impaired customer's life, knowing that it is loved ones

(continued on page 6)

Schwinn Reestablishes Its Contract With Its Customers

Schwinn was an American icon, producer of bicycles customers loved. Its brand stood for the finest transportation money could buy. In fact, in the early days of the automobile, a Schwinn could cost as much as a new car. In the 1950s, the company repositioned itself as a "dream machine" for boys and their fathers. In the 1960s, girls and women were added to the mix. Schwinn was better known than Coca-Cola and owned the all-American image.

Then things changed. In the 1980s, dirt and mountain bikes were starting to take off, but company managers thought they were just a passing fad. Before long, Schwinn bicycles were "uncool." The company had lost touch with its customer base, and no longer knew who they were. Fortunately, the company was able to see its mistake, and took on the competition. Today it is again an American icon. Its contract promises the highest quality, most durable bicycles around.

Determining Your BrandPicture

(continued from page 5)

who persuade those who need hearing aids to get them. IBM markets its computers to day-to-day PC users as well as to their CEOs. ■

Developing A Brand Asset Management Strategy

Phase 3 of brand asset management consists of five steps: positioning your brand for success; extending your brand; communicating your brand's position; leveraging your brand to maximize channel influence; and pricing your brand at a premium.

Positioning Your Brand For Success

Once you have determined who your customers are and what they want, you are ready to position your brand for success. As you position your brand, you develop a brand asset management strategy. Your brand's positioning is the place in the consumer's minds that you want your brand to own — the benefit you want them to think of when they think of your brand.

Start developing your brand's position by defining the target market you are pursuing, the business your company is in or the industry it competes in, and by stating the key point of difference and key benefits of your brand in the market. The resulting statement will be something like, "To homemakers, Tide is the detergent that gets clothes the whitest and brightest."

The statement should be updated every three to five years, or as often as needed to update the company's overall growth strategy. The brand's positioning should drive revenue and profit streams. Senior management has to lead the charge in implementing the brand's positioning. They must be behind the drive to have homemakers recognize Tide as the detergent to get clothes the cleanest and whitest, for example. Don't rely on advertising agencies to position your brand, let employees bring the brand to life instead. And remember that a strong position is customer-driven. What matters is that homemakers believe Tide is the leader, not that management believes it.

Beware of All Competitors

You need to be aware of all competitors. Your competition broadens considerably when you look at all the competition, not just the top two. For Schwinn, for example, the competition includes all forms of transportation, children's recreation, adult exercise and outdoor sports. Competition can come from non-traditional sources. For Coca Cola, the number one competitor is tap water, not Pepsi. Study the benefits, strengths and weaknesses of all the competition.

Brands Positioned for Success

Disney	=	Family Fun Entertainment
Nordstrom's	=	Highest Level of Retail Service
Saturn	=	Your Car Company
FedEx	=	Guaranteed Overnight Delivery
Wal-Mart	=	Low Prices and Good Values
Hallmark	=	Caring Shared
McDonald's	=	Food and Fun
Nike	=	Performance

Extending Your Brand

There is no better way to fuel growth, close out the competition and grow your brand than by extending your brand's equity. Brand extensions leverage and integrate the strengths inherent within a brand to an identified but unmet market need. The new product or service comes with instant credibility and a built-in endorsement, since the brand has already been accepted in the marketplace.

Examples abound of successful product introductions into related markets. Take Gillette's leveraging of its brand benefit — "clean shave" — from the male market to the female market. *Sports Illustrated* did the same when it launched *Sports Illustrated for Kids* and *Cosmopolitan* did it when it launched *CosmoGirl!* Extension is possible by either extending the definition of your business, extending the point of difference between your product and a competitor's or by extending your entire position in the market.

Extending your brand will reap rich benefits in customer loyalty and increase the profit each customer can create over a lifetime. Successful extension is tied to keeping current customers happy, bringing new customers into the family and keeping the brand fresh. Just be sure that the products and services you introduce add to your brand's reputation rather than weaken it. You can be sure the new introduction is an asset if you can answer the following questions positively:

- **Is the extension consistent with your Brand Vision?**
- **Does the extension support and strengthen your BrandPicture?**
- **Is the extension consistent with your overall positioning?**
- **If the extension fails, will it be a minor setback for your brand rather than a major one?**

(continued on page 7)

Developing A Brand Asset Management Strategy

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The key is to think before you leap and use the knowledge you have already gained about consumer needs. Explore both problem and opportunity areas. Organize market intelligence. Come up with three to five focused, brand-based opportunity areas to explore. For example, Burger King realized that its competitor McDonald's effectively served little kids with its Happy Meals, and adults and teens with its regular menu. But there were no offerings for the in-between group (11 to 14). From there, Burger King repackaged menu items into a Big Kids Meal.

Once you have a few ideas ready to explore, filter them through an idea screen. Make sure the ideas fit the BrandPicture you have already developed. Top ideas are then added to the product lineup.

Communicating Your Brand's Positioning

Brand-based communications are aimed at developing and implementing the communications strategies that will help bring your brand's positioning to life. You must communicate the value of your brand to your target market. But good branding is about more than just communicating with consumers. Don't make the same mistake many companies make. They relegate branding to an advertising agency when they should be branding the product themselves or with the assistance of an agency.

There are concrete steps you can take that will help you implement a long-term communications strategy. First, build a brand communications time-line for maximum impact. Plan to spend the first 18 months building consumer awareness, recall and understanding; to look for results of your efforts during the next 18 months; and to expect loyalty to continue to build in the ensuing months.

Mercedes Takes a Chance

Mercedes has for years been known as the maker of luxury automobiles. Recently, it decided to extend its brand to younger consumers who could not afford a $60,000 auto and created the C230 sedan, listed at just over $30,000. The idea was that they would become lifelong customers, trading up to a more expensive model later. Suddenly, discount automakers were comparing their $15,000 autos to the Mercedes, while consumers who can afford the $60,000 version now share the road with the cheaper car. It remains to be seen if this is a brand extension or a major setback for Mercedes.

Bookstores Position Their Brands

Brands in the same industry position themselves for appeals to different consumers by differentiating themselves and their brands from each other. Borders targets those looking for a community meeting place; Crown Books appeals to price-sensitive shoppers who want discounts and shop in strip malls; Barnes & Noble targets those looking for a quiet gathering place and provides a library-like setting; and Amazon targets Internet shoppers who want personalized online service. Currently, Amazon will remain the online favorite; Crown Books is having trouble with its brand positioning since everyone discounts these days; and Barnes & Noble and Borders might co-exist much as Coke and Pepsi do.

Next, make sure that all communications coming from your company deliver a consistent message to consumers. Your advertising, public relations efforts, event marketing and corporate sponsorships, trade and sales promotions, consumer promotion, direct marketing, and internal employee communications all must reflect the brand value, persona and vision you have agreed on.

Advertising needs to be controlled by insiders, not the ad agency you happen to be using. Remember that the feeling created in a customer's mind must be reflected in advertising. Don't let the ad agency take over control and create a different vision of what the brand is. The agency should execute the company's Brand Vision, not create it.

Be sure that all public relations efforts, event marketing and corporate sponsorships are consistent with the Brand Vision also. Good examples include the impact of sponsoring a program on Public Television, assuming your target audience watches PBS. Not all public relations is positive, of course. How much damage negative PR does depends a great deal on how your company responds in a crisis. Companies that acknowledge problems and take immediate action to correct them are likely to suffer the least long-term harm to their brands.

How you deal with consumers will also have an impact on your brand. Don't rely too much on consumer promotions, since these may drive traffic temporarily but not long term. Customers get used to coupons and sales, and may well wait for the next promotion rather than buy at full price. A better strategy is to focus on direct marketing. Using a catalog or the Internet to sell directly to consumers can reap benefits not just in total sales but in building relationships with customers. In addition, your company will be able to gather valuable demographic data by marketing directly.

(continued on page 8)

Developing A Brand Asset Management Strategy

(continued from page 7)

Leveraging Your Brand to Maximize Channel Influence

Who controls the channel that delivers your product to the ultimate consumer? The more control you have, the better you are able to control your brand's destiny. Generally, the more direct your selling efforts, the more control you have over the final outcome. The more indirect your selling efforts, the less control you have.

Distribution channels are undergoing change. Mass retailers are increasingly making the rules for manufacturers; the Internet as a channel is maturing; and direct-mail catalog sales are at an all-time high. Even traditional retailers rely on catalogs for sales. To gain leverage with these new channels, you need to get consumers to ask for your brand by name.

Strong brand names help manufacturers get retail space. Pepsi can say, "Take Mountain Dew or you won't get Pepsi." These mega-brands hold power because of the strength and diversity of their brand portfolios. But even without owning a mega-brand, you can induce channels to carry your products by providing high-quality products, education and training, a brand that is a drawing card, funding to promote the brand and a reasonable pricing strategy.

Pricing Your Brand at a Premium

If you have leveraged your brand as an asset, you have put yourself in a position to charge a premium price, enjoy higher margins and reap the incredible benefits that this asset value provides. These benefits include the following:

- **You can price your brand at a premium price relative to the competition.**
- **You can launch new products more cheaply than the competition.**
- **You can recoup development and launch costs sooner.**
- **You can lower the acquisition costs for new customers.**
- **Loyal customers will continue to pay premium prices for your brand, increasing profitability per customer.**
- **Premium prices let you exert more control over distribution channels.**
- **You can seek out co-branding and licensing opportunities.**
- **You can leverage your brand across other target segments without diluting it.** ■

Supporting a Brand Asset Management Culture

Phase 4 of brand asset management consists of the final two steps of the 11-step process: measuring your return on brand investment and establishing a brand-based culture.

What is not measured is not managed applies to brand asset management. You need to measure how your brand is performing so that you can see what the return is on your brand management investment, sustain organization focus, allocate resources effectively and provide information to use to reward employees who have built your brand.

Measuring Return on Brand Investment

The following metrics can be used to measure return on brand investment, or ROBI.

- Brand awareness measures how many consumers are aware of your brand and its value.
- Brand-positioning understanding measures how well consumers know your brand's positioning. For example, Nordstrom's could measure how consumers feel about Nordstrom's service, the feature the retailer has chosen to highlight.
- Brand image recognition measures your brand's persona perception.
- Brand contract fulfillment measures how well the product lives up to its promise.
- Brand-driven customer acquisitions measures how well the brand attracts new customers.
- Brand-driven customer retention and loyalty measures whether customers considered another brand but opted for yours.
- Brand-driven penetration measures repeat business.
- Financial brand value measures how much of a premium you can charge for your brand.

Establishing a Brand-Based Culture

Brand-based organizations are the next logical advance in the evolution of business organizations. We have moved through many organizational forms, increasingly focusing on customer-driven structures. Now it is time to put brand asset management at the top of your company's strategic plan.

This new organizational structure puts those in charge of brands at the very top of the company's hierarchy. The organization should include a Chief Branding Officer, a Brand Asset Management Steering Committee and an outside advisory council. Employee rewards should also be realigned to emphasize the importance of brand-building. ■

· Book 19 of 106 ·

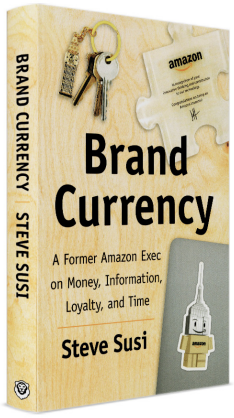
Brand Currency

Steve Susi

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Brand Currency

A Former Amazon Exec on Money, Information, Loyalty, and Time



by **Steve Susi**

Contents

Money – The First Currency
Page 2

Information – The Second Currency
Page 2

Loyalty – The Third Currency
Page 3

Time – The Fourth Currency
Page 4

Conclusion
Page 4

THE SUMMARY IN BRIEF

Our brave new tech world is causing many people to feel confused and afraid of falling behind. The pace of the new techonomy is accelerating faster every year. ***Brand Currency*** describes how Amazon has come to dominate the new techonomy and what lessons can be learned for other companies.

Author Steve Susi explains how a brand is a story. Every customer writes the story of a brand at every interaction with the brand. He describes how customer obsession is Amazon's key to success.

He also examines how money, information, loyalty, and time are human truths. Each one is examined in depth, and considered as to how the customer earns and spends them and how brands do the same. Any brand can use these techniques to find continued success. If you believe your objective is right by the customer, have the data to back it up, and never waiver, success is all but guaranteed.

IN THIS SUMMARY, YOU WILL LEARN:

- The keys to Amazon's success.
- How your customers earn and spend their currencies.
- How to best earn and spend your company's currencies.
- How loyalty can multiply the effects of the other currencies.

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At Amazon, there are 14 leadership principles (LPs) that are strictly held as company values. These include customer obsession, ownership, and looking at the big picture. They value innovation, simplicity, frugality, learning, curiosity, and speed. They strive to hire only the best employees and hold them to very high standards. They value the trust of their customers and fellow employees.

These 14 LPs connect to the four currencies – money, information, loyalty, and time. If you can understand how customers earn and spend these currencies, you can maximize success for your brand.

Everything we do is a value exchange. What are we willing to give up in return for something else? We go through life looking to spend as little as possible for as much as we can get. ***Brand Currency*** evaluates each currency on the individual level through a microeconomic lens – meaning, focusing on individuals, households, and businesses within the economy.

A brand is a story - a brand is how customers perceive it. A brand "spending" refers to a company's allocation of resources, marketing and otherwise, that affect the customer experience. Customer obsession is the key to success.

A "Day 1" attitude is also central to strong results. Day 1 of a company refers to the first day of business. At the beginning, a business is scrappy with limited resources - hungry, humble, and eager to serve the customer. Day 2 is stasis, which leads to irrelevance and decline. As long as your company has a Day 1 attitude, it will keep moving forward and improving.

Money – The First Currency

Money is the most popular of the four currencies. Our economy is a market economy in which people sell their labor as workers to businesses in return for wages, salaries, and benefits. The more society values a person's work, the higher his or her income. Market forces drive the economy.

American households are struggling with stagflation, so people aren't quick to let go of their money. If you want to get customers to send their hard-earned cash your way, the only reasonable approach is to keep costs low on behalf of your customers. People want options, and low prices mean more options for more people.

Many companies have come to believe that corporate revenue is the most important thing and their primary focus is to please the shareholders. That attitude needs to be replaced with pleasing the customer. The customer's money is the power driving the company, and being frugal with expenditures directly translates to lowering prices for the customer. Low profit margins attract more customers. It pays to focus on long-term customer trust instead of short-term profit. Perceived value is gold.

Building customer trust leads to a strong reputation, which makes it more likely that an investor will want to own a piece of it.

One important way that companies spend money is on marketing. In the new techonomy, how companies market themselves is changing. Amazon doesn't prioritize self-promotion and instead markets by example with more and better products. Innovation is the new marketing. Word of mouth and social shares have become more authentic ways to increase customer awareness and engagement.

The only money your business has is because of your customers. It is the money they decided to give to you in exchange for your promise. Spend all you can on your customers – learning about them, listening to them, responding to and delighting them.

Information – The Second Currency

Information is the most powerful of the four currencies. If you have the right information, you can do more for your customer.

When communicating with your customers, every word matters. Redundancy can help provide clarity if used strategically. Tell them what you are going to tell them, tell them, and then tell them what you told them. If used correctly, redundancy is actually more efficient. Clear communication is customer-obsessed. Taking an extra moment to maximize clarity saves everyone time and can go a long way to building customer loyalty.

Information (data) has replaced oil as the world's most valuable resource. It can be used by companies to innovate and proactively serve the customer. Data is used to streamline the business for maximum efficiency and keep costs low.

Customers generate two types of data when they go online: explicit and implicit. Explicit data are generated by a user intentionally, such as a social media post or taking a survey. Implicit data can be mined from explicit data, such as browsing and purchase behavior. Customers are monitored

by a server and database as they shop or read online. Data such as what the customer searched for, how long she stayed on a page, what products she considered can all be monitored. Social posts provide all sorts of implicit data if read by a skillful operator. Big tech can take our freely given information and turn it into money. Marketers will pay for all of the gathered information so that they can get the right message to the right customer at the right time. The company with the largest data set and the most products that advertisers can pay to use wins.

One of the main contributors to Amazon's popularity is its customer reviews. Social proof is a powerful influencer on people's purchases. If people are unsure what to buy, they look at what other people are buying. Reviews are a valuable form of explicit data.

Businesses need to think carefully about how they earn and spend their customers' information. Protecting your customers' info is protecting your business.

Sharing data regarding the brand internally is also very important. All of a company's successful strategies and intellectual property (IP) need to be readily available within the company. To accomplish that end, Amazon has an internal employee profile system known as "The Phone Tool." It allows employees to lean on the skills and knowledge of others to achieve their goals. Having goals and programs that each employee is accountable for, along with a strong method for info-sharing between employees, is what puts Amazon consistently at the top.

Loyalty – The Third Currency

Loyalty is the amplifier currency. The need for belonging is a central human need. Trust is essential to brand loyalty. People are naturally resistant to new brands because we don't like change. That is why positive word of mouth is so valuable. If someone you trust makes a recommendation, you become less resistant to trying something new.

How is loyalty an amplifier? If you can find a way to combine loyalty with any of the other three currencies, such as a loyalty rewards program that saves a customer money or time, you will create a high return on investment (ROI). If it's done right, you can call it "joyalty" because of the brain chemicals released in the recipient. That's what a great brand can elicit. The brain chemicals dopamine and oxytocin fuel the economy. Think daily about how to stimulate these brain chemicals in your customers. Do so, and you will stimulate customer devotion every day. It's been found that the brand Apple stimulates the same reaction as religion in the same part of the brain.

One effective way to do that is to collaborate with another brand that is loved by your customers. Find your brand's biggest fans and establish a community for them. Reward them for their loyalty and tap into them as experts.'

Remember that there is a halo-effect that companies can take advantage of. If you like one product of a company, you assume other products will be good. Don't stretch your company so far that you create a bad customer experience. Preserve the customer's loyalty. Every time a customer comes into contact with your company it must be a quality experience.

Since loyalty is a currency, it flows both ways. It is much more expensive to attain new customers than to retain the ones you already have. Increasing customer retention rates increases profits.

Amazon sees itself as a loyalty program because of its customer obsession. Everything is done on behalf of the customer with aggressively high intentions. Customer loyalty takes years to build and a moment to lose. Consumers have so much choice and they don't owe you a second chance. Customer loyalty needs to be built proactively – in the future tense. It can't be built reactively – in the past tense. Meetings should focus not on "we" the company but on "they" the customers.

Your brand needs to establish a bank of loyalty to draw from if anything were to go wrong. Apologizing quickly, admitting mistakes, and being transparent are part of the "Day 1" attitude that can save a company. Give solutions, not excuses.

Mistakes will happen because humans make errors. They are a price of innovation. At Amazon, when mistakes are made they follow up with a Correction of Error document that serves to publicize errors and prevent others from making the same mistakes. The purpose is not to finger-point, but to make future customer experiences better.

Loyalty investments can also be moves to benefit the employees such as benefits, wages, and working conditions. This raises loyalty among employees which extends to customers.

Word of mouth from real customers has become key to brand success. This has led to brands taking a stand on social issues and asserting their ideals. Knowing where your brand stands on social issues and supporting causes which align to that position is smart business. If you can combine this with a loyalty rewards program you multiply its worth.

Time – The Fourth Currency

Time is the only finite currency, which makes it precious. Time is the most valuable currency. Another key to Amazon's success is that it has invested everything to reduce time-to-goal. The slow brands are the first to die. Your company can't be fast on the outside if it's not fast on the inside.

Customers can't earn time like they can earn the other currencies. They can only reduce what time they spend and so are drawn naturally to anything that lowers that cost.

Information can be used to personalize what a customer experiences online. A website is only as good as the usefulness of the information that a customer receives per unit of time. Therefore, a service that can save a customer time and money will drive loyalty. The customer's innate desire to get the most out of her limited minutes makes comparison shopping online more desirable than offline. If a website is poorly designed or loads slowly, customers will leave. A personalized digital environment that recognizes you and your history is effective and can save time by predicting your next move. With machine learning, the chances of accurately predicting your next click increases with every visit.

Many customers shop Amazon because speed is the top priority – saving time over saving money. Brands should take heed and prioritize saving their customers' time as the primary objective.

Time is also important within a company. Meetings are a waste of time. If you aren't frugal with the time of your employees, the brand begins to increase in bloat and expense. This leads to higher prices, longer reaction times, and fewer innovations. Your company needs to "run lean." One example of this is to have small teams. Small teams have less moving parts and therefore more meaningful conversations with less people. There's no safety in numbers or loss of participation. When you save your company time, you save your customer time. That will make customers gravitate toward you because humans are hardwired to save time.

Brands also need to examine their customer experience. Do it before your customers do it! Make sure wait times for customer service are quick and website experiences are streamlined.

Conclusion

The way Amazon integrates the four currencies into its everyday fabric can be used as a model to adapt your business to drive brand discipline and achieve excellence.

Thinking big is a challenge, but it will always work out if you keep the customer first. You will fail. Embrace it and keep going.

Goals and programs supported by data-capture and analysis make things happen. Make a goal, commit to a program, and tie it to the four currencies. If you fail, capture the reasons why and share your results so your colleagues don't repeat the same mistakes. Combine these techniques with a Day 1 attitude and success is assured.



After 16 years with New York's digital ad agencies, Steve Susi joined Amazon Advertising as its NYC creative director in 2012, where his teams would deliver original brand experiences on behalf of hundreds of advertisers and millions of customers worldwide. In 2014, he became its first group creative director and, two years later, first executive creative director, moving to London to lead creative operations across Europe, Asia, and Canada.

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· Book 20 of 106 ·

Brand Hijack

Alex Wipperfürth

SOUNDVIEW Executive Book Summaries®

FILE: MARKETING



By Alex Wipperfürth

CONTENTS

The 'No Marketing' Myth
Pages 2, 3
Public Property: The Serendipitous Hijack
Page 3
The Marketer's Guide to the Serendipitous Hijack
Pages 3, 4
The Co-Created Hijack
Page 4
Overcoming Conventional Marketing
Pages 4, 5
The Next Marketing Era
Page 5
Marketing as a Catalyst for Cultural Development
Pages 5, 6
Earning Consumer Devotion
Page 6
The Kick-Off: Hijack Ideation
Page 6
Phase I: Tribal Marketing
Pages 6, 7
The Art of Seeding
Page 7
Phase II: Co-Creation
Page 7
Phase III: Mass Marketing
Pages 7, 8
The Ultimate Payoff
Page 8

Marketing Without Marketing

BRAND HIJACK

THE SUMMARY IN BRIEF

Welcome to the world of marketing without marketing: the emergence of the hijacked brand. Don't let this seemingly contradictory idea fool you. Far from representing the absence of marketing, this summary describes the most complex sort of marketing possible, as well as the least understood.

In Brand Hijack, *marketing consultant Alex Wipperfürth offers a practical how-to guide to marketing that finally engages the marketplace. It presents an alternative to convention marketing wisdom, one that addresses familiar industry crises such as media saturation, consumer evolution and the erosion of image marketing. The purpose of this summary is to demystify the modern brand and make the next generation of marketing both practical and actionable.*

But be forewarned: Following this summary's advice will require some untraditional — even counterintuitive — practices on the part of modern marketers. This type of marketing is not for everyone. Marketers must be willing to let the market take over. They must be confident enough to stop clamoring for control and learn to be spontaneous. They must also be bold enough to accept a certain degree of uncertainty in the handling of their brands.

Brand hijacking relies on a radical concept — letting go. Although this thought might be frightening to many marketers, with some practice, it can be oddly liberating.

What You'll Learn In This Summary

- ✓ How to make brand successes appear like serendipitous accidents.
- ✓ How to let go of the fallacy that your brand belongs to you and not to the market.
- ✓ How to co-create your brand by collaborating with your consumers.
- ✓ How to facilitate your most influential and passionate consumers to translate your brand's message to a broader audience.
- ✓ How to inspire true customer loyalty, not just customer retention.
- ✓ How to embrace the value of being surprising and imperfect.
- ✓ How to draw the line between promotion and the ad-busting trinity of manipulation, intrusion and co-option.

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BRAND HIJACK

by Alex Wipperfürth

— THE *COMPLETE* SUMMARY

PART ONE: MARKETING WITHOUT MARKETING

The 'No Marketing' Myth

Corporate America is confused. How else could you explain some pretty weird behavior from the Fortune 500: Nestlé invading blog sites, Sony creating fictitious reviews to promote feature film duds. The past decade's most successful brand launches — most of which shunned traditional marketing templates — have the big guns taking some rather embarrassing stabs in the dark.

In their search for answers, professional marketers found comfort in their ability to revert back to the *immutable laws of marketing*: Accept branding as the most critical element of commercial success, find a relevant and compelling connection between product performance and a target audience, and create advertising around an aspirational image associated with the brand. These fundamentals had always kept marketers on track.

But a string of recent successes should be forcing marketers to ask whether these laws are becoming obsolete:

- How did Starbucks and eBay build billion-dollar valuations without leading with a quintessential advertising campaign?
- How did Palm and Red Bull ignore what consumers said they wanted, yet create new markets?
- How did Pabst Blue Ribbon become the fastest-growing domestic beer in 2002 when it tastes like backwash and hardly can be said to offer aspirational benefits?

Behind each of these successes is a complex orchestration of activities that only appears inconsequential.

Creating an Illusion

Brands like Starbucks and Red Bull — the leaders of the "no marketing" school of thought — are spending hundreds of millions of dollars in nonadvertising each year, creating the illusion for their passionate user base that success happened serendipitously.

The ultimate irony of this phenomenon is that consumers are in on the joke. Meanwhile, corporate America is desperately trying to copy the new marketing template, and in the process proving over and over again that it just cannot get it right.

Why haven't Coke, Pepsi and Anheuser-Busch been able to make a dent in Red Bull's business, despite their respective distribution omnipresence and deep, deep pockets? Why hasn't a single Hollywood studio been able to reproduce the go-to-market template and resulting runaway success of *The Blair Witch Project,* despite numerous high-profile attempts?

Introducing the Brand Hijack

When it comes to 21st-century marketing, consumers are more clued in than the professionals. Marketing managers aren't in charge anymore. Consumers are. Across the globe, millions of insightful, passionate and creative people are helping to optimize and endorse breakthrough products and services, sometimes without the companies' buy-in.

Call it *brand hijacking*: the act of commandeering a brand from the marketing professionals and driving its evolution. Brand hijacking allows consumers and other stakeholders to shape brand meaning and endorse the brand to others. It's a way to establish true loyalty, as opposed to mere retention.

We're not talking about creating hype. We're talking about a new template for going to market — a complex orchestration of many carefully thought-out activities. In order for your brand to stick, for it to have real impact on our culture, you must be willing to collaborate with a group of people with which you're not used to collaborating: consumers.

Resist the temptation to assume that consumers are a

(continued on page 3)

The author: Alex Wipperfürth is a partner at Plan B, a marketing boutique in San Francisco, helping brands like Pabst Blue Ribbon, Napster and Dr. Martens appear like serendipitous accidents.

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The 'No Marketing' Myth

(continued from page 2)

bunch of suckers. They don't devote themselves to brands because they want to provide free marketing for a corporation. They do it because some special brands offer up a vision with which people can identify — one with which they want to involve themselves more deeply.

In the end, market involvement brings about a better, richer, more sustainable product experience. It garners true loyalty from consumers: an investment on their part to build a stronger relationship with the brand on an ongoing basis. At its best, market involvement creates a cultural benefit, offering meaning in an otherwise chaotic modern world. ■

PART TWO: THE HIJACK

Public Property: The Serendipitous Hijack

Hijacked brands do not necessarily have to be great products. It's all about the killer experience. A serendipitous hijack is the act of consumers seizing control of a brand's ideology, use and persona. It is most often practiced by brand fanatics within subcultures and is largely unanticipated by — and independent of — the brand's marketing department.

Consider the case of Napster. Shawn Fanning, the founder of Napster, hadn't been thinking about revolutionizing the music industry and inventing file sharing along the way. He simply wanted to know how he could get music off the Web with the least amount of hassle.

Fanning was a college freshman frustrated by the many dead links he encountered when scouring the Web for rare music. In the old days, it was a pain to search for music in the first place. But imagine hours of searching and then the link you finally discovered would simply disappear. So Fanning wrote some code to prove that you could create a real-time online index.

Then he used those fateful and seductive words when he e-mailed the beta-program to several friends in the hacker community: "Do NOT share this with anyone. This is still in a test phase."

So it was that Napster (Fanning's childhood nickname) was born. Within months, hundreds of thousands of users were forwarded that e-mail and downloaded the software, making Napster one of the fastest growing technologies ever.

Why was Napster so perfect for a takeover by the market? Consider the following five reasons:

- **It provided a blank canvas.** It allowed users to appropriate a neutral infrastructure and make it their own. They created a community spirit ripe with hierarchies, coded communication and etiquette.
- **It offered a nonmaterial incentive to participate.** Napster's users had a built-in incentive: The larger the community, the more music that was available.
- **It made the community feel needed.** Napster's value depended on the behavior and visionary ideas of its users.
- **It fostered a sense of belonging.** In fact, Napster fostered committed solidarity that was strengthened by repeated shutdown attempts by the record companies.
- **It had smart leadership.** Fanning never intended to make money off of his creation. He got out of the way of his own product and allowed it to evolve under the brand leadership of its own community.

It's unusual for a brand to get hijacked to the point of total control by the market, as Napster was. When this happens, the brand essentially becomes public property: It's defined and led by its user community. Ironically, this sort of full-throttle hijack is often an accident. Rarely is it the result of initiatives or campaigns coming out of a marketing department. ■

For additional information on brands that have been hijacked, go to: http://my.summary.com

The Marketer's Guide to the Serendipitous Hijack

Fueling the momentum of a brand driven by its community is one of the most challenging assignments in marketing. It requires walking that finest of lines between safeguarding the integrity of the brand's soul and keeping its legitimacy within the market community. Success hinges not only on your ability to resist the tremendous urge to do "cool marketing," but also knowing when to turn the switch to mainstream marketing and brand investment.

Here are three ways to start with the right attitude:

- **Don't be afraid of your consumers.** Your most passionate users will provide you with critical insights into how to evolve your brand.
- **Don't be afraid of a little controversy.** Pushing the usual limits of what's acceptable will serve as a demonstration of how much confidence you have in your brand. Don't panic about a bit of controversy tainting your brand image. You've got more to gain from treating it with a sense of transparency, reality and, above all, humor than from trying to squelch it.
- **Develop a sense of humor about your brand — especially if the market is hijacking it.** Consumers find it endearing when you show that you can laugh at yourself.

(continued on page 4)

The Marketer's Guide to the Serendipitous Hijack

(continued from page 3)

Adapt Your Marketing

Figure out why you got hijacked. Too often, brand owners try to identify the drivers behind serendipitous brand hijacks through focus groups, quantitative studies or expensive trend-hunting reports. But these methods simply do not reveal the real causes. It is better to research the origin of the movement and trace its evolution by putting together a timeline. Take the time to study what the hijacked brand does for its users and what social factors are driving the brand's success. Essentially, you will become a cultural anthropologist.

For example, the word on the street was that people loved Pabst Blue Ribbon because it was retro. But the same could be said of several other brands of beer. It seemed clear that being "retro" was only part of the story. Digging into the brand's history revealed many other factors that contributed to PBR's rise in popularity: Its mention in the film *Blue Velvet* gave it credibility, its appearance on the speakeasy revival scene provided visibility, its symbolic value as the anti-microbrew provided meaning, and so on.

Educate the Organization

Establish a code of conduct to stay true to your consumers and your character. Hijacked brands can become extremely fragile if they stray from the core values and belief system of their markets. Invest in educating your entire organization about the hijacked brand's DNA. What values are most important to your hijackers?

Resist the temptation to do marketing. The hijacked brand manager's job is to keep the brand neutral so that the market can fill it with meaning and enrich it with folklore. In a sense, serendipitous brands are built through anti-marketing. Stay away from pompous campaigns that try too hard. Stick with the spirit of the original hijack: Grass roots. Real. Anti-hype. Transparent yet enigmatic. Even a bit imperfect. Truly cool brands should not say, "We are cool." The campaign should feel as though a bunch of normal folks got their hands on a marketing budget. ■

The Co-Created Hijack

A hijack does not have to be serendipitous. It can be planned. But it requires the mind-set of allowing the active involvement of the market to discover, to engage with and to help shape a brand's larger meaning. A co-created hijack is the act of inviting subcultures to co-create a brand's ideology, use and personality, and to pave the road for adoption by the mainstream.

Without exception, a hijacking rewrites the job description of a traditional brand manager. The new job is a facilitator. Successful managers enable an ongoing conversation between an engaged consumer base and a distinctive brand. This requires finesse, patience and a solid understanding of the brand's purpose.

This is done by leading with purpose. ■

Conventional Brands Vs. Hijacked Brands

Conventional brands position themselves as providing certain benefits to their consumers. The marketing relies on the creation of an *aspirational* image. The brand owners try to convince you that using or wearing a certain brand will make you seductive or successful.

Hijacked brands, on the other hand, offer consumers something much bigger — meaning within a broad cultural context. As a result, they play a far more *inspirational* role in people's lives.

A co-created brand like Harley-Davidson signifies a way of life. *The Blair Witch Project* invented an urban myth. Apple sells an entire worldview. Starbucks stopped at no less than creating new social norms.

Overcoming Conventional Marketing

Many corporations tend to be hindered in their attempts at brand hijacks by the ghosts of conventional marketing. They discover that it's not as easy to commit marketing heresy as they originally thought. Meanwhile, they fall prey to the following mistakes:

- **They misinterpret the reasons for success.** While the initiative should begin with getting an exclusive early market deep into the brand experience through subconscious techniques, the strategy must change over time to draw in the mass market.
- **They rely on proven managers.** Executing a brand hijack requires a whole new skill set. It takes facilitation, an intuitive sense of the early market, a confident patience and a light touch — not the skills taught in business schools or marketing textbooks.
- **They measure success by the wrong standards.** When launching a new brand, most firms typically look at traditional measures such as brand awareness, sales volume and weighted distribution. But these metrics are irrelevant when disseminating a brand idea through early markets.

Letting the market collaborate in the management of your brand may be counterintuitive, especially to conventional brand managers. But the fact is, it builds stronger brands. Instead of communicating — or rather dictating — brand meaning to the market, brand hijacking communes with — or rather guides — the market to a common understanding.

(continued on page 5)

Overcoming Conventional Marketing

(continued from page 4)

A brand hijack embraces the consumer as peer rather than as "target." Consumers of hijacked brands are looking for a meaningful connection to the product — a connection established through a common value system rather than a common demographic denominator. Hijackers establish communities around a brand because they believe the brand believes in them. Marketers therefore need to humanize their targeting efforts. After all, you can't collaborate with a statistic. You can't co-create your brand with a "21- to 35-year-old white, suburban, college-educated professional." Don't define audience members. Create them. ■

The Next Marketing Era

In the days before mass media, heightened superficiality and consumerism, our social roles were handed down to us from previous generations in the shape of norms and respected institutions. We each had a clear, predetermined identity and role in society that shaped how we lived.

But then we rebelled and set ourselves free to choose our own lifestyles and our own identities. With this freedom came a hefty price tag. According to sociologist Anthony Giddons, we are now threatened by "dilemmas of the self," like uncertainty, powerlessness and commodification. We are lost, struggling with a "looming threat of personal meaninglessness."

And that's where our consumer culture fits in. Branding has crossed the cultural chasm. In the past, brands served merely as a form of entertainment. In today's consumer culture, brands provide an answer to our identity crisis. Brands create purpose and give our lives meaning. They help us construct our social world. In other words, in our search for place and purpose in life, consumer culture is replacing tradition. ■

For additional information on how to work with your audience, go to: http://my.summary.com

PART THREE: THE HIJACKER

Marketing as a Catalyst for Cultural Development

It should come as no surprise that while consumers are increasingly looking to the marketplace for meaning, the job of the marketer is shifting dramatically. More than ever, marketers have become arbiters of culture and facilitators in the search for identity.

Consumers are demonstrating an increasing immunity to conventional marketing because they distrust marketers and they're suffering from media overkill. They have experienced the decline of trust in tradition. Some of them are old enough to have lived through Watergate. All of them experienced Enron, 9/11, the end of job security and a high likelihood of growing up with divorced parents. These factors and many others have all but shattered the myth of "middle-class security" — a state of mind that fueled American consumer behavior for decades.

Modern marketing has gone through several stages of evolution during which the relationship between brand owner and consumer has completely flipped.

The Consumer Collective

Today's consumer no longer acts alone. Brands are not being hijacked by individuals, but by groups. These social groups form in a manner similar to the way ancient tribes used to form — except that whereas *geography* and *survival* were the common threads that bonded ancient communities, modern tribes are bound together by common *hobbies* and *value systems*.

Brand tribes are groups of people who share their interest in a specific brand and create a parallel social universe ripe with its own values, rituals, vocabulary and hierarchy. Part of the reason for the emergence of tribes can be traced to a radical change in the social fabric. Trust in mass media and religious and political institutions has eroded. Traditional structures, from job security to marriage, have broken down. Previously rigid institutions have lost their authority.

This lack of stability and a diminished level of social interaction have revived our ancient tribal instincts. We are seeking ways to reconnect with others. This behavior defies conventional wisdom, which tells us that people are becoming more individualistic. Yes, people are becoming more inwardly focused and less concerned with what other people think of them. But underneath this veneer of apparent individualism lies a strong trend toward convergence.

Brand Tribes

Understanding this trend toward tribes as primary social units is crucial for marketers because tribes are now forming around brands. Brand tribes select products differently than individuals. They seek brands for their social, not functional, value. They want brands that can facilitate group rituals and experiences; products that establish connections and define the group identity. Members are constantly on the lookout for symbols and signs that will distinguish them from nonmembers.

Brand tribes do not accept brand meaning as dictated by the brand owner. In fact, they actively seek to reconstruct and appropriate brands for their own symbolic usage.

Take Harley-Davidson, for instance. Threatened by the invasion of superior Japanese motorbikes in the

(continued on page 6)

Marketing as a Catalyst for Cultural Development

(continued from page 5)

early 1980s, the company survived bankruptcy with what was, at the time, a technologically inept product. The brand's success was propelled by the sheer will and energy of its community: the HOG (Harley Owner Group), which now claims 400,000 members in about 1,000 chapters. Harley localized the tribe and made it personal. Rides and rallies have become the social glue of the community, a tribe in which riders know each other by name and establish real friendships. ■

Earning Consumer Devotion

Brands with a religious following are not the only ones capable of enchanting tribes of fanatical believers and inspiring lasting devotion. There are three ways to make consumer groups feel passionate about, and hijack, your brand. They are:

1. Create a discovery. When people believe they have discovered a brand on their own, they feel ownership and want to share it with their friends. They are engaged by either being delighted or by being let in on a secret.

2. Create a commentary. Allow your brand to become either a political or social statement. Once a brand achieves iconic status, it obtains a deeper meaning among its users. Generally, the market appropriates the brand for its own statement.

3. Create a mission. The strongest way to inspire consumer devotion is to develop a brand religion. Brands with clearly defined purposes can develop a cultlike following. And these brand tribes will truly act as if they were on a mission to change the world. ■

PART FOUR: THE BRAND HIJACK ROAD MAP

The Kick-Off: Hijack Ideation

It all starts with an idea that you seed, nurture and grow over time into a new cultural norm: an idea driven by a major social truth. Napster was appropriated by its community as a tool to rebel against the manipulative record industry. Southwest Airlines gave everyday people the opportunity to go places only the rich had been able to afford. Red Bull became "speed-in-a-can" for today's demanding lifestyle.

The ideation of hijack-able brands has to be bigger than a consumer insight. It needs to hit the sweet spot between product performance and *social* insight. The social truth is what engages consumers at a higher level and motivates them to get deeper into the brand experience.

Uncovering social truths does not lead to mere product innovation. It leads to market innovation. In other words, brands based on social insights make a major leap that dismantles the status quo and changes the rules of the marketplace. ■

New Market Research

A research discipline that uses in-depth cultural analysis to uncover social insights is emerging. This cultural research goes beyond individual behavior. It studies social trends, emerging values or simply how consumers live and act within tribal groups. It is not about hiring "cool hunters." Nor will focus groups and ethnographic studies serve to unearth the necessary social insights that drive breakthrough brands. It's about diving deep into the cultural context of your early market to identify stable social trends. It's about projects such as:

✓ Analyzing how cults work in order to apply that knowledge to brand tribes.

✓ Researching what values and principles today's consumers share in order to understand why Pabst Blue Ribbon was chosen as the "anti-brand" badge.

✓ Creating a personal image of what your target community looks like by reading the magazines and books they read and watching the TV shows they watch.

Researchers must investigate cultural details and craft compelling narratives from those nuances. They must identify the triggers and hooks that help lead the market to adopt new — and most likely oppositional — social norms. Researchers must become thought-leaders, not mere imitators of pop culture.

Phase I: Tribal Marketing

Innovators and early adopters will be the first to realize the potential of the brand and help lower the barriers of adoption for the main market. They will define the brand by incorporating it into the very fabric of their tribe. The early market is often a subculture made up primarily of unconventional thinkers or opinion leaders. They are motivated primarily by one of two drivers — a quest for authentic products or a desire to display their social knowledge. The following are three specific roles consumers and other stakeholders will play in shaping brands:

- **Product Developer.** You have a virtual army of passionate users ready and waiting to help you optimize your product. And you don't even have to pay for their services. Why not harness their creative energy?
- **Brand Folklore Creator.** Early markets are your best storytellers. They will add meaning to your brand and help translate its message to a larger, more conservative market by creating rituals and myths around it.

(continued on page 7)

Phase I: Tribal Marketing

(continued from page 6)

● **Authenticator.** Using peer-to-peer networks to diffuse ideas and brands into the marketplace is extremely powerful because it's organic, authentic and sustainable.

There's a common misconception that early markets must be part of a cool subculture. This is, after all, how many guerrilla marketers make their living — by being gatekeepers to the young, the tragically hip and the beautiful. But it's not that easy. For an idea to take off, you must choose an early market that has the skills, time and tools to appreciate your brand. When evaluating whether a subculture is the suitable early market for your brand, consider the following:

● Is the audience you've selected a credible innovator of this brand initiative? Does the main market look to that audience for innovations?

● Will the seed idea resonate with your subculture?

● Are those in the subculture willing to participate; are they able to sway the main market; and are they socially connected, knowledgeable and articulate?

● Can the brand gain critical mass — either in the user base or cultural influence — for the initiative to succeed within the target audience? ■

The Art of Seeding

The idea behind seeding is to find an emotional hook that will pull the early market deep into the brand experience. The idea should make consumers feel ownership for the brand and encourage them to become shepherds for the initiative. Seeding is not about mass coercion. It's about giving the early market ownership through subconscious techniques. The art of seeding is the art of playing into the nuances of human nature.

The following are four of the major seeding techniques:

● **Declare a new worldview.** Give your initiative greater meaning and authenticity by fostering a belief system, perhaps even visible leadership. IKEA is not just a furniture retailer; it is an ambassador of Swedish values — equality, simplicity and community.

● **Play hard to get.** Make only the early market "in-the-know" with an unusually scarce, deliberate and seductive soft sell. Persuade, don't sell at this phase.

● **Create brand folklore.** Develop specific customs, rituals, vocabulary, relationships and experiences to build a passionate community. Starbucks not only created a new coffee ritual; it introduced an entirely different vocabulary to communicate with its regular customers.

● **Reward insiders.** The social currency of the early market is being part of the Next Big Thing. Keep it exclusive. Don't make it too easy for people to "get in." ■

Phase II: Co-Creation

Once the early market is hooked, it takes ownership of the brand's message. We generally call that *buzz*: the byproduct of the skillful seeding of an early market. Buzz is a powerful medium that allows the market to discover, engage with and ultimately help shape brand meaning. It occurs when brand owners let the market participate as co-creators voluntarily and enthusiastically, hence persuasively. Going way beyond word-of-mouth, buzz is the sum of all *interpersonal interaction* related to a brand.

Buzz commands our attention because it's fresh and it stands out. Since it works on a subconscious level, we learn from buzz without even being conscious of what we're doing. And personal recommendations are three times more credible than messages from traditional media. When the messenger is a friend, not a manufacturer or marketer, the message is received with more respect. The end result is that the market perceives your brand as authentic. ■

Phase III: Mass Marketing

Once an initiative has hit Next Big Thing status, the main market is ready to adopt it. Hijack marketing is not just about stealth. It does not favor person-to-person interaction over mass media. Instead, it views media sequentially — recognizing the need to use different tactics throughout the phased go-to-market approach.

During the seeding phase, a hijack relies on interpersonal media to seduce the early market and make the brand digestible for the mass market. But as soon as the early market's buzz has reached the mainstream, it is crucial to switch back to conventional, above-the-radar marketing methods in order to build momentum and broaden awareness. In other words, it is time for the brand owner to take back control.

The mass market is conservative. Rather than being revolutionary, it is evolutionary at best and pessimistic at worst. It is skeptical that the Next Big Thing really is the new standard. While the early market is excited to be the first to use a brand, the main market is content to follow the tastemakers. Those in the main market tap into aspiration. They are largely influenced by what others think of them, and so they readily adopt status symbols.

If buzz is the driver of the early market, then momentum is the driver of the mass market. When momentum is maintained, it sends a signal to the mainstream that the initiative is legitimate and sustainable.

Staying True to the Early Market

Successful brands manage to take back control of the message while still giving their early adopters special treatment by building in exclusivity. Opinion leaders are — and remain — the lifeblood of the brand.

(continued on page 8)

Phase III: Mass Marketing

(continued from page 7)

Mass market participation introduces a new dimension to brands. Instead of focusing on what the brand *is* (the functional benefit) or what it *does* (the emotional benefit), we turn to the cultural benefit or what the brand *means*. This spiritual component provides the foundation for the most enduring relationships. Conventional brands' benefits are personal, determined by the brand owner after unearthing the right product truths (functional) and consumer truths (emotional). A cultural benefit, on the other hand, is public property. It's co-created with the market and based on a social truth. Red Bull, for instance, became "the legal rush." eBay unexpectedly developed into both a trusted community and socially accepted gambling.

Lowering Resistance

There are several major tactics brand owners can use to reduce the barriers to new habit formation. These include:

- **Make the new habit appear less disruptive by linking it to an existing one.** That way, consumers will see it as a habit replacement rather than a totally new behavior. For instance, eBay provided the necessary link in consumers' minds between the virtual flea market and the real world.
- **Reduce barriers by easing people into the experience.** Then let the marketplace practice the new habit frequently. Again, eBay caught on so quickly because buyers do not have to pay to use the service.
- **Reduce social resistance to the formation of the new habit.** Foster a community to encourage deeper engagement with the brand. eBay encourages users to solve their own problems with a self-policing policy.
- **Positive reinforcement is a key driver in any behavior modification program.** It's a great way to get people to try out new things. Even better, to ensure that they turn a single trial into consistent behavior, delight your consumers by exceeding their expectations. The eBay experience has many built-in rewards such as being able to easily track down hard-to-find items within seconds. ■

The Ultimate Payoff

A brand hijack attempt doesn't give the marketer permission to cross ethical lines. While marketing itself is not evil, some people in the trade have developed bad habits over time. And the current emphasis on nontraditional media and seduction techniques may tempt marketers more than ever to cross that fine line.

Marketing needs to stay bold, brave and surprising. It needs to stay effective not by employing deceptive and underhanded tactics, but by genuinely earning consumer devotion.

Marketers love to talk about "loyalty." Loyalty is their Holy Grail. It is an objective written into every marketing plan. Every major brand is tracked quantitatively by measuring frequency of use and amount of brand switching.

The problem is that what most marketers think of as "loyalty" is actually "retention." Retention is about consumer behavior; loyalty is an attitude. True loyalty is about something bigger than retention or even the financially driven "lifetime customer value" concept. It is about authenticity. It is about passion. It leads to ambassadorship and activism on behalf of the brand. And ultimately, it leads to off-the-charts brand value scores.

Retention tactics are Machiavellian. They temporarily keep consumers buying the brand, but they do so without developing an up close and personal bond. As soon as a better deal appears, consumers will be gone. Building genuine loyalty is not about gimmicks. Retention, or "pseudo loyalty," is driven by one of the following factors:

- **Boring old habit.** Consumers often choose brands for no reasons other than convenience, laziness or habit. This is something that market leaders strive for, particularly in mature markets. But it is an indefensible position once a challenger enters the market.
- **Bogus bait.** Mileage programs are proven to lock in consumers. But there's no evidence that they inspire true loyalty to a brand. People are not necessarily loyal to United or American Airlines; they are loyal to the free flights, earned perks and increased status. Most frequent flyers are promiscuous — ready to hop into bed with whichever company offers the best deal.

In contrast, flyers demonstrate real loyalty to visionaries in the airline industry such as Virgin Atlantic, Southwest and JetBlue. These airlines don't bribe consumers, but rather thrive on delivering a more pleasurable — and less expensive — travel experience. They do constant analysis of every aspect of their services to ensure that their flyers thoroughly enjoy their flights.

- **High exit barriers.** Lock-ins are only secure until a competitor can figure out a way to reduce the exit barriers or offer value higher than the perceived cost of switching.

The Path to True Loyalty

It all starts with you telling a story, but tailoring that story to exactly the audience you have in mind, and introducing the story to audience members at a time and place where they will be able to remember your story.

It's about telling audience members exactly what they want to hear, but don't know it until they hear it, without giving away any specifics to allow room for interpretation.

It's about making those who hear the story become your storytellers and allowing them to make up and add parts to the story as long as they get the title right and the critical elements within the same ballpark.

It's a hard job with the ultimate payoff: lasting consumer devotion to your brand. ■

· Book 21 of 106 ·

Brand New Name

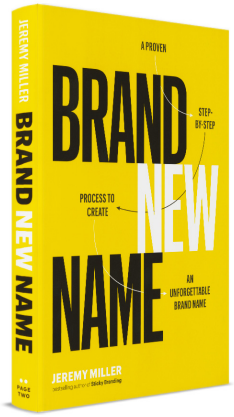
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Brand New Name

A Proven, Step-by-Step Process to Create an Unforgettable Brand Name



by **Jeremy Miller**

Contents

Making Your Brand Unforgettable
Page 2

The Anatomy of a Name
Page 2

The Persuasive Power of Words
Page 3

Unlock Your Creative Genius
Page 3

Let's Get Naming
Page 3

THE SUMMARY IN BRIEF

Many companies spend so much time developing the identity of their brand, but they neglect or undervalue the single most important and central aspect of that identity—their brand name. Too many entrepreneurs and businesses believe that their name is just an afterthought, something that will become iconic simply because their business becomes successful.

But great businesses and brands have names that are perfectly in-line with what they create or the services they offer—and a whole lot more. They're memorable, unique, and roll off the tongue. What could be a better marketing tool for your company? With that in mind, ***Brand New Name*** outlines a total process for executing a naming sprint for your brand, while also identifying key naming strategies that separate truly great brand names from instantly forgettable ones. By examining some of the world's biggest and most successful brands, this book helps brands everywhere who aspire to join their ranks.

IN THIS SUMMARY, YOU WILL LEARN:

- The importance of a name, and why the naming process is deserving of your attention.
- How to identify what will make your brand name truly great and set you apart from the competition.
- How to plan and execute a successful name creating sprint that will result in the perfect name for your brand.

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Making Your Brand Unforgettable

Choosing a brand name is one of the most important business decisions you will make for your company. A brilliant name defines your brand, and it can shape the future of your business. Every entrepreneur, business owner, and marketer has to name something at least once.

Naming is one of the most fundamental building blocks of how we communicate and understand the world around us. But the process of naming can be awful, time-consuming, and frustrating work. Every time you think you've found a great name, you discover it's already taken. In fact, as a representation of this issue, every single one of the 456,976 four-letter combinations possible have been claimed as domain names, from aaaa.com to zzzz.com and everything in-between.

When it comes to naming your brand, the truth is that there are no bad names, just bad strategies. Some branding experts argue that misspelling a brand name is a cardinal sin. But names like Flickr have become absolutely iconic.

The truth is that successful businesses create successful brands, and never the other way around. And the name of a brand is the longest living artifact of that brand. That means that it requires much more thought than just going with whatever is the first thing that comes to mind, or whatever happens to be available. In just a word or two, you are capturing the essence of your company, product, or idea. It's a simple phrase that's absolutely packed with meaning.

One of the reasons that brand naming is so hard is that most people don't have the right tools or processes to do it effectively. But the power to create a great name is hiding in the power of your team. When you combine a talented team with a defined, strategic naming process, your brand's name will be on its way to becoming an icon and a powerful representation of what your brand and business represent.

Names Are Strategic

By choosing a brand name, you are choosing the story you want to share. A great name evokes emotions and positions the brand, two important elements of marketing and establishing your brand identity.

Your name will set expectations, shaping your brand's personality and the relationship it will form with customers, staff, partners, and anyone it touches. The best kind of brand positioning, including your brand name, addresses three key questions:

- Where will you play?
- How will you win?
- How will you be known?

By clearly answering each question, you'll be making decisions that will shape your business strategy. You're deciding what your brand will be and what it won't be. Every successful company has a name that means something different, because each company has a different story to share.

With that in mind, it's important to avoid referring to your business as a 'one-stop shop' or other related phrases. This suggests a broad identity, one that can't be pinpointed and as a result isn't memorable or unique. When it comes to your naming strategy, the most important part of that strategy is to have one. Without a strategy, you'll end up compromising on the quality and elements of your name.

The Anatomy of a Name

Naming is creativity under constraint. You're telling a story in a word or two. Names come from many surprising places. Some are real words, while others are invented. You're looking for words or phrases that can tell a story—for example, 'nachos' are actually named after their owner.

Brand names tend to be grouped into one of three categories:

- Descriptive names: the name indicates what the product, service, or idea is
- Suggestive names: the name indicates what the item is like, a sort of nod to what you might get or experience
- Abstract names: the name is an empty vessel, and the brand will breathe life into it to make the word its own
- When it comes to the construction of names, that category is a bit broader. Brand names tend to originate or be formed in one of five ways:
- Real words: the word already exists in English or another language. It could be a noun or verb, or a word taken from history or literature, like Starbucks
- Constructed words: this is when you take parts of real words and push them together to create a new word, like Instagram
- Invented words: you can invent a word that is completely distinct for your brand, like Accenture
- Acronyms: acronyms use the first letters of a phrase,

often from a descriptive name, to create a quick reference to the brand—like IBM (International Business Machines)

- Misspelled words: drop a vowel or change a consonant, and you can turn common words into names that represent your brand, like Chick-fil-A

Understanding the anatomy of a name will give you an advantage in the naming process, because it can expand your horizons. By understanding all the possibilities, you can be more creative and look for names more broadly.

The Persuasive Power of Words

The way a name sounds, or the way it rolls off your tongue, can shape the story of your brand. The way that name sounds begins the story. It helps to position the brand in the consumer's mind, and it indicates what to expect.

Sounds Convey Meaning

Sounds are the root of language, which influences how we understand words. Words like 'dawdle' or 'meander' sound slow, whereas 'swift' or 'sprint' sound fast. The way words come off your tongue conveys meaning. A dawdling old man creates a descriptive image in your mind, whereas Usain Bolt, the world's fastest man, just sounds like he was born to be fast.

When you're brainstorming ideas for your brand name, say the words out loud. When you're testing ideas, say the words out loud. Names are primarily used in verbal communication. You ask for a brand by name, and you even think in sounds. How a word sounds will shape its persuasive power.

Words Paint a Picture

Names can persuade when they create a mental image. Recall how the term 'black hole' changed an entire field of study. In two words, black hole paints a visual metaphor of a complex, abstract area of physics.

Memorable names are often based on 'concrete words.' These are words or phrases that stimulate visual images in your mind. This makes them easier to understand and remember than abstract or puffy words like 'innovative,' 'revolutionary,' and 'world-class.' Concrete words are more memorable because they create a visual image.

Simple Names Are More Successful

Margaret Molloy, chief marketing officer at Siegel + Gale, says, "The greatest brands make life simple. Think Google, Amazon, or even Dunkin' Donuts. They cut through the clutter by delivering what consumers want, when they want it, without hassle."

In a noisy world, simple brands win. This applies to names, too. Researchers have discovered that companies with simple abbreviated stock ticker names achieve a higher boost in stock price than companies with unpronounceable ticker names. We all still buy products with complex names, but in a world of immense competition, every little advantage you achieve can make a difference. When possible, go simple.

Embrace Quirks

Finally, don't shy away from quirky names. They give you an opportunity to stand out amongst all of the others.

Unlock Your Creative Genius

Everyone is creative, provided they're given structure, and nobody knows your business better than you. Every organization has an immense source of creative talent within their own doors, so you should use that talent in order to create your brand's name and identity. Pull together a team to generate even more ideas.

Teams generate more breakthrough ideas for two reasons— first, volume leads to originality. The more naming ideas you can generate, the more likely you'll find one name that is truly brilliant.

Second, ideas build off other ideas. It's the process of molding, pushing, and adding an idea that makes it transformative. A core benefit of working with a team is that you get to feed on the creativity and ideas of your colleagues. One idea can lead to another, and that takes you down a different path, and then two random ideas collide, and eventually you land on something truly original. With a team, you benefit from a multiplier effect. By getting more people involved, you have an opportunity to generate hundreds, if not thousands, of potentially great names. Plus, employees can identify stories that an outsider might not see. That's why it's recommended to remain in-house when choosing a name for your brand. With well-placed questions and exercises, good names naturally rise to the top.

Let's Get Naming

The Brand New Name naming process involves three core steps—Plan, Sprint, and Select. It sounds pretty simple, and

that's because it is. Naming isn't a magic art or a secretive, high-stakes activity. It's a process, and that's what makes the Brand New Name strategy so effective. With clear exercises, daily quotas, and a structured timeline, you and your team will never feel lost or struggle over what to do next.

The Brand New Name process is designed to take place over four weeks. The first week is for planning, the second for the naming sprint, and the 3rd and 4th weeks are for the selection process. Each stage of this process is essential and will help you and your business end up with an excellent brand name that will serve as the first point of communication for your brand and its ideas for (hopefully) decades to come.

Stage 1: Plan

In the planning stage, you and your teams must develop a naming strategy that works for you. No one but you can tell you exactly what this strategy should entail. Consider the different approaches to naming already discussed, and determine which one (or combination of many) is right for you. Then, you need to assemble your sprint team and assign roles. This could be as simple as requesting that each team member come up with a list of 25 names, or more complicated with specific teams assigned to specific naming tasks. Then, you should review and refine your strategy with your sprint team.

Finally, it's time to prepare the sprint team and organization for the sprint. Ensure that everyone involved has enough time to set aside for the naming sprint that it won't be pushed aside or forgotten. This is particularly important when it comes to brands that are already in operation and serving customers—high-level thinking like that involved with naming a brand can often be brushed aside in service of day-to-day tasks. Don't let this happen.

Stage 2: Sprint

Now it's time for the sprint itself. Whatever your strategy for your sprint, now is the time to implement it. This sprint should take one work week, or 5 days total. This short time frame will help ensure that people stay focused, vibrant, and creative. Long-lasting sprints aren't sprints at all, they're marathons, and they'll lead to mental burnout and fading creativity.

Stage 3: Select

At the end of your sprint, you should now have a long list of potential names to consider. Now comes the real process. You should begin by eliminating any non-starters, names that are obviously unfit for any number of reasons (they already exist, they're too hard to spell, they're inappropriate or offensive, etc). Once you've made your shortlist, you may want to send it to a trademark lawyer to validate availability.

Next, it's time to do some testing. Try placing the name in context of a logo, and in simple fonts like Helvetica. Then it's time to do some selection of the best of the best, and test how memorable they are. Can they be quickly recalled?

Finally, you have hopefully narrowed down your list to the best of the best—and it's time to select your name. Once you've made your selection, make sure to celebrate what you've accomplished!



Jeremy Miller is a brand strategist and bestselling author. His blend of humor, stories, and actionable ideas will inspire you to innovate and grow your business and brand. After watching his family's business nearly hit rock bottom, he was forced to take a hard look at the way the company was run and at their industry as a whole. Jeremy realized it wasn't his sales people or marketing processes that were failing, it was the brand: their customers couldn't distinguish them from anyone else. This insight caused him to rethink, reposition, and rebrand the business. The strategy worked, and within a year the company turned the corner and rocketed into growth mode.

Brand New Name: A Proven, Step-by-Step Process to Create an Unforgettable Brand Name
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· Book 22 of 106 ·

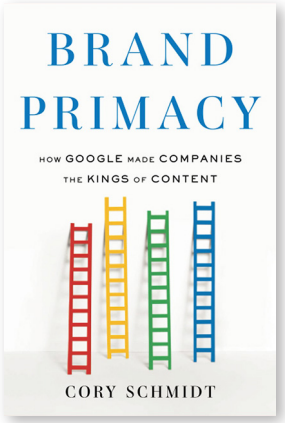
Brand Primacy

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Brand Primacy

How Google Made Companies the Kings of Content



by **Cory Schmidt**

Contents

Introduction
Page 2

SERPS And The Real Estate Of Search
Page 2

Implementing The Principles Of Brand Primacy
Page 3

Understanding, Then Outranking The Competition
Page 3

To Heed Or Not – Common SEO Advice
Page 4

Conclusion
Page 4

THE SUMMARY IN BRIEF

The term SEO is used when trying to earn distinguished rankings on Google. SEO (search engine optimization) can be an extremely difficult concept to wrap your head around if you don't have the basic knowledge and understanding of it. With Google algorithms changing daily, it can be a gray area for anyone looking to enhance the status of their site in a search. When Google released its VINCE update, it became apparent that it was targeting higher qualities of content for searchers worldwide.

Brands became the forefront of Google's SERPs, making searches more closely related to user experience than "what pops up." Brand Primacy has become a more focused strategy for anyone looking to gain domain authority and a top ranking on the search engine. In ***Brand Primacy: How Google Made Companies the Kings of Content***, Cory Schmidt discusses how the ever elusive search engine provider changed how it looks at a domain's authority. Brands who provide relevant and meaningful content are now the kings of the search engine – and if you want to achieve this, he will tell you how.

IN THIS SUMMARY, YOU WILL LEARN:

- What Search Engine Optimization (SEO) is.
- Ways to utilize technical and content-first SEO strategies.
- How video can increase SEO results.
- How Brand Primacy is trending in the Google search.
- How to gain domain authority.

Introduction

Google has given brands the opportunity to gain a ton of valuable traffic, but it is glaringly obvious that some companies are not taking advantage of this. Brands who utilize the Search Engine Optimization (SEO) offerings have an advantage – brand primacy. This is the concept that brands have advantage in Google rankings. Google has rolled out the red carpet and positioned it directly in front of a set of search results when the offering and algorithms are utilized correctly – with brand primacy front and center.

Basic SEO terms are necessary for understanding how to achieve success: domain, rank 1, rank 0, SERP (Search Engine Results Page), featured snippet, backlinks, domain authority, internal link, external link, search intent, and conversion. The path to accomplishing higher rankings is not easy but these foundational building blocks can make pursuing the path more attainable.

Brand Primacy – The New Sheriff In Town

Before understanding why certain websites and brands appear on the top of search engine rankings, the past has to be examined. Although Google's release brought about the speed necessary to retrieve the search results, it still needed to ensure universal accessibility to results making them fast and useful. The content on websites counts – with blogs being the majority of analytical traffic from Google.

Google's Early Days

Google favors brands. Recent Google algorithm changes, which break apart underhanded SEO tactics, also put brands into the driver's seat of searches. This means technical tricks no longer work. Instead, brands that create great content to solve the search intent of Google's users succeed. This brings about a competitive advantage for brands, providing them with an opportunity to reap the benefits of cheaper traffic and gives them and edge with their branding.

Brand Primacy has shifted the way information is consumed. The shift in information gathering has also changed Google. Not only the way Google, as an entity, handles decisions concerning the results they serve, but also regarding the overall existence of the site and how it functions.

Google's Part In The Brand Primacy Equation

When something is in question, people turn to Google for answers. Users know that Google is their best chance at finding the real answer for any topic – which is outlined in the company's branding. Brands are building domain authority by answering questions from searches on Google around what their products offer. Building this authority requires giving Google users a good experience and solving their search intent – a harmonious relationship that builds off of one another to increase domain authority. In the grand scheme of Brand Primacy, it requires brands to provide the content necessary with comprehensive coverage of the product, service, and topic.

The Brand Inclination According To Google

When Google realized the structure they had used for a decade was not working to enhance user experience, they knew the only way to deliver quality solutions within search results was by favoring brands. The Google update that changed everything was VINCE. The changes made to the search algorithm was to improve efficiency. With so many variables at play, a focus on user experience became imperative. Even though Google delivers daily updates, these are not typically notable – but there are periodic ones that change the course of the algorithm and has specific purpose. Notable updates include RankBrain, Panda, and Payday. VINCE is the day that brands begun to win the algorithmic race. The update was quick, noticeable, and brought about change in competitive keywords that would favor first-page rankings for big brand domains vs. previously ranking sites.

SERPS And The Real Estate Of Search

Google makes SERPS much more top-heavy, which makes making Brand Primacy much more important. Over the last few years, Google has increased the total allotment of paid ads, allowing four paid results to top the SERP. This takes up approximately half the page of returned results due to the increase in sizing on the ads. The SERP is going to feed users things that Google feels fit their search intent, and the user behavior of the audience dictates this in the long run. Because Google favors brands, if companies focus their efforts on ranking for general search terms, there is a good chance they will be at the top of the page.

Implementing The Principles Of Brand Primacy

There should be two main focuses when structuring a domain's internal links to promote Brand Primacy – the paths the links route the users to and the anchors. Brand Primacy encourages brands to shape their website and structure in a certain way – to depict topic authority. The goal is to use topic authority to navigate and achieve topic authority. The biggest way to do this is through content that utilizes long-tail keywords and content clusters.

Blowing The Cap Off The Intent

Understanding intent does not mean knowing what the searcher is thinking, but rather the intent of the keywords being searched for. Brands spend so much time trying to cater to Google's algorithm that they fail to beat competitors using this strategy. The key to becoming dominant in the area of Brand Primacy is understanding the search intent – which is often a purchase, the answer to a question, or finding a specific site. Tailoring keywords and content that can encompass all of these build on better Brand Primacy.

Brand Awareness Plays A Part

Brand awareness is a measurement of how well people can recognize characteristics, qualities, and other aspects of a brand. The important thing is that if a brand has a strong awareness, it is likely more popular than other brands. Once Google has determined search intent, they feed specific brands to the top of the results – but this also includes the influence of the brand awareness on that search intent. So consequently, the higher the awareness and search intent, the higher the Brand Primacy within the results.

Domain Authority – How Expertise Drives Traffic

Domain authority is a term coined by Moz, referring to how well a website relates to a subject area or industry, and how this relation impacts its search engine rankings. Predicting how Google measures a domain can be relatively difficult, but there are a few factors that have impact on the process – branded search traffic, brand social influence, and links.

Building domain authority is how many brands achieve Brand Primacy. They provide a good experience for Google around the topic area, Google deems their domain and authority, and their top- and bottom-of-the-funnel general search rankings go up.

A Deep Dive Into Backlinks

Google almost guarantees the brands that hit the top of the SERPs long-term survival. Those with a top position are more likely to get backlinks and occurs because so many websites find it useful to link to a certain website within their content. The more top results a domain has for general terms, the more likely they are to achieve domain authority. The larger the domain, the more likely it is to rank for more terms – a snowball effect. The higher the Brand Primacy, the higher the advantage of building momentum, especially on Google. That is why the brands with higher Brand Primacy tend to stay in more competitive locations within the search results. Backlinks that are gained from an authoritative brand are even more valuable – and brands should prioritize getting these backlinks from other brands.

Video, Meet Search

Creating videos and linking them to articles on specific topics creates an additional avenue to gain traffic. The more traffic, the more authority, and the boost in domain authority. To build a strong YouTube profile, it is important to remain focused on brand consistency, utilize featured channels, and truly embrace your brand in the "about" section. Google owns YouTube, which is important to remember. It is more likely to favor a YouTube ad in a search result than any other video offering. There is an advantage to be gained here.

Understanding, Then Outranking The Competition

You will not get anywhere with Brand Primacy or outranking on Google if you do not understand your competition. It takes more than just compiling a list of competitors that are outranking you on Google, it requires you to do a little research into their brand superiority. Next, you have to look at the content they are writing and how they behave on social platforms. Use their weaknesses and create new strengths and advantages for your own brand. What exactly are you doing that sets your brand apart from the competitor? Through this you can begin formulating your own plan and venture into Brand Primacy. Just remember – you can't beat them at their own game or by using their own tactics –

you have to differentiate yourself by digging deeper into the smaller details they are overlooking.

To Heed Or Not – Common SEO Advice

While it is important, domain authority with content is a better first approach to ranking. When you focus only on the technical aspects of your SEO and better your standing, you will still find yourself lacking because you do not have the content necessary to convert. Creating a strong content-first philosophy makes implementing the technical SEO fixes much easier – they build off of each other. There are several fallacies that come up when talking about SEO – SEO is dead, little things do not matter, sometimes sloppy is fine – all of these are perceptions that competitors want you to believe, when in reality they are working to achieve the dominant role. Brand Primacy allows you to focus on the truth and dispel the fallacies – the most important thing you can ever learn about SEO: this game, in which we ying, is a race against time.

How Does Google Benefit?

On one hand, Google receives high-quality content because it incentivizes brands to create it. On the other, it has the paid ads that may or may not result in sub par returns. Google's standards are ensuring that customers receive quality ads, while at the same time charging for non-organic rankings. The high quality of Google's SERPs have made it possible for the brand to build its authority – think back to the section where asked where do you go with a question. The answer? Google. The tried and true search results that have brought about the purchase, answer to a question, or finding a specific website has spoken for itself. In the grand scheme of search engines – Google is using its own philosophies to rank on top.

Thoughts On A Changing Search Landscape

When looking at innovation, we picture immediate impact. Unfortunately, history speaks for itself, showing us that the process of replacing the old and implementing new always lags. As brands become more trusted, we will begin to treat them as the top sources available – a process that is slow but it is inevitably already happening. It is likely that Brand Primacy will become the norm in a landscape that is already becoming unrecognizable. In the future it is possible that Google will find itself at a crossroads – faced with the choice to further improve user experience or the need to adjust and mold itself accordingly with a new way of searching.

Conclusion

History has a tendency of repeating itself – Google itself is a tale of new ideas, ideas that challenge the status quo, ideas that are hard to grasp. These ideas and new perspectives go through a binary process. Either someone says yes to the new way of thinking and embraces it, or it ends up on a dusty shelf somewhere, failing because there was no level of commitment. While there are always trending ideas – right now Brand Primacy is at the forefront of your mind – which is good because that is what is trending, if you want to rank high in the Google search results. For success to happen now, it requires taking an "in the moment" approach – Google is waiting – making it possible for your brand to reach primacy if you reach for it.



Cory Schmidt is a globally trained expert in the SEO field, taking companies to the top Google search ranking promised land using his unique Brand Primacy model. A frequent speaker at marketing, sales, web development, and SEO seminars, Schmidt is known throughout the tech world as a marketing and sales leader. When he's not finding innovative ways to disrupt the world of marketing, he likes to travel, read, and, of course, write.

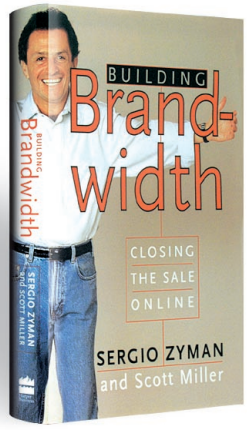
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· Book 23 of 106 ·

Building Brandwidth

Sergio Zyman and Scott Miller

SOUNDVIEW Executive Book Summaries®



By Sergio Zyman and Scott Miller

CONTENTS

Purchase Intent and the First Internet Super Bowl
Page 2

What Is Brandwidth?
Pages 2,3

What Is e-Marketing?
Pages 3, 4

How Do You Build Brandwidth?
Pages 4, 5, 6

Marketing at Warp Speed
Pages 6, 7

Brandwidth and Public Relations
Pages 7, 8

The Return of the Merchant
Page 8

Obsolete Yourself Before Someone Does It to You
Page 8

Closing the Sale Online

BUILDING BRANDWIDTH

THE SUMMARY IN BRIEF

The fallout from last spring's NASDAQ plunge is still being felt today in the dot-com business community, as investors flee Internet shares in droves, looking for that quality so many dot-coms find elusive — profit. The reasons these companies have found it so difficult to make money are many (no business plan, no real BUSINESS to speak of, etc.), but even those that have a good concept and good people have a problem because they simply don't know how to market and sell their products and services.

Enter Sergio Zyman, whose research into the practices of e-business powerhouses has yielded a not-so-surprising finding: the hip, irreverent marketing of many upstart businesses lacks the fundamentals (the discipline, sweat and smarts) to do what marketing exists to do — sell stuff. Zyman introduces the concept of building "brandwidth" — creating a structure of brand meaning and power through constantly adding value to the relationship your brand and business have with each of your customers, a relationship that evolves gradually, with each contact, each usage.

In this summary, Zyman guides you through the challenges of building brandwidth. Specifically you will learn:

- **The three phases of e-Marketing.** Zyman notes that the third phase — the one that focuses on actually generating revenues for a company and its financial backers — may be the most crucial of all.
- **The need to differentiate between getting hits on a site and generating sales,** and how the gap between the two must be closed with brandwidth and the old-fashioned brand principles that underpin it: presence, relevance, differentiation, credibility and imagery.
- **The secrets of speed in e-Marketing,** and how getting to market first with a concept or product is only part of the story.
- **The "Return of the Merchant" and the personalized "merchanting" all customers used to receive as a matter of course.**

One final note: the hard work of building brandwidth is not merely the province of dot-coms. The concepts Zyman covers apply to businesses of every stripe — including yours.

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BUILDING BRANDWIDTH

by Sergio Zyman and Scott Miller

— THE *COMPLETE* SUMMARY

Prologue: Purchase Intent and the First Internet Super Bowl

Authors Sergio Zyman and Scott Miller fielded a comprehensive research study to measure the impact and effectiveness of every advertising spot aired nationally during the 2000 Super Bowl — the first Super Bowl in which Internet companies played a significant role in the most expensive and exclusive arena for television advertising. The goal of the study was to measure purchase intent for the product or service being advertised — the most reliable predictor of actual consumer purchase behavior when all other factors (pricing, availability, etc.) are held equal. Purchase intent also measures the role of advertising in stimulating consumer desire for a product or service.

Other organizations conducted similar studies, most notably the newspaper *USA Today*, which used "likability rankings" to judge the winners and losers of the advertisers. While the paper insisted the Internet advertisers had been beaten soundly by traditional offline advertisers, the authors' findings yielded an altogether different story:

● **Ad likability is a poor predictor of purchase intent.** When you look at the data, it is clear that ad likability had little to do with increasing consumer desire to purchase a product or service. Only four of *USA Today*'s top ten ads delivered significant increases in purchase intent; the rest delivered only marginal increases or decreases in intent.

● **Some of the least likeable ads on the Super Bowl were the most effective.** The ad *USA Today* ranked dead last in likability — an Oldsmobile ad — delivered a whopping 67 percent increase in purchase intent among viewers. While this was not the case with all the least-likeable ads, the figures were significant enough to call likability into question as a good metric of intent.

● **Super Bowl ads that rank high in *USA Today* have a poor record of business results.** The *USA Today* ad meter has been around for years, but has a questionable track record in actually picking companies that have sales success. For example, Pepsi-Cola's Super Bowl ads topped the *USA Today* rankings from 1996 through 1998, yet their volume growth lagged behind Coca-Cola Classic's in the first quarters of 1996 and 1997, and actually declined in 1998. ■

What Is Brandwidth?

If the Internet doesn't start selling more stuff more often to more people — in other words, if it doesn't start taking marketing seriously — a lot of those nifty Internet startups are going to be Internet belly-ups. It's already happening — the downturn of the NASDAQ is ugly proof — and will continue to happen if the companies of the "new economy" don't start paying more attention to ringing in sales than they do to totaling up hits. e-Marketing isn't just about building awareness or likability or purchase intent — it's about moving the consumer to the sale.

As the Web casualties pile up, you can see that the law of marketing gravity has indeed been proven again — if you don't sell stuff, you crash to earth. Many Internet companies did just that in the spring and summer of 2000, and now, like it or not, the smaller companies among them must answer the nagging questions marketing experts have been asking them all along: "What is it you actually *do*? And how are you going to make money?" Sites might have a lot of traffic, but if there are no revenues to speak of, the end will almost certainly come. Iaminvincible.com becomes Ijustranoutofcash.com.

In a crowded environment like the Internet, creating awareness simply isn't enough; the secret to survival is in providing lasting value to customers. "Value," to many new businesses, used to be just the first two syllables in the really important word "valuation." What companies are starting to realize is that building value is the only way to create lasting valuation — value to users comes first; valuation by NASDAQ analysts

(continued on page 3)

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What Is Brandwidth?

(continued from page 2)

comes much, much later.

Just as the old and new economies are merging into the transformed economy, the old and new rules of brand building are converging on a new point, called building brandwidth. This means a lot more than just building brand awareness — it also means building brand meaning and brand power in breadth and depth, constantly adding value to customers. It requires building brand relationships one customer at a time, one usage occasion at a time. The lessons learned by e-marketers on the way to building brandwidth are much the same as those that most traditional marketers already knew:

- **Presence in the marketplace must be activated by visible usage and word-of-mouth testimonials in the marketplace.**
- **Customer relevance must be established and constantly replenished.**
- **Marketplace differentiation must be established, then constantly adjusted for new competitors and new claims.**
- **Brand credibility must be established in the interplay of promise and delivery; it, too, is a constant building process.**
- **Brand imagery must be defined and then added, repeatedly.**

Building brandwidth means developing a strong foundation of meaning — it's about relevance, not awareness. ■

Getting Busy with e-Marketing

The period of exploration and experimentation in e-commerce is over — reinventing marketing failed, and it's time to get down to the brass tacks of marketing and branding, more specifically, of e-Marketing and building brandwidth. It's the end of "set it and forget it" marketing plans. It's time to make something happen, by doing the following:

- ✓ **Get the basics FIRST, instead of getting back to basics.** The "basics" are selling and making money — is anything more basic than that? — which means you've got to close the sale online.
- ✓ **Take the gloves off.** It's bare knuckles from the time you come out of the corner.
- ✓ **Don't talk about what your products or services can do.** It wastes time and effort. Focus instead on defining the benefit these things have on the customer, and addressing those things to Mr. or Ms. Net Shopper.
- ✓ **Drive differentiation.** Develop your strategic differentiation into your brand architecture, into the naming of your brands, and into the ways you link together the brands in your family.
- ✓ **Let no customers slip through your fingers for lack of support or customized, personalized brand relationships.**
- ✓ **Drive your basic brand story into every communication from your company and any of its brands.**
- ✓ **Do all of the above at the same time you're racking up frequent flyer miles, moving around the country to sell the entire enterprise to even the most skeptical audiences.**

Consumers are getting smarter; thus, you must market smarter. Competitors are getting tougher; thus, you must market tougher. Everyone has the same opportunities on the Web; everyone has the same basic set of tools. The question is, what will you do with them?

What Is e-Marketing?

e-Marketing is marketing online, with the same purpose as offline marketing — to sell stuff. It is, however, marketing at a much faster speed, with higher consequences, because Internet companies are finding increasingly that they are expected to do what ALL companies must eventually do — to produce revenues and profits, and to convince people to come back more often and be willing to pay more.

Marketing, in general, has always been slow (even resistant) to change; the basics really haven't changed since David Ogilvy's landmark book *Ogilvy on Advertising*, which was published in 1952. Since 1995, however, Internet marketing has gone through two phases and has now moved into the third and most important phase.

First Phase: What Marketing?

The first phase of e-Marketing was essentially no marketing at all. With so few commercial sites vying for consumer attention (Yahoo, AOL and an early Amazon), differentiation was created by the simple lack of competition in the space at that time. Communications were almost 100 percent viral — passed from person to person — establishing a word-of-mouth advertising that helped the early Internet grow. It was marketing in its most basic form; the Internet may never have such strong marketing again.

(continued on page 4)

What Is e-Marketing?

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Second Phase: Branding and the Mass Market

The second phase of e-Marketing, focused on building awareness, began when AOL adopted the mission of making its service as ubiquitous as the telephone, but more useful. To convince customers — in the early days of the Internet — that they had to use AOL, however, the company had to sell both the category of online usage as well as the brand's relevance and differentiation in that category. AOL sent out AOL starter diskettes and CDs, employing a "pulse strategy" of marketing — if you didn't receive one, you probably didn't have a pulse. This strategy borrowed from tried-and-true marketing methods to gain penetration — and penetration it got.

Priceline.com was the first major Internet player to establish its brand on the basis of fairly traditional marketing principles, using problem/solution advertising (and the brilliant choice of William Shatner as a spokesperson) to carry its message beyond the target audience of current Internet users. Priceline.com used the most powerful concept related to the Internet — inevitability ("This is the way it's going to be" and "This is where you will be"). It defined the future in its terms, in a compelling fashion.

This phase of e-Marketing isn't really over yet — companies continue to recognize the fact that they must quickly tell people what they're all about and what they're going to do for them.

Third Phase: Here, Now and Tomorrow

We are now entering the third and most important phase of e-Marketing — the one that focuses on actually generating revenues for a company and its financial backers. Those backers are now insisting on seeing business and marketing plans, on knowing how fledgling Web businesses are actually going to generate business.

The poster child for this phase is CNET.com — a great company with a great site and a great business concept and plan, but lousy marketing. At one point, the company spent the bulk of its revenues on an unfortunate ad campaign — including one spot in which a proctologist offered computer advice — that failed to convince users to use CNET.com. The campaign may have been the catalytic moment of this newest phase of e-Marketing. The most recent campaign features people wearing T-shirts with the designations "you," "CNET" and "the right computer" — as simple and straightforward as you can get. The result? CNET.com is one of the few business-to-consumer sites that has taken a licking and kept ticking.

The patience with living off investment dollars is over; people expect you to close the sale online. You must develop revenues; if you're not doing that, you're not practicing e-Marketing. And you probably won't be around very long. ■

How Do You Build Brandwidth?

Your most important job is to build brandwidth — your brand is the most valuable asset you ever build in your company. Brandwidth is not simply a cute name; in e-Marketing, brands must be constructed in layers of meaning, every layer connecting with a specific audience, in an ever-deepening connection. Many companies have a pipeline of distribution in place — it's the brandwidth that turns it on, allowing you to grow your business and generate revenue.

Branding is not simply another passing business fad or fashion; it is a fact of life in the information age, a necessity born of the competitive noise and increasing clutter in every market environment. Those early consumer-driven sites like Yahoo and Amazon have been joined by thousands of others; the business influence and viral marketing of those early pioneers are now diminished. Many are adding offline promotion to their branding mix, in order to bring in consumers; the dot-com companies that advertised on the 2000 Super Bowl spent $1.5 million per 30-second spot, in order to reach fewer than ten percent of U.S. households.

But with consumer attention spans decreasing on the Web, the key issue at the point of purchase decision-making is stickiness — a concept that is easy to identify but hard to deliver. What will keep customers around longer, in order to get more usage, more satisfaction, more sales and the likelihood of more brand loyalty? The gap between getting hits on a site and actually closing transactions must be closed with brandwidth and the old-fashioned brand principles that underpin it: presence, relevance, differentiation, credibility and imagery.

Presence

Presence in the marketplace is the way any brand gains the awareness and acceptance of consumers. Brands extend their presence with advertising, merchandising, promotions, PR and sponsorships, creating a basic brand awareness and driving other brand attributes — because awareness alone does not necessarily translate into purchase intent or purchase. Internet brands have tried to increase their presence through a number of different means, from linking to or advertising on other sites, to using mainstream, offline media to drive traffic and sales online.

(continued on page 5)

How Do You Build Brandwidth?

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Viral marketing still plays an important part in building brand presence as well, as does visible usage. The former is a tried-and-true method, extending back to the Internet's earliest days. Visible usage has grown into an even more powerful component; in order to get more people to use your product or service, you must get people to use your product or service. While this sounds like a circular argument, it really isn't; visible sales and usage of your product in the marketplace will motivate others to try it.

How do you get those initial users to try out your product? By any means possible:

- **Offering at least some portion of your wares for free.** Many sites, while providing free service or free trial use of a product, ask consumers to register and provide information about themselves; this information is a valuable asset in the world of online sales and marketing. The trick, however, is to eventually convince customers that it's worth paying a premium for your offerings.
- **Creating a personal experience.** The more personal the experience consumers have online, the more likely they are to return to your site and (in theory) to pay more.
- **Fighting "virtual consumption."** Virtual consumption occurs when people prefer your brand but are quite willing to consume another — they don't perceive or care about the difference. You should also fight "unconscious consumption," whereby people use your product without knowing they're using it; often it's just a habit. In either case, your branding needs to be strong enough to make your differences make a difference — and to connect those differences with your brand, in order to build an association with consumers that brings them back to you repeatedly.

The primary focus of developing presence should be in distinguishing your "squeaky wheel" customers from your quiet supporters, and in developing ways to move both groups to more productive usage.

Relevance

Brand relevance is the way your brand fits into your customers' lives and how it meets their needs and desires — in other words, how important your brand is to your customers. It's also about personalization — the more it addresses the needs and wants of its users, the more brandwidth will develop. Personalization is "sticky," and customization rules. The most successful Internet companies fixate on customers, not on products or competition.

To understand the benefit customers derive from your products or services, you must enter into a conversation with them, to do the following:

- **Learn relevance on the most personal terms.**
- **Learn about opportunities to sell customers more stuff more often, whenever and however your customers might want.**
- **Learn about your competition from your customer's perspective — who they think are good alternatives to you.**
- **Learn what's keeping your customers from greater brand commitment, then determine whether those terms are acceptable to you.**

Remember, there's no such thing as developing too much relevance — you must make it a point to become more and more a part of your customers' lives.

Differentiation

If you want to create a positive return on investment, there's one sure way to do it — own the position of relevant differentiation in your marketplace. You must have meaning in your customers' lives and you must be perceived as different from all competitors.

Differentiation is where value is created on the Internet (or anywhere else, for that matter). If you succumb to "me too-ism," you too often run the risk of being a follower, when it is the market leaders that typically identify and sustain differentiating factors and, consequently, their market leadership.

Consider the following:

- **It may be necessary to "see" a market leader, but forming up around the leader's definition of strategic differentiation only reinforces its lead.** It is differentiation that encourages trial of a new concept, that changes the market dialogue and takes it away from the leader.
- **You must design differences in your product and marketing, and drive relevant differences into every aspect of your marketing communications.** It is your best customers — those who visit you most often — who will notice differentiating details most surely.
- **You must streamline your marketing communications around the issues that will make a difference to your customers.** Don't clutter your messages with irrelevant or undifferentiated babble.
- **When you feel you have a market advantage, communicate it loudly and clearly.** Abandon subtlety and refrain from willfully obscuring the point.

(continued on page 6)

How Do You Build Brandwidth?

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There's no such thing as being "too obvious," regardless of what your ad agency tells you.

Credibility

Every brand is a promise, carrying with it a set of expectations defined by both your marketing claims and your users' experiences. Brand credibility is increased by delivering on that promise. You can't deliver, however, without clearly defining the customer benefit in advance.

Southwest Airlines is, year in and year out, the number one brand in air travel for customer satisfaction. They accomplish this without delivering first-class seating, or even assigned seating. They don't deliver gourmet meals or fine wines. They do, however, deliver on their promises — inexpensive, frequent flights between business destinations, with no frills. Their service personnel can then over-deliver on their promise of service because they are not wasting time or energy in arguments about seat assignments or missed upgrades at the boarding gate.

Consider their competition — American, United Delta, and others. How do these airlines position themselves? With handsome travelers in first-class seats, relaxed, the seat next to them empty, accepting a glass of champagne from an attractive flight attendant. When was the last time your airline delivered on those kinds of promises?

Don't make promises you can't keep. If you don't increase your brand's credibility with customers' every use of your product and with your every interaction with customers, you will lose those customers.

Imagery

All brands have imagery associated with them — some of it good and some of it not-so-good. Good brands have shaped that imagery into meaning and differentiation. There are four kinds of imagery in which you must be successful when building brandwidth:

- **User imagery.** What kind of people use your product? The ideal answer from your audience is, "people just like me, people I would like to be like."
- **Usage imagery.** What does it feel like to use your product and be associated with your brand? In e-Marketing, you want to employ usage imagery that makes the consumer feel intelligent, as in, "I feel really smart for using this service or product."
- **Product imagery.** What is the direct image of the product, and of the product in use? Think of the Volkswagen Beetle or Apple iMac's sleek, contoured designs and colors, and of the feelings users express in their advertisements when using those products.
- **Associative imagery.** What are the brands, individuals, institutions and events most closely identified with your brand? Think of the associations that Microsoft and NBC (or Buick and PGA golf) maintain and the images each use to ingrain those associations in the minds of consumers.

Remember: Your brand is defined in your customers' perceptions and those perceptions form your reality as a marketer. You must understand and constantly show that you respect their perspectives and attitudes. ■

Marketing at Warp Speed

In the first quarter of the year 2000, an average of seven Internet companies were being launched each week, at an average cost of $10 million each. That's Internet speed. And with the constant competition for notice, money, buzz and revenues that exist on the Internet, speed wins. e-Marketing's job is to add value; these days, velocity is value.

Thus, the faster you move, the more likely you are to deliver that value to customers whose expectations drive the need for speed. To properly set up the expectations for that value via e-Marketing, you must be sure to do several key things.

Get There First

Traditional marketing professionals were used to annual brand planning; now, you could make the argument for hourly pulse-checks. They were used to two-hour, two-drink luncheons; now they're lucky to get midnight pizzas at their desks. When your competition changes the market dialogue, you must react instantly. Getting to that point first has been the imperative of the Internet, the key advantage in marketing success.

What is sometimes forgotten is the need not only to get there first, but to be the first to get it *right*. Look at Microsoft — seldom has it been first to market with products; it has been beaten to the punch by Lotus 1-2-3, by IBM's OS/2, by Novell's WordPerfect. But it has almost always been the first one to market to get it right, through dogged determination, constant improvement and aggressive marketing.

Get There With the Most

The defining factor in e-Market strategies is not only getting to market with an idea first, but getting there first with the most. Belief in strategy and commitment of resources are what deliver the knockout punch in any developing market on the Internet. It is pouring commit-

(continued on page 7)

Marketing at Warp Speed

(continued from page 6)

ment into that one focused point of opportunity that wins, and wins early. To make sure you're prepared to do that, you must create e-Marketing and branding plans that set clearly defined expectations, objectives, targets, benefits, tactics and strategies that strengthen your commitment to delivering the most value to customers.

Get Buy-In

You are not the target market of your efforts, a somewhat unfortunate circumstance when you consider that one of the slowest processes in the Internet space is getting internal "buy-in" to strategic or tactical plans. A given Internet startup might only have four or five people working in the entire company, but that number represents four or five layers of opinionated bureaucratic sludge to navigate through before putting your plan into action. With the importance of speed on the Internet, getting internal buy-in may be the e-Marketing manager's most important job.

With the importance of speed on the Internet, getting internal buy-in may be the e-Marketing manager's most important job.

To circumvent problems, keep decision makers actively involved in the process, from strategy development to tactical finish. Get buy-in in baby steps, and lots of them. Don't save big revelations for "the end" of the process (or your process is guaranteed not to end there). Put each decision in the context of a preceding decision (say, for example, "Based on the strategy we agreed on ...").

Keep No Secrets

Because of the importance of getting there first and getting there right, many companies are fanatical about secrecy. The Internet's transparency often renders secrecy impossible — you can't test-market ideas on the Web with any hope of concealing them from your competitors. About the most you can hope to do is freeze them in place momentarily while you announce a new change. Microsoft's "vaporware" is a good example of this — by releasing test products to select users, the company actually announces new initiatives early in their development process. This succeeds as a marketing strategy, because it gets competitors working around a space Microsoft has defined.

Thus, if you announce an initiative, you had better be ready to start selling it hard from that moment forward. Trying to keep a secret on the Internet is like trying to hide an elephant in the bathroom. ■

Brandwidth and Public Relations

In America, companies and brands that disappeared almost always died of unnatural causes — untimely deaths, really — smothered under an avalanche of bad news and worse timing. The impact of negative news is exacerbated by poor PR, but marketers are often too lazy to take the steps necessary to blunt that impact. Indeed, most marketers don't even consider PR to be part of their jobs as marketers.

PR is important because it creates third-party validation of your messages by the news media, helping to generate market buzz, which is considerably more convincing than advertising. Think about it — broadcast TV ads have around a 6 percent level of credibility, while word-of-mouth testimonials weigh in at around 80 percent. Those testimonials are often generated by what's seen, heard, or read in the news.

Good PR must have the discipline of focused brand communications — it must be integrated into all other communications, from Web site to advertising, in a highly targeted fashion. It should also achieve the same brand objectives as advertising or any other marketing communications — building presence, relevance, differentiation, credibility and brand imagery. The focus of the PR campaign should be on "The Three D's" — defining the brand, defining the company and defining the future.

Defining the Brand

PR tells the brand story — what is this product or service? What does it do? Where does it fit into people's lives? In defining the brand, PR follows the brand strategy, adapting tactics to its particular means and media in an effort to communicate the brand's value to users. The best way to do this is to create branding events — focal points of interest that help propel the brand story, or puzzle pieces of information that, when put together, tell the story. You must define your brand, or run the risk of a someone else defining it for you — a competitor, or another entity that does not have your organization's best interests at heart.

Defining the Company

Defining the company comes after the brand has been defined, often as a result of success in defining the brand. When you define your company, you define the culture, strategy and individual contributions that create a successful brand. The company story must convince the audience that the brand could only have been created by the unique dynamics existing at this company; indeed, the brand and the company should be seen as fraternal twins, natural extensions of the same gene

(continued on page 8)

Public Relations and Brandwidth

(continued from page 7)

pool. It's the defining of the company that will make it possible to attract and retain the best employees, the best investors, and the high opinions of the most respected analysts. People want to be able to identify with a compelling story, a professed market or product vision, a cool company.

Defining the Future

Defining the future is a suitable role for CEOs and in many ways is their most important communications job. They need a basic stump speech that carries the brand story and company story, as well as a context for the brand and the company in the lives of its audience. The most interesting context is always the future:

- **What the audience's lives will be like in the future.**
- **How your brand will fit into their lives.**
- **Where other products will have evolved to and what product developments are imminent from your company.**
- **What obstacles exist to the rosy tomorrow and how your audience can help lower them.**

Simply put, defining the future projects your company as a success, creating an image toward which your people can work. An excellent example of this is Bill Gates' long-held corporate mission for Microsoft, "A computer on every desk, in every home." ■

The Return of the Merchant

As e-Marketing rapidly makes mass marketing obsolete, we see the emergence (or re-emergence after a 60-year coma) of personalized merchanting, the personalized approach our forebears enjoyed as a basic tenet of doing business. The things that all but killed off merchanting — geographic limitations, transportation and the like — have been overcome by the interactive capability of the Internet, which provides the potential to once again personalize the selling process, as well as afford businesses the opportunities for tracking customer preferences and extending real-time responses.

It has also signaled an age of organic marketing, the act of forming marketing around consumers' needs and wants. Organic marketing asks customers what they want, rather than telling customers what they absolutely must have. It's selling what you can sell based on what consumers will buy, in a high-touch fashion, enabled by advanced technology. Amazon.com uses this technology to, in essence, anticipate buyers' needs, through the suggestive selling the company performs both on their site and through e-mail.

The lesson for e-Marketing is quite simple: Sell what your customers want to buy. Then focus on selling them more, and watch business multiply. Nothing activates organic marketing like allowing satisfied consumers to go to work as your most convincing medium of communications. It is a quiet, but profound revolution. ■

Obsolete Yourself, Before Someone Does It to You

The only way to stay competitive is to constantly refresh your e-Marketing. Constant innovation, making your customers expect the next new thing to be coming from you, is an important component of building brandwidth. We're not just talking about line extensions and new products — the next new product, after all, isn't exactly new; it's just better, and it will never finish changing.

The same goes for your brand — you must keep adding to it, refreshing it, upgrading it with new and exciting innovations. By doing so, you control the dialogue, for both your products and your competition's. Charles Schwab obsoleted the traditional full-service brokerage industry, first with discount brokerage, then with e-trading and research. Competitor Merrill Lynch assured its brokers and customers that the Internet was a passing fad. Within six months of Schwab's entry into the e-market, Merrill Lynch had no choice but to join the e-trading stampede as well, but in a much less organized fashion. It was playing catch-up, because Schwab was able to control the dialogue from the very beginning.

Through its repositioning efforts, Schwab let its customers decide for themselves how they wanted to receive brokering services, which proves another e-Marketing maxim: The only way to innovate on choice is with more personal choice. We live in a world of increasingly confident consumers who feel quite capable of making choices for themselves. More and more services on the Web are enabling customers to develop customized services and delivery for themselves.

You must constantly keep your relationships with your customers fresh and alive by refreshing your site, products, services and support. You must also constantly question the relevance and validity of your product or service, or someone else will, often ripping off your model, design or innovation and improving on it before you do. Every time you make an improvement or innovation, you create a new opportunity to win customers away from those competitors who aren't doing it. And you achieve your primary e-Marketing objective, regardless of what it is you do, make, or sell: You control the dialogue. ■

· Book 24 of 106 ·

Can't Buy Me Like

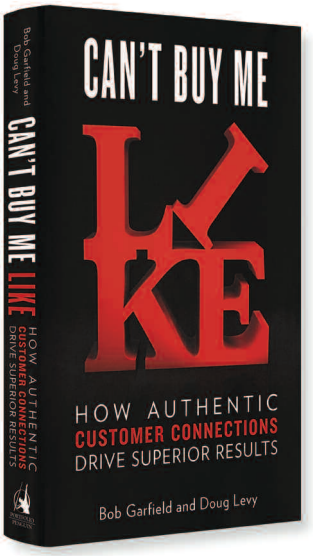
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Marketing

Can't Buy Me Like

How Authentic Customer Connections Drive Superior Results



by Bob Garfield and Doug Levy

THE SUMMARY IN BRIEF

Today's brands face an apparent choice between two evils: continue betting on their increasingly ineffective advertising or put blind faith in the supposedly mystical power of social media, where "Likes" stand in for transactions, and a mass audience is maddeningly elusive. There has to be a better way ...

As John Lennon and Paul McCartney wrote a half century ago, "Money can't buy you love." But in today's world, where people have become desensitized — even disillusioned — by ad campaigns and marketing slogans, that maxim needs an update to "Money can't even buy you like."

Can't Buy Me Like introduces us to the "Relationship Era," where the only path for businesses seeking long-term success is to create authentic customer relationships. Where do "authentic customer relationships" come from? The answers are honesty, transparency, shared values and a purpose beyond profit.

The good news is that some companies have already embraced the Relationship Era and are enjoying consistent growth and profits while spending substantially less on marketing than their competitors.

Blending powerful research, fascinating examples and practical advice, Bob Garfield and Doug Levy show how companies can thrive in the Relationship Era.

IN THIS SUMMARY, YOU WILL LEARN:

- What the end of the Consumer Era and the beginning of the Relationship Era mean for you and your company.
- How gaining and maintaining customers is now about establishing real relationships, not about persuading.
- Do's and don'ts in navigating the new rules brought about by the Internet and social media.

CONTENTS

Introduction
Page 2

The Relationship Era
Page 3

Trust Me
Page 4

On Purpose
Page 5

That Thing Called Like
Page 6

The Shift
Page 7

Do's, Don'ts and ... No, Really, Don'ts
Page 8

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THE COMPLETE SUMMARY: **CAN'T BUY ME LIKE**

by Bob Garfield and Doug Levy

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Introduction

If you are still selling goods and services by blanketing the world with advertising, trying to persuade or entertain or flatter consumers into submission, you are doing things all wrong. Because the world has changed. A lot.

The digital revolution and societal shifts have brought us to a new period. It is called the Relationship Era.

Human needs, human values and human connections will define success or failure. The currency of Relationship Era marketing is not awareness, nor even quality; it is authenticity. Trust. Loyalty. Pride. Relationship Era marketers do not see purchasers as conquests to seduce, or even persuade. They see them as friends — members of a community dedicated not only to the same stuff but also to the same ideals.

In the Relationship Era, your essence is transmitted in your relations with all stakeholders: customers, employees, suppliers, shareholders, neighbors and the earth itself. Across every function of an enterprise, corporations and their brands now can and must behave with their various constituencies in ways exactly parallel to human relationships.

In the Relationship Era, brands can no longer project the image of their choosing. Rather they must locate their inner selves and make common sense with the outside world.

The Four Forces

This shift is a temporary inconvenience for a permanent improvement. The most salient fact in accepting the ascendency of the Relationship Era paradigm has not to do with its benefits so much as its inevitability.

There are four forces at work:

1. The ongoing collapse of mass media and the corresponding loss of advertising reach and efficiency have turned the economics of marketing upside down. The cost of reaching consumers with advertising messages and promotional offers is rising unsustainably, even as consumer tolerance for such messaging declines. In the meantime ...

2. The Internet has torn down the ramparts separating the corridors of business power from the teeming hordes. Once, corporations and brands could operate behind nearly impregnable fortifications. Now there is hardly an event that takes place — especially an ugly one — that doesn't become exposed to one and all, immediately and in perpetuity. Whereupon ...

3. Thanks to the rise of social media, the news becomes conversational currency worldwide. And all of this happened at a moment in time when ...

4. The public has decided that it cares not only about goods and services but also about the values and conduct of the providers. Trust now frequently trumps even quality and price.

This unprecedented disruption in the status quo has left brands an apparent choice between two evils: continue to squeeze costs out of their budgets at the expense of the media and ad agencies living in the same ecosystems or dive headlong into social media. There is a third way — a human way — that happily converges

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with present reality. Now marketers can and must define their brands by their core purpose.

Good-Bye to All That

First came what we call the Product Era, defined by focus on the intrinsic — or allegedly intrinsic — qualities of the product or service. We chortle at the naïveté of ad copy dating to 1659: "PANACEA, or the Universal Medicine: Being a DISCOVERY of the WonderfullVertues OF Tobacco Taken in a Pipe." How simplistic and hyperbolic! By the mid-20th century, nothing much had changed.

The second stage of that epoch — from about 1965 to roughly five minutes ago — was the Consumer Era. This was characterized by a shift from advertising and marketing focused on the product to getting into the head and heart of the consumer. The quintessential example is Nike's "Just Do It."

The Consumer Era could be broken into a four-step process: Ascertain through research what the public desires; offer it; create advertising designed to seduce, impress, entertain or flatter the target audience; and place that advertising in media favored by the target.

For three reasons, those universal marketing practices must be discarded:

• **Chaos — Apocalypse Now:** Enormous barriers of entry — the cost of a movie studio, or of printing presses and trucks, or of broadcast towers and transmitters — up to this point were surmountable only by a handful of heavily capitalized oligarchs. Now the cost of entry into film, publishing or videocasting is approximately the cost of an iPhone. The consequent glut has rendered these capital-intensive platforms no longer scarce and thus destroyed the revenue models of an entire sector of the economy.

• **Ecology — You'll Wonder Where Your Money Went:** Think of the marketing environment like the planetary environment. In the Consumer Era, businesses won customers by constantly, expensively burning fuel. That fuel is advertising. Now, amid the collapse of mass, the fuel itself is too expensive to produce. The future requires a sustainable alternative.

• **Look Inward:** In both the Product Era and the Consumer Era, businesses were slaves to consumer desires (actual and assumed), the competition's activities and the capital markets. A pillar of the Relationship Era is that it is better first to look inward than to define your business by your public's often fickle and shortsighted tastes. Genuine relationships are built on equality, not subservience. People wish to be listened to. They want attention and fairness and honesty and empathy and respect.

The Relationship Era

Type "I love Apple" into your search bar. You will get 3.27 million hits. Starbucks: 2.7 million hits. Zappos: 1.19 million.

And "I love Citibank"? You get 21,100. AT&T Wireless: 7,890. Exxon: 4,730. Dow Chemical: three. Out of 7 billion human beings, three! Just to put that into context: If you type "I love Satan," you get 293,000 hits.

Citibank, AT&T Wireless, ExxonMobil and Dow among them spend $2 billion a year on advertising. Money, it turns out, really can't buy you love. It can't even buy you like.

The results dramatize three immutable facts of contemporary marketing life:

1. Millions of people will, of their own volition, announce to the world their affection for a brand. Not for a person, not for an artwork, not for a dessert but for a good or service. Congratulations. People care about you.

2. Your brand is inextricably entwined in such relationships. "I hate Exxon" gets 2.16 million hits. Each of those expressions of like, dislike, ardor or disgust has an exponent attached to it, reflecting the outward ripples of social interaction.

3. What used to happen in the privacy of your own boardroom, plants and C-suite is now extremely public and common currency on the Internet.

This is the Relationship Era, the first period of modern commerce when your success or failure depends not on what you say, nor even on what you produce, but increasingly on who you are.

Doing business in the Relationship Era has many requirements: ethical conduct, seamless customer relations, and constant contact and cooperation with all stakeholders. It must be an all-pervasive imperative to earn the trust of all concerned — not as a means to gain advantage in a sale or negotiation, but as an end in itself.

"It's always been about the individualized relationship," says Scott Olrich, CMO of Responsys. "A century or so back, the local corner shop lived or died based on the relationships they built. … As new means of mass communications emerged, companies used their increased reach to try to advertise their way out of that responsibility. But today every aspect of the company's behavior is on public display. A relationship-first

approach to every customer interaction has again become the imperative."

The relationships that businesses have mainly championed are those that are meant, one way or another, to grease the skids for a transaction. These relationships may be long lasting, and they may be mutually beneficial, but they are also superficial and opportunistic and sometimes even corrupt.

Though they may seem to yield similar benefits, relationships forged as a tool of naked self-interest and those forged in the natural course of shared experience have vastly different qualities.

Pure relationships are not transactional. However, this is another paradox. While cozying up to prospects for the sake of doing business tends to be manipulative and inauthentic, business cannot flow sustainably without the establishment of connections that are genuine and mutually satisfying. More than that, sustainable relationships built on admiration and trust create significant financial premiums. They represent goodwill that can be isolated as a component of share value. They result in higher share prices. They reduce the cost of promotion, improving ROI and bottom-line performance. And, perhaps most of all, they create an opportunity for transcendence — the state of being so admired as to maintain an aura of magic.

The proliferation of — and instant, perpetual access to — information from within the institution demands a total, irreversible embrace of Relationship Era practices across the board. The citizens formerly known as consumers now view institutions in their totality, and in a hyperlinked environment, everything you do is indeed linked in perpetuity. That means taking no relationship for granted, no matter how casual, because within each one resides the benefits of loyalty, labor, ingenuity and evangelism — not to mention entree into their social, professional and family circles. It means attaining full understanding of social media, most especially Facebook and Twitter, not as channels for sending out messages but as virtual salons for sharing what humans share: observations, discoveries, ideas, concerns, interests, opportunities and just plain cool stuff of mutual relevance.

So many marketers and other institutions believe that social media is just one maddeningly inefficient channel for selling their goods, services, politics or whatever. They see only the word *media* and ignore the word *social*. You cannot understand these technologies, much less benefit from them, if you do not first understand and internalize the idea that they are not about messaging; they are about relationships. Until you have established one, nobody much cares what you say. ●

Trust Me

Trust is now the basis for everything. But we must define our terms. Trust constructed as a means to a mercenary end is not trust at all. People trust companies for the same reason they trust people. Institutions have joined the ranks of humanity.

But trust turns out to be a more multifaceted and ambiguous word than meets the eye. There is the most rudimentary dimension of confidence in a good or service: trusting that it will be acceptable and that the marketer will make things right if it fails to deliver. That level of trust is not nothing but neither is it much to aspire to. In the Relationship Era, trust is now the byproduct of genuine commitment to genuinely mutual values and interests. And it is now central to purchase consideration.

The Three C's of Trust

For the purposes of measuring brand sustainability, MEplusYOU broke the concept of trust down to three progressively complex components — the Three C's of Trust:

• **Credibility:** The presumption that at a minimum the marketer can be depended upon to meet the terms of the offer. A brand is itself essentially a proxy for that precise element of trust. Virtually all brands pay attention to credibility. They know they must deliver.

• **Care:** Through the Product Era and Consumer Era, marketers arguably cared about consumers. Indeed, the essence of marketing was to divine the needs and desires of the target audience, then to fulfill them. But a target is a thing that is shot at, and an audience passively listens. Neither concept has a role in the Relationship Era. Caring about consumers means actually caring about their lives and constructing your business to be as helpful as you can. And it means that, no less than the marketer, the buyer in every transaction should have succeeded.

• **Congruency:** People are increasingly reading the body language of corporations in search of the intangibles: beliefs, values, purpose. This demand for congruent values is the most difficult to measure, but also the most defining aspect of the Relationship Era. Prospering in the Relationship Era hinges largely on how well you find common cause with individuals on the same wavelength. ●

On Purpose

In the Relationship Era, the starting point is the brand. The brand must know and be true to itself before

it presumes to interact with the outside world. Marketers that thrive in the Relationship Era are clear on their purpose. A clear purpose defines what the brand or company stands for, beyond the financials, and inspires people not merely to patronize the brand, but to join it. Such brands (and other institutions) generate passion and loyalty, allowing them to be themselves instead of assuming a contrived advertising personality.

First Put on Your Own Mask

People know who they are. And people know who you are. You are being evaluated not just for what you sell but also by how you conduct yourself in the world with consequences that flow directly to the bottom line.

As an individual, you probably think about your purpose — the reason you get out of bed in the morning. We all want to provide value to the world, so why should we expect less of our organizations? Why are you in business? Why do you sell what you sell?

Rapid expansion, heedless acquisition, excessive cost-cutting, promotion-purchased market share and overextended debt can all pump up a stock, till one day comes the reckoning.

What is immutable — and priceless — is a company or brand guided by the answer to "Why?" This exercise not only focuses the organization from top to bottom, it announces with every interaction with every stakeholder what you are about every hour of every day wherever you conduct your business — from the boardroom to the call center to the loading dock.

To derive brand purpose, corporate and brand stewards must understand what motivates them, what inspires them, what role they see for themselves and what role they see for the goods they put out in the world. ●

Sustain

Plant azaleas. Begonias, petunias and impatiens are lovely, but every year you have to start over with them. Azaleas are perennial.

Ad campaigns are trays of bedding plants. The Relationship Era is a garden full of azaleas. The most visible advantage of brand sustainability is the azalea effect — the diminished need to buy large quantities of advertising. Panera Bread CEO Ron Shaich says his ad spending is 1 percent of sales. The casual-dining category as a whole spends 3 to 5 percent. The Zappos ad budget is near zero.

For the tray-of-petunias status quo, the place to look is AT&T Wireless. At the 2012 *Ad Age* Digital Conference, AT&T's VP for brand identity and design Gregg Heard wondered aloud why the company that delivers smartphone magic isn't more beloved. The very idea was met by the audience with skepticism. "What we want you to think," Heard continued, according to *Ad Age*, "is that AT&T is an emotional lifestyle brand that lets you live your life more expansively and brings you new experiences and new value. But that's just not the perception."

The key words in that passage are "what we want you to think." In the Relationship Era, nobody cares what the brand wants us to think. We think what we think, which is largely a reflection of what those we trust think, and one entity whose customers do not trust it at all is AT&T Wireless.

The brand's solution is therefore retrograde and futile: changing the "Rethink Possible" advertising campaign. "We're shifting to focus on how technology is enabling our life," Heard told his colleagues. That means instead of announcing to an increasingly small and inattentive audience that AT&T offers the best coverage and connection speed, the brand will announce to an increasingly small and inattentive audience that the brand is part of users' most significant moments in life.

Yes, a telecom brand incapable of, ahem, connecting with its customers addresses the problem by changing its positioning. Someone needs to rethink impossible. ●

The Secret Secret

Secret is no secret. It's been around since 1956, the first deodorant marketed exclusively to women. Through most of its history, the advertising themes have focused on product attributes, most famously: "Strong enough for a man, but made for a woman." With Secret, you can be active, get nervous, wear silk, lift your arms and generally live your life without fear of god-awful embarrassment over the fact that like everyone else on earth, you sweat.

Secret associate brand manager Matt Hollenkamp heard about a remarkable emerging story. Olympic medalist Diana Nyad, at age 60, was preparing to swim the 103 miles of open ocean between Havana, Cuba, and Miami. Was this something Secret could associate with? Well, yes — female fearlessness — not to mention that one of the newer items in the Secret Clinical line was a waterproof deodorant designed specifically for swimming.

All the team had to do was negotiate a sponsorship, develop a Facebook presence and visual identities for garments and gear, decals for the accompanying fleet of boats and kayaks, and other signage within one week.

Before the first day was out, the agency was at Nyad's California home shooting three promotional videos. Then Nyad postponed the swim. Then more delay until, with hurricane season upon her, she was forced to postpone her historic effort until the following year.

This gave the agency a chance to catch its breath. With the luxury of time the site was updated with a video of Nyad and was inundated with the encouragement of well-wishers, who were able to follow the progress of preparations for the historic swim.

Nyad took to the south Atlantic on what proved to be a doomed journey. Though kayakers paddled ahead of her with electronic shark repellent, this was no protection against box jellyfish; their repeated stings compromised her respiratory system. Breathing difficulties forced her out of the water. She tried again. She swam 49 miles in 40 hours pestered by barracuda and shark before stings from man-o'-war jellyfish put her at risk of anaphylactic shock. A third attempt ended prematurely for identical reasons.

Nyad had not conquered the Florida Straits, but she had won the respect of millions. Among them were those who followed intently on Secret's dedicated Facebook page.

Before Nyad even dove in the water, sales of Secret Clinical Strength Waterproof doubled. The only explanation for what occurred with the brand is the notion of membership: Women inspired by Diana Nyad's efforts wished to be associated with a brand operating under the same set of beliefs. In short, they wished to embrace a fellow traveler in the struggle.

There are questions for marketers to ask themselves when such opportunities arise:

- Does the effort exploit the plight of the subjects at the center of the initiative?
- Does the marketing material cheaply exploit the emotions of the target audience?
- Is the association between the brand and its third-party beneficiary genuine, or nakedly transactional?
- Does the effort conform with the stated or implicit purpose of the brand?

Clearly, Secret passes the, ahem, smell test on all counts. The swims were not stunts, they did not prey cynically on emotions or misfortune, and Secret's connection was a direct expression of its brand purpose.

That Thing Called Like

The Coca-Cola Facebook page now has more than 45 million fans. Just to put that in perspective, the cost of reaching the equivalent audience with TV advertising — one commercial aired once — is about $1 million. Coca-Cola has access to the audience 24/7, for free.

Facebook interactions are worth more than the equivalent number of ad impressions. Engagement, by definition, is active. It is also charged with positive sentiment — sentiment that boasts far more authenticity than any claim of "happiness" propagated at extremely great expense by the brand itself.

Of course, nobody has barged into anybody's private space to make it all happen. On the contrary, Likers seek you out. The fact is a significant number of individuals with plenty of other things to do take the positive step of moving their cursor and clicking to register approval. The question is, as the number and growth of Likes are increasingly cited by brands, media and other institutions as evidence of consumer engagement, "What exactly does that approval mean?"

Expression of self is not the only instinctual aspect of Liking. Another is the human imperative to share, and it's easy to understand why that is hardwired; families and communities cannot thrive without it. But this behavior goes beyond mutual sustenance. According to psychology professor Samuel D. Gosling of the University of Texas, Like clicking exemplifies not just sharing but also the display of sharing. Sound primitive? Exactly.

At the Risk of Nit-Picking

"There's a very good parallel for this information," Gosling says. "Primates will groom each other and they will groom each other much more than they strictly need to from a health perspective ... they're just doing it in a public way saying 'we are connected and others can see that we are connected and that we are friends.'"

A human manifestation of this, he says, is when friends or acquaintances fuss extravagantly about one another's appearance or recent purchase. "It's about the social act of maintaining and strengthening the social bonds."

In a Relationship Era placing so much stock in consumer engagement, the Facebook Like seems like a plausible — if not ideal — unit of currency. It's spontaneous. It's voluntary. It's ubiquitous. Although what exactly it gives license for is not altogether clear.

Priority is given to Friends and brands you've a history of most interacting with. A second level of priority is given to richer content. So a Like is worth less than a comment, and a comment is worth less than a YouTube video and so on. None of which recommends a brand that you haven't much engaged with lately.

Researchers at the Australian marketing think tank Ehrenberg-Bass Institute isolated the People Talking About This results for the 200 most Liked companies on Facebook over a six-week period in late 2011 relative to the number of Likes and found that only .51 percent of Likers actually posted any brand-related content of any kind, including so much as a single comment. Even so-called high-interest brands like Harley-Davidson, Louis Vuitton and Jack Daniels all registered below 1 percent. Not eye-popping statistics — but ones that get right back to the basics of human behavior. Facebook is fundamentally a social mechanism; it is not a bazaar.

An ad is someone passing you on the street, someone you may or may not even notice. A Like is an encounter. It is an actual engagement involving at least a modicum of attention and emotion and presumption of ongoingness — a relationship, in other words.

Rather than falling into the (Consumer Era) trap of trying to convert Likes into transactions, dedicate yourself wholly to turning transactions into Likes.

The Shift

We like to call the journey from the Consumer Era to the Relationship Era the Shift: the shift from mass to micro, the shift from top-down to bottom-up and the shift from traditional marketing to purposeful marketing.

The process begins with assembling the team and posing one central question: Why does the brand exist? It's helpful also to ponder a parallel question: If this brand disappeared from the face of the earth tomorrow, would anybody but financially interested parties care? If you are honest in your deliberations, this core purpose will be at the heart of everything you do.

To understand what a brand shares with its audiences, it had better know what those audiences have to say.

• **Step 1. Listen.** Brands have the capacity to monitor hundreds of millions of voices at the same time, to sift through all sorts of public chatter to discover who is saying what about what or whom at any moment in time or over any period of time. Through free applications such as Twitter Search or Google Blog Search, any brand can gather more raw material about its place — or its competitors' place — in the conversation than ever imaginable. Many private vendors offer sophisticated analytics, including sentiment analysis that divines the trajectory of public opinion about your company and brand. Monitoring this traffic is the bare minimum for any brand, company, organization, institution or individual. You find out where you stand in the public's mind. You can quickly address individual customer issues. You can learn more than market research has ever told you about the interests, values, likes, dislikes, passions and fears of those in your sphere. You get early warnings of opportunities or trouble ahead.

• **Step 2. Define social personality.** Relating as a brand is fundamentally the same as relating as a person. However, the brand's online persona will not be expressed by one individual. There may be a half dozen, or even in some cases hundreds of employees with responsibility for representing the brand's thoughts, observations, questions, interests, boasts, excuses, apologies and attitudes on Facebook, Twitter and so on. All involved must embrace a set of consistent characteristics personifying the brand. This requires imagining the ideal human front-line representative and listing his or her personality traits. Yes, a brand needs a social voice, but a brand is not defined by its social voice. D.H. Lawrence put it nicely: "I want relations which are not purely personal, based on purely personal qualities, but relations based upon some unanimous accord in truth or belief, and a harmony of purpose, rather than of personality."

• **Step 3. Join the conversation.** Relationship Era thinking is not confined to e-relationships. However, as a percentage of the total universe of interactions, online is increasingly where the rubber meets the road. Enter the conversation not by calling attention to yourself with offers and promotion and fledgling schemes. First, simply share. Pass along items of interest. Share relevant news, information, videos, charts, quotations and other content with potentially interested parties. Do not attempt to gild the lily with some sort of brand spin. At least, not yet. If you gain credibility as a trusted curator, you will be taken more seriously when — and if — you presume to lead.

• **Step 4. Lead the conversation.** If you have any kind of brand profile, and if you have been a good social-media participant, at this stage you will have an organically accrued following in various online channels. Now, finally, you are in a position to be proactive. Your organization houses great expertise over a wide array of subject matter, your brand as a whole has a point of view, and you have significant numbers of interested parties prepared to take you seriously. But not by delivering ads or press releases disguised as content. You're still in the human conversation, and the rules of engagement haven't changed. What's changed is the readiness of your public to pay attention. That is a precious opportunity. Do not lapse into corporate speak.

• **Step 5. Ignite and invite action.** You have arrived at the stage where the brand has a chance to do something nakedly self-interested by means of doing

something contrived to attract the interest of your followers and to attract more followers overall. This usually means giving them something — perhaps a freebie, a coupon or a fun online activity. An even better way is to ask for a favor. As counterintuitive as this may sound, human beings will identify with those they have been called upon to assist. Seeking help from your various stakeholders obliges them to align their thoughts, feelings and actions. Adam Ferrier, consumer psychologist, says, "You can have the relationship start by asking someone to do you a favor and invest something of themselves into you. If they want ownership, give them more ownership. Get them into your brand and your business as much as possible. Let them become co-producers of your brand and they become more loyal."

• **Step 6. Inspire greater collaboration.** Or, as we call it, nirvana. This is where nominal outsiders become your de facto marketers, PR agents, product developers, business consultants and production companies. It's not just collaboration; it's a role reversal. The audience now performs, and the artist listens. They represent the most intimate relationships achievable among nominal strangers in the form of extraordinary identification with the brand. You are a part of them, and they become part of you. They are not Friends. They are friends.

It is not about conquest any more than friendship is about conquest. It is about shared interests and shared values that can be the basis for priceless but utterly immeasurable lifelong relationships. ●

Do's, Don'ts and … No, Really, Don'ts

If you are cultivating community and conversation for the purpose of corralling cattle into the slaughterhouse, you are not engaging in a social strategy. You are engaging in a sales strategy, which is pretty close to the antithesis of social marketing.

In a social situation, the more you sell, the more you scare — or simply bore — people away. The harder you try to close, the more likely you are to be closed out. This central truth is not difficult for brands to understand, but for some reason it is hard for them to internalize and act upon. What is first required is to embrace social relationship building not as the latest marketing fad, or even as a new reality that has been forced upon you, but as a means to re-evaluate who you are, what you stand for and why you are in business in the first place. If the only answer is "more transactions," the future will not be kind to you.

It is a very good idea to listen carefully to Twitter, et al., to find out issues in order to address them. It is a terrible idea to stage a public rally and randomly hand out bullhorns. Your nastiest critics will grab them, too, and speak right up. The beast can turn on you.

To stimulate the spread of content, marketers are obliged to acquire first-generation viewers in strategically chosen online venues much as they'd make any media buy. It's called "seeding." Since 2009, Visible Measures has tracked 7,000-plus campaigns adjudged to have achieved some measure of virality. Virtually all were kick-started with an ad buy — a category of spending Brian Shin of Visible Measures believes exceeds $600 million annually. "Maximizing pass-along or virality of content," he says, "is really a combination of having both entertaining and targeted content, combined with focusing the distribution and the places where the content can be activated."

While creating so-called owned content can be useful, productive and trust enhancing, it can also be expensive, and due to that expense, marketers tend to err on the side of heavier branding. As we have seen, the more heavy-handed the branding, the more the resistance and the more likely the content will be seen as thinly veiled advertising, which is less trustworthy even than in-your-face advertising, because of the perception of sneakiness.

Goodwill can be accumulated over time by fostering a relationship exactly akin to ones with friends and loved ones. That means sharing relevant content that may have nothing to do with your brand per se but everything to do with the overlaps of interest between you and your public.

As marketers have discovered the hard way, you can't fake authenticity. The Internet will be on to you in a New York minute. So don't playact at sincerity, don't pander to customers, don't whitewash or greenwash, don't try to purchase goodwill, and give serious consideration to telling the truth. All of it. ●

RECOMMENDED READING LIST

If you liked *Can't Buy Me Like*, you'll also like:

1. ***The Thank You Economy* by Gary Vaynerchuk.** Thank You Economy principles are about the way we communicate, the way we buy and sell, and the way businesses and consumers interact online and offline.
2. ***The Third Screen* by Chuck Martin.** Martin links the technological developments of m-commerce to the behavioral changes that accompany them.
3. ***Enchantment* by Guy Kawasaki.** All the tactics you need to prepare and launch an enchantment campaign to enchant your customers.

· Book 25 of 106 ·

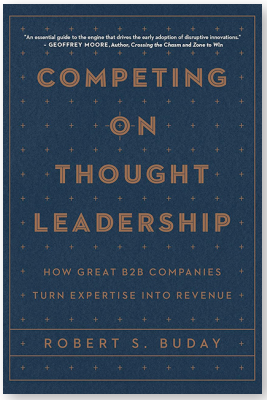
Competing on Thought Leadership

Robert S. Buday

Executive Book Summaries®

Competing on Thought Leadership

How Great B2B Companies Turn Expertise into Revenue



by **Robert S. Buday**

Contents

A More Encompassing Definition of Thought Leadership
Page 2

Why Are Companies Hungry for Thought Leadership?
Page 3

Why Content Must Be King
Page 4

Conducting Primary Research to Produce Blockbuster Concepts
Page 5

Making Big Ripples in the Global Digital Pond
Page 6

THE SUMMARY IN BRIEF

Breaking through crowded B2B markets has become increasingly difficult as "thought leadership" turns into a buzzword rather than a true differentiator. Many companies publish white papers, blogs, and research reports, yet still struggle to convert attention into trust, demand, or revenue. The core pain point is not a lack of ideas, but a lack of discipline: firms invest in content and promotion without building the research depth, delivery capabilities, and organizational alignment needed to turn expertise into sustained commercial advantage.

Competing on Thought Leadership: How Great B2B Companies Turn Expertise into Revenue addresses this gap by reframing thought leadership as a business strategy rather than a marketing tactic. It shows how companies can systematically develop superior expertise, market it credibly, and deliver it at scale. Instead of chasing visibility alone, businesses need to align research, content, sales, and service delivery so that thought leadership generates both demand and the operational capacity to fulfill it.

Drawing on decades of client work and research, Robert S. Buday defines thought leadership as earned acclaim for solving complex customer problems. He provides practical frameworks that help organizations compete on expertise, avoid superficial marketing, and build durable revenue growth grounded in credibility.

IN THIS EXECUTIVE BOOK SUMMARY

- Understand how thought leadership can be implemented as a scalable business strategy in practice
- Find out how to turn research-backed ideas into revenue, not just visibility
- Get useful tips on how to align marketing, sales, and delivery around expertise
- Learn how to avoid fleeting buzz and create lasting market authority

PROLOGUE

Life at the Epicenter of a Blockbuster Concept

In the summer of 1993, CSC Index, a management consulting firm, was riding high. It was a supernova propelled by a blockbuster concept that companies everywhere were embracing: business reengineering. The idea was all about harnessing information technology to redesign workflows and processes for massive improvements in costs, time to market, and quality outcomes.

The firm quickly became the consulting industry's shining star. With its charismatic research partner and godfather of reengineering, Michael Hammer, riding alongside it, the Cambridge, Massachusetts-based company had quadrupled its revenue in five years to $150 million. I was part of the marketing team that helped bring reengineering and CSC Index to the cover of *Fortune* and other leading prestigious publications.

Seven years later, the firm was out of business. The shining star had become a shooting star, falling back to earth, but with a whimper. What happened? My postmortem (and it's not the only one) is simple: it lived and died by the sword of thought leadership.

Other much bigger consulting firms like Deloitte and Andersen Consulting (later rebranded as Accenture) created their own versions of reengineering. Although CSC Index launched the craze, it was not ready for the deluge that followed. Ultimately, competitors proved to be a more reliable choice—even if they weren't the innovators.

Even so, the firm was a pioneer in the practice of thought leadership, showing consulting companies everywhere what it could achieve. Since then, the practice has become wildly popular—broadly adopted but still misunderstood and too loosely interpreted, both within and far beyond the consulting industry.

Today, the label "thought leadership" is slapped on blog posts, white papers, research reports, website sections, and many other materials that turn out to be anything but thoughtful.

Many professional services firms might become enamored of the idea of being regarded as thought leaders. Some, in fact, get very good at developing big ideas, and even better at marketing them. But that's all they get good at. They are still failing to adopt all of the practices that underpin genuine thought leadership and help them turn it into revenue.

CHAPTER 1

A More Encompassing Definition of Thought Leadership

The words "thought leadership" have become part of the corporate lexicon. It seems every B2B company these days, and especially the ones that sell expertise by the hour, wants to be viewed as a "thought leader."

And so do many software, financial services, and other companies that want to demonstrate the expertise of the people who produce and deliver those offerings. In fact, fortunes have been made by professional services firms that turned their expertise into world-recognized concepts.

Yet the chances for a B2B company's "thoughts" to become blockbuster ideas are slim. The competition for executive mindshare is ferocious. Google and social media make it easy for executives to find content on just about every topic, and for companies to spread their ideas.

So let's cut through the clutter by defining what thought leadership really is: Thought leadership is *the acclaim that an organization or individual achieves by becoming known for providing superior expertise that solves a complex problem.*

Thought leaders are people and the organizations they work for that develop, deliver, market, and sell solutions (advice, training, software, and other offerings) that are better at solving certain problems of people, organizations, and the greater society. Firms that gain substantial and sustainable market advantages with thought leadership excel in four areas:

1. They focus their thought leadership resources on building deep and superior expertise on a small number of client problems.
2. They create groundbreaking ideas about how to solve the client problems they've decided to "own."
3. They turn their thought leadership Research and Development (R&D) content into material that becomes a wellspring for marketing and sales campaigns.
4. They also turn their thought leadership content into methodologies and internal training curricula.

Here are the four pillars of thought leadership:

- Topics to focus content
- Content development processes
- Demand creation activities
- Supply creation activities

> The best thought leadership reduces complexity for decision makers.

CHAPTER 2

Why Are Companies Hungry for Thought Leadership?

There's no question that thought leadership has become a white-hot field. The signposts are everywhere. The question might be, *why*? Why are so many people and so many companies in B2B sectors trying to communicate their expertise in articles, speeches, seminars, webinars, blog posts, books, and their own *Harvard Business Review*-looking company management journals?

In my view, it boils down to a world of escalating complexity. Executives need to figure out their companies' strategic direction, how to create demand and supply for their products and services, how to stage productive innovation, and how to attract and keep talented people. These and many more issues have become increasingly difficult to sort out.

Mounting complexity in running companies is fueling the demand for, and the supply of, deep and specialized expertise. Individuals and firms that possess such expertise—and know how to communicate it—become known as thought leaders.

Numerous factors have shortened the shelf lives of companies. Based on decades of client work, three forms of complexity stand out:

1. Customer complexity

Businesses that sell to other organizations have customers who are much more knowledgeable and better prepared than they were thirty years ago—even five years ago—to evaluate them. Given the explosion of information on the web, your customers can easily go online and find a considerable amount of information about your business.

2. Digital complexity

The digital industry has been one of the fastest-growing sectors on earth over the last thirty years. What complexities does this spending on digital technology create for companies? At the very least, it forces executives to spend more time kicking the tires of technology vendors and service providers to implement the technology. While technology helps companies streamline processes and makes them more efficient, its greatest payback happens when managers rethink the way their departments do their work.

3. Competitive complexity

Executives in many industries have had to worry about being blindsided by companies that come out of left field. Determining exactly *who* a company competes against is a complex issue today. Rising competitive complexity is why so many once-great and big companies are no longer with us, or are walking dead.

With such complexities rising, is there any doubt why firms that greatly reduce them are able to get executive attention?

As complexity reducers, they must demonstrate that they have the expertise that solves their target clients' problems. Simply proclaiming they have the requisite expertise in an advertisement or on the golf course isn't enough anymore. It's not convincing. With so much at stake in solving their biggest problem, companies need to trust that a solution provider has superior expertise in solving it.

CHAPTER 3

Devising a Thoughtful Thought Leadership Strategy

Throwing tons of marketing money at marginal products, or products that are just concepts, is simply absurd. Nonetheless, this goes on in many B2B firms that throw thought leadership marketing dollars around like they're fertilizer on a golf course.

Scenarios like these happen when a firm has no thought leadership strategy, or one that is half-baked and disconnected from the services the company sells to clients. Many B2B firms have no rhyme or reason as to why certain low-revenue parts of their business are making outsized investments in thought leadership while other higher-revenue parts are spending very little.

Over the years, I've seen companies spend up to a million dollars or more on research, a book, article placements, seminars, and conference speeches to develop and promote a concept that no one else in the firm practices—other than that team.

This is a sign of a thought leadership strategy that is out of control, the victim of a costly pet project.

The following are the four elements of thought leadership strategy.

1. **The core problems of target clients that the firm will "own."** This not only includes the types of organizations that need its expertise but also exactly who in those organizations need it, and to solve exactly what problems.
2. **How the firm will develop exceptional content about solving those core client problems.** This must include where the firm will need research to produce new expertise and services that it doesn't currently have, and where it will need to codify the expertise it already has.
3. **How to create demand for the firm's expertise.** This is about building a sizable audience of prospects and converting enough of them into clients in order for a firm to achieve its growth goals.
4. **How to ramp up services that solve those problems.** That is, how to convert the content into new services or into new approaches for existing services and ensure quality.

CHAPTER 4

Why Content Must Be King

Great content is at the center of a company's ability to compete on thought leadership. It is the product of developing and codifying a superior solution to a client's problem. To get there, you need a combination of primary best-practice research, uncommon insights about your research findings, and proven results from putting those findings to use with clients.

To compete on thought leadership, companies must have a content-centric mindset and a content-centric approach to developing expertise.

Great content rules. But what constitutes great content?

There are nine qualities that help determine whether a company's approaches and services are ready for the marketplace—and capable of attracting clients.

These qualities should guide thought leadership marketers as they hone their firms' expertise and shape an effective thought leadership strategy. The content should be:

1. **Relevant** – addresses an extremely timely problem for the target audience.
2. **Novel** – offers a solution that is very different from others in the market.
3. **Deep** – reflects developed or detailed analysis.
4. **Feasible to implement** – lays out the key elements and steps for solving the problem.
5. **Evidence-based** – uses case studies, statistics, and other proof showing that organizations adopting the solution achieved better results.
6. **Illuminating** – uses frameworks, data visualization (e.g., digital charts), and other devices to make sense of complex matters.
7. **Irrefutable** – rests on unassailable logic in every aspect of the problem and solution.
8. **Clear** – presents an overall argument that is easily understood by the target audience.
9. **Stimulating** – provides intriguing, little-known facts that support the argument.

The most important element in becoming recognized as a thought leader is evidence—proof that your solution to a certain client problem actually works, and works well. If you don't have such evidence, you won't have convincing content. Evidence is at the heart of thought leadership content, and content is at the heart of generating recognition and revenue from expertise.

Evidence can come from two sources: your firm's successful client work or primary research on companies that used a solution like the one you are proposing. Sometimes you may need a combination of both.

You should use these two sources to create case examples, which are somewhere in between case studies and anecdotes of the type you will read in business publication feature stories.

Determining How to Develop Your Content

If you understand what makes content compelling, it then becomes easier to understand what you will need to develop compelling content. The first determination is understanding whether you need primary research or whether capturing your company's field experience will be sufficient.

For each problem, you can map out a portfolio of content development initiatives. You'd decide where your firm's expertise stands on each one, and which require primary research versus capturing the field experience from client work.

Unfortunately, many firms that strive to be seen as thought leaders do not believe their ideas need rigor, primary research, or field experience to get there. In their minds, it is a

> Great content is the product of developing and codifying a superior solution to a client's problem.

luxury—a nice-to-have when business is booming and budgets are flush. This mentality often prevails when marketing controls the content development function, or when there is no thought leadership research function at all.

It's part of a marketing-centric view on thought leadership. This mindset treats thought leadership as a marketing game and is guaranteed to confine a company to thought "followership" status, not thought leadership. To win on the basis of thought leadership, companies must have a content-centric mindset and take a content-centric approach.

CHAPTER 5

Conducting Primary Research to Produce Blockbuster Concepts

Primary research has been behind many blockbuster concepts, including reengineering, disruptive innovation, and blue ocean strategy. Well-designed and well-executed primary research became the underpinning of these breakthrough ideas, which in turn fueled the fortunes of the companies that presented those ideas.

Discovering patterns in the ways in which multiple organizations solve a complex problem is one of the most enjoyable moments one can have in thought leadership. It's when you realize you are onto something very big—if you are the first to dissect the problem and solution well, codify it so that it can be marketed as a service and delivered as a repeatable process, and then be the first to bring it to the audience that needs it.

The goal of thought leadership research should be to identify, understand, and codify superior solutions to business problems—wherever you find those solutions, including outside your firm.

How can you design thought leadership studies that achieve this lofty goal and get buy-in from your entire organization? I've found that the following three things, if executed well, can lead to big ideas that an organization can get behind:

- Design the research with an inclusive team that goes narrow but deep, and seeks to break new ground
- Gather both data and stories (especially stories) through old and new kinds of primary and secondary research—research that distinguishes what the most successful companies are doing differently
- Get the company's experts involved in the analysis, but tee up a first-level analysis to optimize their time

Making Sure the Right Skills Are on the Analysis Team

Two people could look at the same body of primary research and field experience and come up with quite different conclusions about what the best practices are. If one of them is off the charts in the three skills below and the other is so-so, it understandably makes a huge difference:

- **Pattern recognition** – connecting the dots, so to say. This is where creativity is most useful.
- **Analytical ability** – rejecting conventional wisdom and getting to the root of success and failure, in the continual questioning of "why"—why some people or companies are far better than others at solving some business problems.
- **Communication** – explaining complex issues clearly and compellingly, with concepts and language that any person in business (including top management) can understand.

CHAPTER 6

Developing Exceptional Field Experience-Based Content

Not every piece of content that a firm develops needs a study behind it. However, when your firm has a novel solution to a client problem and lots of evidence from client projects that it works very well, then you can draw on a different content source: your firm's field experience.

The key skill in turning field experience into a powerful point of view (POV) is one I call *argument development*. This process starts with a foundational POV. You can think of it as a firm's deep treatment on a topic, its profound examination on how to solve a key client problem. And the process for doing a foundational POV puts argument-shaping—not prose-writing—at the center.

But a great foundational POV will be the wellspring for all the thought leadership content that comes after it. It will make that content more bulletproof and compelling, and far easier to communicate.

The Problem/Solution Argument Structure

Content developers need to work with the authors to help construct their argument. And every argument in thought leadership should be about a superior way to solve a complex problem of the target audience.

We have found that a simple six-part argument structure works the best:

1. **Problem establishment** – defining the core problem, identifying who owns it, and clarifying its severity.
2. **Conventional solution review** – dissecting the problem and explaining why existing approaches fall short.
3. **New solution summary** – how it differs from alternatives and the benefits it offers, at a high level.
4. **New solution explication** – laying out the steps to adopt it, along with the benefits and beneficiaries.
5. **Adoption barriers resolution** – addressing the major obstacles to implementing the new solution.
6. **First steps to solution** – helping problem owners determine whether and when adoption makes sense, and what to do first.

CHAPTER 7

Making Big Ripples in the Global Digital Pond

How does an organization gain eminence after it's created a superior solution to a specific problem—expertise it has captured and codified in a research report, book, foundational POV-type paper, or some other weighty format? How does it gain the recognition it wants to gain, to generate the business that it wants to generate?

The key is attracting the right audience for your content.

Note that the "right" audience doesn't necessarily mean an audience in the millions. It just means reaching enough of the people who might need your services.

The internet's vast web, as well as email systems (many of which reside on websites such as Yahoo.com and Google.com), have enabled people inside and outside organizations to send personal messages to one another across regions and time zones. This has created a big universe by which anyone can reach out to everyone with just a few clicks and taps, making communication way easier and faster.

This makes for a very different world for thought leadership marketers. They need to fundamentally rethink how ideas travel, on their own and with the help of marketing.

It doesn't mean abandoning the "phases of the funnel" model of audience building altogether, but it does mean supplementing it with another model. I call that model the "ripples in the pond" model of audience-building.

Drop a pebble in a pond and the water will ripple outward from that pebble. Throw a bigger rock into that pond, and bigger waves will ripple out. Pick up a small boulder with two hands, raise it over your head, heave it into that pond, and much bigger waves will ripple out.

Consider the size of that rock that you toss into the pond to represent the weightiness of that thought leadership content that you've put on the internet. An inconsequential blog post is a pebble. A foundational POV is a soccer-ball-sized rock. A primary research report or book is a boulder.

The goal here, of course, is to make the waves—the power of your ideas—felt by the people swimming in your pond. They are your target audience. Those who are within 50 feet may feel those waves. But you want those who are hundreds of feet away, maybe a mile away, to know about your ideas. The farther you want your waves to ripple, the weightier your ideas will need to be, and the more content "rocks" you will have to throw in the water.

CHAPTER 8

Turning Web Visitors into Prime Prospects

The thought leadership section of your website is the best place to shape your audience's understanding of you, your firm, and what it can do for them. It can let you further educate prospective clients after they read or hear your first piece of content. You need the thought leadership part of your site to keep shaping their thinking to further attract those who like the way you think and to deter those who don't.

You want your website's thought leadership section to be a great matchmaker between your firm, which has superior solutions to specific business problems, and organizations that have those problems.

Think of it as the place where two people go to fall in love.

> Evidence is at the heart of thought leadership content—and content is at the heart of recognition and revenue from expertise.

Ideally, this happens once you've gotten to know each other well, not after the first glance or even the first date. The goal of your website should be to make sure that you and a potential client are 90% confident that, together as a pair, you are a great fit at solving their business problem.

Use Data Visualization to Generate More Interest in Your Expertise

The task of designing web pages that use incisive content to turn lukewarm prospects into fervent ones has been largely static for two decades. To be sure, short videos of authors discussing why they wrote their article have brought personality to the presentation.

But to strongly entice website visitors to explore what you can do, you need to harness the full capabilities of the online experience. The most forward-thinking news organizations and B2B companies are using infographics and data visualization in ways that leave their online visitors almost always spellbound and engaged.

There are seven ways in which online technology—including websites, data visualization software, digital video and audio, and other tools we have in the tool chest—can help thought leaders get bigger buy-in to their arguments. These include the following:

- **Illustrative imagery** – these are literal or figurative images (photos and illustrations) that help describe a topic and its seriousness.
- **Trend depiction** – this is done through charts and graphs that show how some phenomenon has changed over time (revenue, costs, quality problems, customer turnover, etc.), or how it compares across regions, age groups, and other categories.
- **Emotional pleas** – these are graphics, audio, or video of people who directly or indirectly help viewers make a visceral connection to a problem in the world, or a better way to solve it.
- **First-hand confirmation** – this would be videos and audio from people who can vouch for a significant organizational problem and its solution.
- **Unifying frameworks** – thought leadership, at its best, simplifies complex issues. Nothing is better than a graphic framework to draw out the key elements of the solution and show how they relate to one another.
- **Visual comparisons** – comparing conventional solutions to a superior solution is important if thought leaders want to demonstrate that their answer to a problem is better.
- **Experiential simulation** – online, you can pretend you're flying a plane, taking a roller-coaster ride, or walking through a house.

CHAPTER 9

Converting Thought Leadership into High-Quality Services

Firms that excel only at demand creation have accomplished just half of what is necessary to compete on thought leadership. The other half lies in supply creation, which rests on three core elements:

- **Methodology development** – taking frameworks and knowledge from best practices and incorporating them into project approaches, tools, and training modules by which others in their firm can learn how to do the work.
- **Recruiting, training, and development** – hiring people with the requisite competencies to do the work and training them on the new methodologies and tools.
- **Delivery** – organizing these people into teams so they learn about one another and how to collaborate on projects effectively.

Competitors that are better at the supply creation end of thought leadership will run away with the market.

Conducting Demand-Creation and Supply-Creation Concurrently

Companies that scale up their expertise while they're scaling up their marketing and sales resources are those that take delivery seriously. They also think about delivery while thought leadership research is ongoing. To do that effectively, focus on three moves:

1. Align thought leaders' incentives with the company's incentives

If your thought leaders are rewarded only on marketing and sales metrics (revenue, leads generated, conference presentations delivered, website downloads, etc.), you will be motivating them to continue doing things that generate more revenue and leads. They'll look for more speaking opportunities, more writing opportunities, and more chances to get in front of prospects who are ready to buy.

2. Assign methodology and training pros as part-time members of the R&D team

To shorten the time it takes for methodology development professionals to convert thought leadership concepts into training modules, companies should make one of the method-makers a part-time member of the research team. In this way, your methodology people can begin scoping out the training modules.

Your thought leadership researchers, methodology developers, and trainers might not be comfortable working together at first. But as long as they understand what they're there to do, and they recognize their thinking preferences, that should go a long way to integrating the thought leadership R&D team.

3. Track the delivery of your services as rigorously as you track the revenue stream

Your marketing and sales groups should be tracking the lead stream from thought leadership demand creation, but the tracking shouldn't end there. The goal of the supply creation side is for the company to have substantial beneficial impact on clients' business. To do that, people should be assigned to audit the progress of projects in the works and the projects that have been completed.

CHAPTER 10

Turning Company Leaders into Devout Advocates

Thought leadership can only become a competitive advantage in organizations whose leaders are devoted to it. While they may be initially skeptical, they must grow into active devout advocates.

How do you quickly turn top management from hopeful skeptics of thought leadership to devout advocates? B2B companies do this in one of three ways:

- Making an inarguable connection between thought leadership and revenue
- Giving company leaders a taste of what it's like to be seen externally as a thought leader
- Turning thought leadership R&D into its own profit center (which, of course, ends the complaints about investments with no observable returns)

CHAPTER 11

Accelerating the Momentum

Competing on thought leadership is a firm's strategy to outthink, out-market, and out-deliver expertise that solves its clients' problems. It's about accelerating revenue and profit by developing superior expertise, getting target clients to embrace it, and delivering it at a level of quality that competitors can't match.

That's a tall order. But a number of companies have shown over the last fifty years that it *is* possible to do. This decade, many more companies will try to compete on the basis of thought leadership. From our research and client experience, I believe the race will be faster and more competitive.

Here are five momentum boosters of thought leadership:

1. A top-down push for innovative new services

For thought leadership R&D to lead to new services or new practices for existing services, it must be encouraged at the very top of the company. If it isn't, a B2B firm's existing service lines are likely to resist the new services or new practices that come out of thought leadership R&D.

2. Advanced case research skills

The ability to do extensive case study research and gain new and crucial insights from it is a big momentum booster of thought leadership. The more extensive the research and the better its research teams can collectively "connect the dots" about why the best are indeed the best, the greater advantage a company has to compete on thought leadership.

3. Finely honed capabilities in argument development

It's much harder to find a great argument shaper than a great writer. Thus, companies that know where to recruit and how to develop argument shapers will have a content edge.

4. A high-quality flagship journal

A regular thought leadership journal is a staple of the thought leadership marketing mix, even if "regular" means once a year. Having compelling content for that journal is a requirement too. That requires editors who are highly skilled at helping company professionals shape and communicate powerful arguments.

5. A steady supply of present and upcoming gurus

Clients not only want to work with *firms* that possess superior expertise; they also want to work with the *people* in those firms who have the specific knowledge they need. The more people in a B2B firm who are recognized for their expertise—seen as gurus in their niches—the better it is for that firm.

EPILOGUE

A Golden Age for Thought Leadership

With the rise of internet-distributed movies and other entertainment programs, it would be no exaggeration to call the last decade the Golden Age of Streaming. I predict a similar golden age this decade for B2B companies that compete on the basis of thought leadership. Their hits will be the latest versions of business reengineering, disruptive innovation, emotional intelligence, and customer loyalty management. And like streaming entertainment, they will reach their markets in a totally new way that will shift paradigms and short-circuit the old marketing methods.

With strong processes and people who can conduct case study research and create, package, and market groundbreaking ideas in compelling ways, and develop quality services at scale, companies that grow on the back of thought leadership will have a distinct competitive advantage.

The opportunities will be vast. But competitors will emerge with the same ambition as yours: to be seen as *the* leading expert in their fields, which of course are also your fields.

This is what will make thought leadership an even more exciting and more lucrative profession. The number of business problems for companies to solve for the rest of this decade will be endless. The firms with the best expertise will win big. So will the people who can help their firms develop, become recognized for, and deliver that expertise.



Robert S. Buday is a pioneer in the theory and practice of thought leadership and has been advising organizations on expertise-driven growth since the late 1980s. He is the founder of Buday Thought Leadership Partners LLC and cofounder of Bloom Group. Over his career, Buday has helped global business-to-business firms such as Deloitte, Accenture, EY, Microsoft, and Tata Consultancy Services develop and market compelling thought leadership. He has guided the creation of articles published in leading outlets including *Harvard Business Review*, *Forbes*, *Financial Times*, and *MIT Sloan Management Review*, and has supported the development of multiple best-selling business books.

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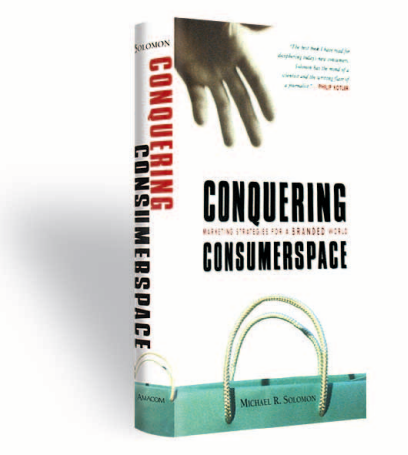
· Book 26 of 106 ·

Conquering Consumerspace

Michael R. Solomon

SOUNDVIEW Executive Book Summaries®

FILE: MARKETING



By Michael R. Solomon

CONTENTS

Welcome To Consumerspace
Pages 2, 3

The Good Old Days Of Marketerspace
Page 2

O Pioneers!: Youth In Consumerspace
Pages 3, 4

Customers Talk Back
Page 4

Customer Involvement In Consumerspace
Pages 4, 5, 6

Levels of Interactive Response
Page 5

Consumerspace Online and Off
Pages 6, 7, 8

Product Placement
Page 8

Marketing Strategies for a Branded World

CONQUERING CONSUMER-SPACE

THE SUMMARY IN BRIEF

For those in marketing, it's never been a more exciting — and confusing — time to be in business. Products aren't just functional: They define who a person is and what he or she wants to be. Companies don't market to people; *they market* with *them. Today's customer base is so diverse and in flux that the old rules of marketing have been rendered obsolete.*

In Conquering Consumerspace, *Michael R. Solomon, director of Mind/Share Inc., a consulting firm specializing in online consumer research, provides a lively exploration of the new realities of how we market to consumers today. In consumerspace, a place where our very reality is branded, marketers have a vast number of new choices that have been enabled by the dynamic nature of today's interactive environment.* Conquering Consumerspace *promises to help readers navigate today's complex consumer economy, master its challenges, and capitalize on its boundless opportunities.*

What You'll Learn In This Summary

This essential guide gives you the tools to market your products and services more effectively both online and off, including:

✓ How to tailor advertising messages to the worldwide economic force of Gen Y.

✓ How companies have successfully developed customized personalization strategies online.

✓ Ideas for gathering consumer input in the preliminary phases of designing and developing products.

✓ How to use virtual communities to gather market feedback and create a buzz for your brand.

✓ Strategies and guerrilla marketing tactics for grabbing the attention of today's jaded consumers.

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CONQUERING CONSUMERSPACE

by Michael R. Solomon

— THE *COMPLETE* SUMMARY

Welcome to Consumerspace

In today's *consumerspace*, successful companies partner with customers to develop brand personalities and create interactive fantasies. Those companies understand that consumers buy products because of what they mean, rather than what they do. Market share is out, *share of mind* is in.

That's why consumer products and services companies now need to shift their focus away from marketing *to* people and toward marketing *with* them. In the old marketerspace, companies sold to customers. In consumerspace, they sell with customers.

Today, consumers are using material props to look good to themselves, to validate their identities, and to find meaning in their social environments. Their quest to define themselves with the aid of brands that have deep meanings to them reflects the transition from marketerspace to consumerspace.

As the lifestyles of consumers splinter and morph, they construct their own unique identities by picking and choosing from a mixture of brand possibilities. Thus, mass media vehicles are no longer an effective way to reach many important target segments. Marketers must track consumers' aspirations, rather than their current preferences, in order to develop new brands and messages that will resonate with these evolving ideals. For example, Sony recognized that America's burgeoning incarceration rate (triple that of 1980) was creating a significant customer segment with specialized requirements. The company now sells over $1 million of headphones designed for prison inmates.

Getting to Know You

The traditional view of consumers as a passive group to which a company can broadcast messages is no longer accurate or very useful. The transition from broadcasting to *narrowcasting* means that marketers have to find new ways to connect with customers who are increasingly jaded and hard to reach by conventional means. That's what funneled the stampede in the late 1980s toward relationship marketing. The logic was simple: It was getting a lot less expensive to keep an existing customer than to find and win a new one.

We have to back away from the traditional idea that marketers do things to consumers and think about the communication process as a two-way street. Consumers often want to exert control over the amount and nature of marketing information being transmitted to them. Advertising is about much more than communicating information about products and services. In consumerspace, advertising is part entertainment, part reality check.

The affirmation of group identity is a major motiva-

(continued on page 3)

The Good Old Days Of Marketerspace

In the beginning, there was marketerspace, a commercial system where producers dictated what consumers bought, when and where. By the 1950s, General Motors created a new paradigm by pushing the concept of *market segmentation*: Don't try to sell everyone a Chevrolet. Identify a specific market, create a product to appeal to that market (Chevy for the working man, Cadillac for his boss, and so on), and differentiate your product so people in that market will prefer it to the competition. The modern marketing era was born. Market share became the currency by which business success was measured. The mass segmentation approach worked quite well so long as it was possible to comfortably pigeonhole each consumer into a convenient category.

The author: Michael R. Solomon is a director of Mind/Share Inc., a consulting firm specializing in online consumer research. He is also the author of *Consumer Behavior: Buying, Having, and Being*, the leading text on consumer behavior, now in its fifth edition.

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Welcome to Consumerspace

(continued from page 2)

tion to consume. Consumers form bonds with each other based on common ownership. Brands mean something to individuals because they mean something to a larger group. Common ownership links individuals together in the way that religion, family and community did in bygone times. Joined by their enthusiasm for a product, these groups of people may meet either in the flesh or in online gatherings. That's what marketing experts call a *brand community*.

The logic behind fostering this bonding approach is that if a consumer feels a strong connection with a brand, he or she is less likely to succumb to peer pressure and switch brands. Marketers like Harley-Davidson understand that customer loyalty can be cemented by providing the resources and encouraging customers to express their enthusiasm with kindred spirits.

The brands consumers buy place them in social categories. They use those cues to place others (and themselves) with consumers who they believe will share similar lifestyles and values. Lifestyle marketing strategies recognize the potency of these bonds. Lifestyle marketers compose a brand portfolio that enables the members of a category to express their underlying identity in a variety of concrete ways, from food to apparel to music.

The Brand Personality

Brands help consumers make sense of the world and decide where they fit in it. Consumers use evidence gleaned from observing others' choices of leisure activities, cars, clothing, etc. to determine their compatibility with them. They view brands as having personalities and prefer marketing offerings that are similar to how they see themselves or to the type of person they want to become. Many consumers form stronger attachments to their clothes, cars or homes than to their neighbors.

Today, brand names have become so valuable that it's fairly common to find them valued in accounting terms just like any other tangible asset. *Brand equity* refers to the value a brand brings to its producer over and above what the generic product would be worth sans the name. This kind of equity may be so integral to a company's output that it is literally all the firm produces. Nike doesn't own any sneaker factories. Sara Lee sold off many of its bakeries, meat-processing plants, and textile mills to become a "virtual" corporation.

The Extended Self

A person's self-concept is influenced not just by his appraisals of his looks, intelligence or other qualities. The quality of his product inventory also reflects what he thinks of himself. The extended self is composed of the products people value and those they despise. By identifying sets of both positively and negatively valued brands for a particular consumer profile, a marketer can use this information to position a brand by linking it to the positive ones and/or linking rival brands to the negative ones.

Many brands take on additional meanings because they come to be associated by consumers with certain roles or lifestyles. Often it's the consumers themselves who make these connections rather than their being the result of some scheme cooked up by a marketer. For example, executives at Subaru discovered to their great surprise that lesbians are four times as likely as the average consumer to own one of their cars. They made this discovery accidentally, never having intended to go after this group. Today the company deliberately targets this segment by running ads in gay media depicting happy same-sex couples driving its cars. ■

For Additional Information on how to understand the way that consumers associate arbitrary qualities with concrete products, go to: http://my.summary.com

O Pioneers!: Youth In Consumerspace

Teens are alluring targets for "feel-good products," but marketers in mainstream categories also may find it advantageous to cultivate brand loyalty at an early age. In addition to spending money on discretionary items, many teens participate in grocery shopping and household maintenance. They form bonds with products that will serve as barriers-to-entry for rivals who seek their business later in life. Kids (as always) are hard to figure out, but marketers who try can be amply rewarded.

Consumers-in-Training

The future of consumerspace lies in the hands of its young pioneers. American teens spent $172 billion in 2001. A market research firm specializing in this segment has gone so far as to label teens *Skippies* — school kids with income and purchasing power.

Gen Y kids appear to be materialistic, but they're hardly an easy sell. While it may be news to us, today's kids largely accept the fact that they are what they buy. They are very savvy about marketing strategies and are quite aware that advertisers are doing whatever they can to get them into their franchise. Pandering messages are a major turnoff. Image-building campaigns (e.g., Michael Jordan endorsing Nike) are not as effective as they once were — kids have figured out that someone's paying these guys to endorse this stuff.

Walk down a street in Amsterdam, Buenos Aires, or Hong Kong and it's easy to have a feeling of déjà vu. The kids look surprisingly familiar. Multinational mar-

(continued on page 4)

O Pioneers!: Youth in Consumerspace

(continued from page 3)

keters know that their best chances to succeed in foreign markets lie in identifying consumer segments that share a common worldview.

Global Youth Culture

The best candidates are young people whose tastes in music and fashion are strongly influenced by MTV and other media that broadcast many of the same images to multiple countries. We are witnessing the rise of a *global youth culture*, fueled by the Internet and communications networks like MTV, that transcends national borders. MTV provides the code book that lets young pioneers speak to one another. MTV's clips literally serve as "training videos" in that they teach kids how to belong to a certain subculture. The deliberate use of "MTV-style" editing by companies like Nike makes it more likely that kids will absorb the message.

Today, some analysts find it useful to think in terms of ever-larger cliques or *youth tribes* that unite kids by means of shared interests or values rather than geographic proximity. The challenge of *tribal marketing* is to link one's product to the needs of a group as a whole. California-based shoe manufacturer Vans is most closely associated with the skateboarding tribe, and the company aggressively seeks opportunities to cement this linkage. Vans sponsors activities, produces documentary films, and even builds skateboard parks to celebrate the outlaw nature of the sport — and in the process promote its specialized shoes.

The tribal phenomenon is most pronounced in Japan, where teenagers invent, adopt and discard fads with lightning speed. To try to win the loyalty of young consumers in Japan, a group of big companies including Toyota, Matsushita, and Asahi Breweries formed a marketing alliance.

In Pursuit of Cool

Attaining the status of *cool* is the Holy Grail when marketing to youth. Coolness can be thought of as a set of shared meanings (languages, values, self-presentation, etc.) within a peer group that signal affiliation with a desirable lifestyle or clique. Kids stay tuned to what's "phat" and what's not by watching MTV and carefully observing the trendsetters who seem to have it figured out.

Cool kids are the innovators of the youth market. Track their ever-changing preferences quickly and reliably, and stay ahead of the new product development curve. Use a collection of techniques including ethnographic work ("live with the natives"), online surveys, and simple observation of street culture to triangulate the direction of these trends. ■

Creating a Lifestyle Package

Marketers can connect with Gen Y consumers by teaming up with other companies to create a "lifestyle package" targeted to a specific lifestyle segment or tribe. Indeed, in the United States some major corporations are figuring out the value of teaming with very dissimilar players to develop youth-based products. For example, Nike and Polaroid have formed a partnership that lets teens personalize their sneakers by inserting pictures they take with the I-Zone camera directly into their shoes. Toyota is teaming with fashionable surf wear maker Roxy to create a surf-friendly version of its Echo sedan for the young female market, complete with water-resistant, neoprene-covered seats, a Yakima roof rack, and wet-gear storage bins.

Customers Talk Back

Consumers want to be involved in the creation and delivery of what they buy. Promotions that encourage customer feedback heighten involvement with the producer. People want to be involved. They want to know if they're having an impact, and they hunger for the validation that comes from making the "correct" selections.

A few years ago, Lifesavers threw down the gauntlet. The company threatened to eliminate the pineapple flavor unless consumers went to its Web site and voted to keep it. More than 400,000 people rallied to the cause. Perhaps this was not the most momentous election in history, but this kind of mass response hints at peoples' willingness to get involved when the fate of their favorite goodies is at stake.

Consumers are control freaks. They enjoy the feeling of power that comes from having input into what they do, see and buy — even if it just means getting to vote on a candy flavor.

For Additional Information on young, technology-savvy consumers, go to: http://my.summary.com

Customer Involvement In Consumerspace

Customer relationship management (CRM) is about communicating with customers, but in its best incarnation it is also about customers being able to communicate with a company one-on-one. CRM systems include everything from Web sites that let customers check on

(continued on page 5)

Customer Involvement in Consumerspace

(continued from page 4)

the status of a bill or package, to call centers that solicit their business. Many firms have found that this level of individualized attention results in a much higher rate of customer retention and satisfaction, so CRM creates a win-win situation for everyone.

Perhaps the most important aspect of CRM is that it presents a new way of looking at how to effectively compete in the marketplace. This begins with looking at customers as partners. CRM proponents suggest that the traditional relationship between customers and marketers is an adversarial one in which marketers try to sell their products to customers and customers seek to avoid buying. The customer relationship perspective sees customers as partners, with each partner learning from the other every time they interact.

Consumers are looking for ways to develop personal relationships with their favorite brands. They want to feel special, not be just another name on a mailing list. Personalization strategies can accomplish this, but marketers must be careful to avoid cosmetic personalization and instead provide customized personalization — responses that let the customer know his or her feedback is actually influencing the relationship.

Although personalization can be accomplished both offline and online, many of the exciting developments in personalization are occurring in the online space. For example, General Mills' Web site called MyCereal.com allows cereal lovers to design their own cereal. For about one dollar per serving, customer/designers can choose from 90 ingredients.

Interactive Programming

Cable companies, satellite TV, and even Microsoft are pouring billions into interactive TV. The medium is gaining critical mass in Europe, particularly in the United Kingdom. The British can use a television to place bets on races, change camera angles on sporting events, use "player-cams" that follow specific athletes during soccer games, and interact with game shows.

Advertisers are also ramping up consumer involvement by letting viewers participate in the outcome of a commercial. Tommy Hilfiger's campaign for Tommy jeans featured finalists from an online talent search for unsigned musicians. In addition to voting, consumers were able to download music from the finalists.

More than 650,000 customers beta-tested Microsoft Windows 2000 before it went to market. The value of this R&D investment to Microsoft was more than $500 million.

Consumers want to be engaged in the design process. They often welcome the opportunity to participate in the delivery of products or services they purchase, especially when this allows them to exert more control over what they get. Turning consumers into codesigners is all about having conversations with customers.

Consumer products firms in particular need to think more like high-tech companies that incorporate the *lead user* method. This approach encourages sophisticated users to participate in a process of joint development with manufacturers.

Many service businesses understand the value of enlisting their customers as *quasi-employees*. Customers who act as quasi-employees get increased satisfaction from the outcome and reduce costs for the service provider. That's why the strategy usually referred to as *disintermediation* (in English, removing the middleman) has become all the rage in many service-intensive industries.

Employee Feedback

Many companies fail to recognize that a great source of free feedback is their own employees. Like customers, employees who participate in design and marketing decisions feel more invested in the results. Here are two companies that get it:

- The 3M company allows its employees to spend 15 percent of their work time on their own projects.
- IDEO, the hot design firm that brought the world the Palm V, encourages its designers to fail early. The company creates a playroom atmosphere where employees hold "show-and-tells" about new design ideas.

IDEO understands that it's better to fail early in the game. Companies generally underestimate the costs of

(continued on page 6)

Levels of Interactive Response

Eliciting a response to a marketing message is the goal, but this reaction does not necessarily need to involve a transaction. A key to understanding the dynamics of interactive marketing communications is to consider what is meant by a response. It is helpful to distinguish between two basic types of feedback:

✓ **First-Order Response:** A product offer that directly yields a transaction is a first-order response. Examples of direct marketing vehicles include catalogs and TV infomercials.

✓ **Second-Order Response:** Customer feedback in response to a marketing message that is not in the form of a transaction is a second-order response. The first contact with the customer (or even the second or third) may not result in a purchase. Still, the marketer may have aroused the customer's interest, and the courtship begins.

Customer Involvement in Consumerspace

(continued from page 5)

failing later. Early feedback increases the likelihood that what eventually gets offered is what people want.

Involving employees is a great first step, but keeping a close eye on customers is even better. The best way to understand products and services from the user's perspective is to identify the situations where they are used and go to those places to observe people in action.

Quicken's "Follow Me Home" program sends developers to first-time buyers' homes to observe how they use the program. Their findings opened up a whole new market as they figured out that many small-business owners were using the package to run their firms as well as to keep track of their personal finances. ■

Consumerspace Online and Off

Conducting consumer research on the Internet has several advantages over mail or phone surveys or personal interviews. These include timeliness, access to large samples, and cost-efficiencies compared with traditional research methods. Statistically valid observations can be collected, including respondents' reactions to rich visual stimuli that heretofore were possible only in small-scale qualitative formats like focus groups.

The online environment offers us a way to create a dialogue with customers almost effortlessly. That ability is crucial to compete in consumerspace.

Virtual Models

The virtual presence a company projects into consumerspace is, of course, a key branding component, and many firms have thrown many dollars into the pursuit of the slickest home page. But the projection of identity doesn't stop there.

Despite decades of research attesting to the impact of physical appearance on persuasion and attitude change, few companies think much about just how their virtual representatives should look. Depending on the situation and the product being sold, this can be a crucial decision that deserves more attention.

Many consumers enter the online world to experiment with new identities and product-oriented fantasies. Nowhere is this more apparent than the incredibly popular interactive game called The Sims that allows players to create an entire family online. The player's job is to keep his or her characters happy by providing them with food, shelter, other creature comforts, and even partners.

The marketing potential of an online game like The Sims is enormous, yet until recently largely uncharted. Since most of the game is about acquiring stuff, it makes sense that actual brands have now been included in the sets of choices.

The Sims has been the tip of the virtual iceberg when it comes to exploiting the potential of consumerspace. These types of online consumer simulations hold great promise as a research tool to help us understand how people use brands to populate the worlds they design in cyberspace. Marketers should pay more attention to the potential ability of data collection interfaces that take the form of games and other diversions to capture actual customer preferences.

Gaming and Advergaming

Online gamers are drawn from a surprisingly representative slice of the population, and a good number of them now include women and older people. The emergence of gaming as an online, shared experience opens new vistas to marketers.

The secret behind the appeal of this format is the huge chunks of time people spend immersed in these games. The average online player logs 17 hours per week, and firms like Sony, Microsoft and Sega are building their own virtual worlds to get a piece of the action.

The game is also the center of an active social scene. Players can travel around in groups of six. In many cases they settle into a regular group and spend two or three hours each night online with the same people.

Games are a key part of consumerspace because they represent a new frontier for product placement strategies. As gaming goes mass market, the window is opening wide for a new form of hybrid community known as *advergaming*. This refers to the merger of interactive advertisements and product placement with online games that allow marketers to target specific demographic segments. Players spend an average of five to seven minutes on an advergame site, a clear advantage for advertisers over a 30-second TV spot. Advergaming is a flexible, relatively inexpensive way to reach consumers where they live.

Games built around brands enhance realism and further reinforce the connection between brand images and social attributes. Companies are clamoring to have their products included in the action. Video games now feature real brands such as Ford, Radio Shack and Sony.

Creating and Measuring Buzz

Authenticity is key to the success of an online community. Pure buzz communities created by and for private consumers have this property, but some marketers are trying to borrow the veneer of buzz by going online with platforms that seem as if they're untouched by the corporate world.

Creating buzz is an important key to success. Anderson Consulting found that 62 percent of individu-

(continued on page 7)

Consumerspace Online and Off

(continued from page 6)

als who make purchases online stated that their purchase was attributable to customer reviews and recommendations. But remember that consumers don't trust "reliable sources" the way they used to. Professional reviewers are suspect — a company may have bought them off. Consumer-generated word-of-mouth is far more powerful than paid advertising.

The challenge to marketers is to stay on top of what is being said without betraying the company's presence — in essence, the company needs to turn itself into a "lurker" to learn as much as possible about its customers without interfering. It's a valuable exercise to monitor these environments, but as soon as a corporate presence reveals itself, the value of this information plummets. Marketers who figure out how to walk this fine line will be amply rewarded with genuine insights regarding how consumers are thinking about and using their brands.

One solution is to develop passive measurement systems that monitor activities in communities without revealing that comments are being tracked. For example, BrandPulse, an online buzz measurement tool, scours USENET groups, discussion forums, and other online sources for consumer-to-consumer communications about companies, products and competitors.

Building Consumerspace Offline

Walt Disney recognized almost a half century ago that entertainment spaces could be transformed into consumerspaces that allow customers to experience fantasy worlds — and procure the souvenirs that prove they had been there. Companies like Disney engineer the physical environment to ensure that the places where customers work and play are saturated by brands.

In consumerspace, public venues like Times Square are evolving into theme parks that rival Disney's creations. These urban fantasylands include ambitious gentrification projects developed by the Rouse Corp. that are designed to lure people back downtown, such as New York's South Street Seaport, Boston's Fanueil Hall, and Baltimore's Harborplace.

Slowly but surely, shopping is being blended with entertainment and emerging as a new form of activity called *retailtainment*. Marketplaces become marketspaces, themed environments designed to stimulate customers' senses while motivating them to empty their wallets. These corporate-created fantasy worlds are a hallmark of consumerspace.

Like Disney World, these meticulously controlled spaces often depict idealized versions of reality; the rough edges are smoothed out to deliver a seamless entertainment experience. One architectural expert says theming is "the largest and most notable trend in architecture today." It is a trend that encompasses not only amusement parks such as Disney or Busch Gardens, but also casinos, hotels (Opryland in Nashville), shopping malls, airports and museums.

These environments are a sanitized version of the authentic, a world cleansed of strife, problems and prejudices. Given the choice between going to Paris, France, and visiting the Paris Casino in Las Vegas, many seem to prefer the sanitized version.

Engineering Feats

Consumerspace is a hyperreal space, a themed zone engineered by marketers. Restaurants and retailers are portals to foreign cultures. In many cases themed environments present idealized versions of these locales that may bear little resemblance to the actual location. Consumers crave authenticity — though they often prefer a marketer's version of it that is more consistent with their idealized expectations derived from mass media depictions of foreign cultures. As a rule, the less familiar people are with a culture, the more comfortable they will be with an idealized version of it that incorporates stereotypes they are expecting to see. They want the "real thing," but not if it's too real!

Guerrilla Marketing is Brand Building

Guerrilla marketing is hot — but what is it? Broadly speaking, guerrilla tactics use unconventional marketing methods to gain conventional results, allowing smaller companies to compete with entrenched industry giants. Guerrilla marketing can take many forms, but most executions fall into one of three categories:

- **Attention-Getting Outdoor Advertising:** Altoids placed a 1,000-square-foot banner on a building within view of the flight path for O'Hare Airport.
- **Teasers and Buzz Builders:** To promote its new Crest Whitestrips teeth-whitening product, Procter & Gamble mounted a billboard in Times Square with the

(continued on page 8)

Restaurants in Consumerspace

A recent development in themed environments is the proliferation of themed restaurants. In these eating establishments, food is almost an afterthought. The real draw is the venue's entertainment value. The concept of "eatertainment" appeals to consumers who wish to expand their vistas beyond "meat and potatoes" by experiencing the flavors of other cultures — or at least a "safe" version of these gastronomical alternatives. Entering such a place offers the diner a sanitized version of the authentic.

Consumerspace Online and Off

(continued from page 7)

come-on line, "September 20 find out why it's OK to wear white after Labor Day."

● **Street Teams and Stunts:** Days before VH1 put on its annual fashion awards show, models dressed as police officers fanned out on the streets of Los Angeles, New York and Chicago to write up fashion citations. The term "fashion police" became a short-term reality.

As it becomes more difficult to reach jaded consumers through conventional advertising media, many marketers are devising alternative ploys to grab people's attention. Guerrilla marketing tactics surprise consumers by putting brand messages in places they don't expect.

Shopping in Consumerspace

Before consumers can deploy products in a personal arsenal to express their identities, they first have to acquire them one way or another. The process of accumulating all this stuff is part of the consumption experience. Marketers can design their shopping spaces to lure consumers to them and make them happy they came.

There are two reasons consumers shop: enjoyment (hedonic value) and accomplishment of a task (utilitarian value). Often, shopping is a highly social process, and retailers that understand this have a competitive advantage. In particular, activities that facilitate group shopping (even online) should be encouraged. Lands' End understands this aspect of shopping. Its Web site provides a "Shop with a Friend" feature that lets two people browse together. Each can add items to a common shopping bag even though they may be physically separated by thousands of miles.

Retail Atmospherics

The physical layout and design of a retail environment help to create an emotional experience, whether good or bad. That's why store designers pay a lot of attention to *atmospherics*, or the "conscious designing of space and its various dimensions to evoke certain effects in buyers." These dimensions include colors, scents and sounds, and may be cleverly (and often quite subtly) controlled to manipulate shoppers' perceptions.

Light colors impart a feeling of spaciousness and serenity, bright colors create excitement. Designer Norma Kamali replaced florescent lights with pink ones in department store dressing rooms. The lights had the effect of flattering the face and banishing wrinkles, making female customers more willing to try on (and buy) the company's bathing suits.

Some retailers have figured out that they can create a desired effect by manipulating odors in the environment. *Aromachology* is the field of olfactory research that investigates the psychological effects of fragrance. Fragrance is processed by the limbic system, the most primitive part of the brain and the place where immediate emotions are experienced. Japan is a leader in fragrance technology. It is common there to find scents being pumped into office buildings, hospitals and subways with the intent of either arousing or soothing people who pass through these areas.

Behavior in the shopping/consuming environment is also influenced by the sounds that surround customers. The recognition that a store, hotel or restaurant's audio environment can be a key driver of its personality has created a new niche. Patrons of country-and-western bars drink more when the jukebox music is slower. Another study found that diners who listened to loud, fast music ate more food.

The Paradox of Consumerspace

Consumerspace is teeming with choices. The biggest problem (in terms of consumption issues) is that customers have too many choices. They suffer from information overload. They want less choice, not more. That's the paradox of consumerspace.

Marketers who want to succeed among this profusion don't necessarily need to offer yet another car model or lipstick shade. Instead, there is tremendous potential value in acting as a "tour guide" in consumerspace — both offline and online. Rewards await those who help consumers navigate through the confusion, sift the possibilities, and point out the products and services that really do meet consumers' needs. ■

Product Placement

In product placement, brands *are* the story. Advertisers are looking toward the technique of directly embedding their messages into television shows to address the problems of viewers leaving the room during commercials for "bio-breaks" and the advent of TiVo to avoid ads altogether. Product placement helps solve these problems by inserting specific products and/or brand names in movies and TV scripts. Marketers typically don't pay for placements. Instead they pay product placement firms that work with set decorators looking for free props and realism. Product placement is so successful that even old shows are getting the treatment courtesy of digital technology — TBS is inserting virtual products in *Law & Order* reruns. This strategy is very effective, partly because it sidesteps consumers' skepticism about traditional messages.

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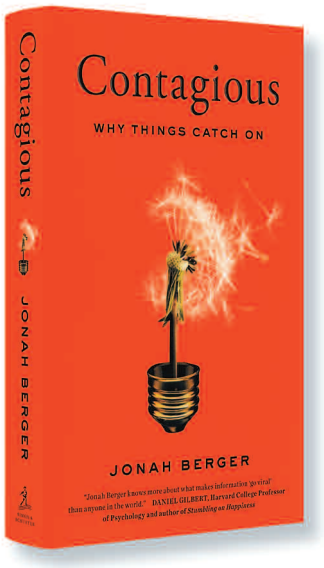
· Book 27 of 106 ·

Contagious

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Contagious

Why Things Catch On



by Jonah Berger

THE SUMMARY IN BRIEF

What makes things popular? If you said advertising, think again. People don't listen to advertisements; they listen to their peers. But why do people talk about certain products and ideas more than others? Why are some stories and rumors more infectious? And what makes online content go viral?

Wharton marketing professor Jonah Berger has spent the last decade answering these questions. He's studied why *New York Times* articles make the paper's own Most Emailed List, why products get word of mouth, and how social influence shapes everything from the cars we buy to the clothes we wear to the names we give our children. In this book, Berger reveals the secret science behind word-of-mouth and social transmission. Discover how six basic principles drive all sorts of things to become contagious, from consumer products and policy initiatives to workplace rumors and YouTube videos.

Contagious combines groundbreaking research with powerful stories. If you've wondered why certain stories get shared, emails get forwarded, or videos go viral, *Contagious* explains why and shows how to leverage these concepts to craft contagious content. Whether you're a manager at a big company, a small business owner trying to boost awareness, a politician running for office, or a health official trying to get the word out, *Contagious* will show you how to make your product or idea catch on.

IN THIS SUMMARY, YOU WILL LEARN:

- A primer on the six principles of contagiousness and how you can apply them to your products, services and ideas.
- How word of mouth is generated.
- The importance of triggers.
- How to highlight incredible value in order to cut through the clutter.

CONTENTS

Introduction: Why Things Catch On
Page 2

Principle 1: Social Currency
Page 3

Principle 2: Triggers
Page 4

Principle 3: Emotion
Page 5

Principle 4: Public
Page 6

Principle 5: Practical Value
Page 6

Behavioral Residue and Shopping Bags
Page 6

Principle 6: Stories
Page 8

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THE COMPLETE SUMMARY: **CONTAGIOUS**

by Jonah Berger

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Introduction: Why Things Catch On

By the time Howard Wein moved to Philadelphia in March 2004, he had lots of experience in the hospitality industry. But he was done with "big." So he moved to Philly to help design and launch a new luxury boutique steakhouse called Barclay Prime.

Wein knew he needed to generate buzz. Philadelphia already boasted dozens of expensive steakhouses, and Barclay Prime needed to stand out. Wein needed something to cut through the clutter. But what?

How about a hundred-dollar cheesesteak? He started with a fresh, house-made brioche roll brushed with homemade mustard. He added thinly sliced Kobe beef, marbleized to perfection. Then he included caramelized onions, shaved heirloom tomatoes and triple-cream Taleggio cheese. All this was topped off with shaved, hand-harvested black truffles and butter-poached Maine lobster tail. And just to make it even more outrageous, he served it with a chilled split of Veuve Clicquot champagne.

The response was incredible. People didn't just try the sandwich; they rushed to tell others. One person suggested that groups get it "as a starter … that way you all get the absurd storytelling rights." Wein didn't just create another cheesesteak; he created a conversation piece, and it worked. The story of the hundred-dollar cheesesteak was contagious.

The buzz helped. Barclay Prime opened nearly a decade ago, and against the odds, the restaurant has not only survived but flourished. It has won various food awards and is listed among the best steakhouses in Philadelphia year after year. But more importantly, it built a following. Barclay Prime caught on.

Why Do Products, Ideas and Behaviors Catch On?

One reason some products and ideas become popular is that they are just plain better. Remember how bulky televisions or computer monitors used to be? Now they're flat screens, which offer larger screens and weigh less.

Attractive pricing and advertising also contribute to making products and ideas successful, but they don't explain the whole story. What about videos on YouTube? There's no difference in price (all are free to watch), and few videos receive any advertising or marketing push. And although some videos have higher production values, most that go viral are blurred and out of focus, shot by an amateur on an inexpensive camera or cell phone.

So why do certain videos catch on? Social transmission: social influence and word of mouth. People love to share stories, news and information with those around them. Additionally, word of mouth isn't just frequent; it's important. The things others tell, email and text us have a significant impact on what we think, read, buy and do. Word of mouth is the primary factor behind 20 percent to 50 percent of all purchasing decisions and is more effective than traditional advertising for two key reasons:

1. It's more persuasive. Advertisements tell us how great a product is, but friends are objective and candid, which make consumers more likely to trust and listen to their friends.

2. It's more targeted. Companies try to advertise in ways that allow them to reach the largest number of

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interested customers, whereas word of mouth is naturally directed toward an interested audience. No wonder customers referred by their friends spend more, shop faster, and are more profitable overall.

Generating Word of Mouth

Want to know what's the best thing about word of mouth? It's available to everyone. It doesn't require millions of dollars spent on advertising; it just requires getting people to talk. That's the challenge.

What percent of word of mouth happens online? Research by Keller Fay Group finds that only 7 percent of word of mouth happens online. And while that may seem low, remember that people spend an estimated two hours a day online, but they spend more than eight times as many hours offline.

Harnessing the power of word of mouth, online or offline, requires understanding why people talk and why some things get talked about and shared more than others. The psychology of sharing; the science of social transmission.

Six Principles of Contagiousness

After analyzing hundreds of contagious messages, products and ideas, it was noticed that the same six principles were often at work. Making the acronym STEPPS, they are social currency, triggers, emotion, public, practical value and stories. Think of the principles as the six STEPPS to crafting contagious content. These ingredients lead ideas to get talked about and succeed. People talked about the hundred-dollar cheesesteak at Barclay Prime because it gave them social currency, was triggered, emotional, practically valuable and wrapped in a story.

Principle 1: Social Currency

Here's a secret about secrets: They tend to not stay secret very long. As it turns out, if something is supposed to be a secret, people might well be more likely to talk about it. The reason? Social currency. People share things that make them look good to others.

"Self-sharing" follows us throughout our lives. This desire to share our thoughts, opinions and experience is one reason social media and online social networks have become so popular. People blog about their preferences, post Facebook status updates about what they ate for lunch, etc. Research finds that more than 40 percent of what people talk about is their personal experiences or relationships.

What people talk about also affects what others think of them. So, not surprisingly, people prefer sharing things that make them seem entertaining rather than boring, clever rather than dumb. Word of mouth, then, is a prime tool for making a good impression — as potent as that new car or Prada handbag. Think of it as a kind of currency, social currency. Just as people use money to buy products or services, they use social currency to achieve desired positive impressions among their families, friends and colleagues.

To get people talking, companies and organizations need to mint social currency. Give people a way to make themselves look good while promoting their products and ideas along the way. There are three ways to do that: 1) find inner remarkability, 2) leverage game mechanics, and 3) make people feel like insiders.

Inner Remarkability

Remarkable things are defined as unusual, extraordinary, or worthy of notice or attention. Remarkable things provide social currency because they make the people who talk about them seem more remarkable. The desire for social approval is a fundamental human motivation. Not surprisingly, remarkable things get brought up more often.

The key to finding inner remarkability is to think about what makes something interesting, surprising or novel. Can the product do something no one would have thought possible? One way to generate surprise is by breaking a pattern people have come to expect. Take low-cost airlines. What do you expect when you fly a low-cost carrier? Small seats, no movies, limited snacks and a generally no-frills experience. But people who fly JetBlue for the first time often tell others because the experience is remarkably different. You get a large, comfortable seat, a variety of snack choices and free DIRECTV programming from your own seatback television.

The best thing about remarkability is it can be applied to anything; it's possible to find the inner remarkability in any product or idea by thinking about what makes that thing stand out. Emphasize what's remarkable about a product or idea, and people will talk.

Leverage Game Mechanics

Ever wonder why people enjoy games so much? Game mechanics are the elements of a game, application or program — including rules and the feedback loop — that make them fun and compelling. Good game mechanics keep people engaged, motivated and always wanting more.

But game mechanics can also motivate us on an *interpersonal* level by encouraging social comparison.

Game mechanics help generate social currency because doing well makes us look good. People love boasting about the things they've accomplished: their golf handicaps, how many people follow them on Twitter, etc. Game mechanics boost word of mouth — people are talking because they want to show off their achievements, but along the way, they talk about brands (Twitter) or domains (golf) where they achieved.

Leveraging game mechanics requires quantifying performance. Some domains, like golf handicaps, have built-in metrics. People can easily see how they're doing and compare themselves with others without needing any help. But if a product or idea doesn't automatically do that, it needs to be "gamified." Metrics need to be created or recorded that let people see where they stand — for example, different colored tickets for season ticket holders.

Great game mechanics can create achievement out of nothing. Airlines turned loyalty into a status symbol. And by encouraging players to post their achievements on Facebook, online game makers have managed to convince people to proclaim loudly that they spend hours playing games every day.

Make People Feel Like Insiders

Scarcity is about how much of something is offered, and while exclusivity is also about availability, exclusive things are accessible only to people who meet particular criteria. Scarcity and exclusivity help products catch on by making them seem more desirable, and they boost word of mouth by making people feel like insiders. If people get something not everyone else has, it makes them feel special, unique, high status. And because of that, they'll not only like a product or service more but tell others about it. The mere fact that something isn't readily available can make people value it more and tell others to capitalize on the social currency of knowing about it or having it. ●

Principle 2: Triggers

What most people don't realize is they naturally talk about products, brands and organizations all the time. Every day, the average American engages in more than 16 word-of-mouth episodes, separate conversations where they say something positive or negative about an organization, brand, product or service.

The Difference Between Immediate and Ongoing Word of Mouth

Some word of mouth is immediate, while some is ongoing. Imagine you've just received an email about a new recycling initiative. Do you talk about it with coworkers later that day? If so, you're engaging in immediate word of mouth. This occurs when you pass on the details of an experience or share new information you've acquired soon after it occurs. Ongoing word of mouth covers the conversations you have in the weeks and months that follow: the movies you saw last month or a vacation you took last year.

Both types of word of mouth are valuable, but certain types are more important for certain products or ideas. Movies depend on immediate word of mouth, as well as grocery stores with limited shelf space. But for most products or ideas, ongoing word of mouth is also important. New policy initiatives certainly benefit from huge discussion when they are proposed, but to sway voter opinion, people need to keep mentioning them all the way up until Election Day.

How Triggers Affect Behavior

At any given moment, some thoughts are more top of mind, or accessible, than others. For example, you might be thinking about the sandwich you just had for lunch. Some things are chronically accessible. Sports fanatics or foodies will often have those subjects top of mind. But stimuli in the surrounding environment can also determine which thoughts and ideas are top of mind. If you see a puppy while jogging in the park, you might remember how you've always wanted a dog.

Using a product is a strong trigger. Most people drink milk more often than grape juice, so milk is top of mind more often. But triggers can be indirect. Seeing peanut butter not only triggers us to think about it, but about partner jelly. Triggers are like little environmental reminders for related concepts and ideas. But why does it matter if things are top of mind? Because accessible thoughts lead to action.

Triggered to Talk

What do we talk about when making small talk? Whatever is top of mind is a good place to start. More frequently triggered products get talked about more. Even mundane products like Ziploc bags and moisturizer received lots of buzz because people were triggered to think about them so frequently. People who use moisturizer often apply it at least once a day, and people often use Ziploc bags after meals to wrap up leftovers. These everyday activities make those products more top

of mind and, as a result, lead them to be talked about more. So rather than just going for a catchy message, consider the context. Think about whether the message will be triggered by the everyday environments of the target audience.

Triggers are the foundation of word of mouth and contagiousness. To use an analogy, think of most rock bands. Social currency is the front man or woman. It's exciting, fun and gets lots of attention. Triggers could be the drummer or bassist. People may not pay much attention to it, but it lays the groundwork that drives success. The more something is triggered, the more it will be top of mind, and the more successful it will become.

Principle 3: Emotion

The Internet has become increasingly engineered to support the natural inclination of sharing. If people come across a blog post about a new bike-sharing program, they can easily hit the Share button or copy and paste the link into an email. And because few people have time to seek out the best content in this ocean of information that is the Internet, they check out what others have shared.

Does Emotion Boost Sharing?

According to psychologists Dacher Keltner and Jonathan Haidt, awe is the sense of wonder and amazement that occurs when someone is inspired by great knowledge, beauty, sublimity or might. It's the experience of confronting something greater than yourself.

The most obvious difference between different emotions is their pleasantness and positivity. Awe is relatively pleasant, while sadness is unpleasant. Might positive emotions increase sharing but negative emotions decrease it? Conventional wisdom suggests that negative content should be more viral. That's why nightly news always starts with something like, "The hidden health hazard that's lurking in your basement …" That said, you could also make a case for the opposite: people prefer sharing good news. After all, don't most of us want to make others feel happy or positive rather than anxious or sad? However, there's more to it than just negative and positive.

Kindling the Fire: The Science of Physiological Arousal

The idea that emotions can be categorized as positive and negative has been around for hundreds of years. More recently, however, psychologists have argued that emotions can also be classified based on a second dimension: that of activation, or physiological arousal.

The Three Whys

In *Made to Stick*, authors Chip and Dan Heath talk about using the "Three Whys" to find the emotional core of an idea. Write down why you think people are doing something. Then ask, "Why is this important?" three times. Each time you do this, note your answer, and you'll notice that you drill down further and further toward uncovering not only the core of an idea but the emotion behind it.

For example, take online search:

1. Why is search important? Because people want to find information quickly.

2. Why do they want to do that? So they can get answers to what they're looking for.

3. Why do they want those answers? So they can connect with people, achieve their goals, and fulfill their dreams.

Now that's starting to get more emotional. Some emotions kindle the fire more than others; activating emotion is the key to transmission.

Physiological arousal is a state of activation and readiness for action. Some emotions, like anger and anxiety, are high-arousal. When we're angry, we yell at customer service representatives. When we're anxious, we check and recheck things. Positive emotions also generate arousal. Take excitement and awe. Other emotions, such as sadness, have the opposite effect. They stifle action.

Understanding arousal helps explain why anger and anxiety lead people to share because, like awe, they are high-arousal emotions. They activate people and drive them to take action. Low-arousal emotions, like sadness, decrease sharing. Contentment has the same effect, though contentment isn't a bad thing. People are just less likely to talk about things that simply make them content.

Focus on Feelings

Marketing messages tend to focus on information. Public health officials note how much healthier teens will be if they don't smoke or if they eat more vegetables. People think that laying out the facts in a clear and concise way will tip the scales; their audience will pay attention, weigh the information, and act accordingly.

But many times, information is not enough. And that is when emotion comes in. Rather than harping on features or facts, we need to focus on feelings: the underlying emotions that motivate people to action.

Some emotions kindle the fire more than others. Activating emotion is the key to transmission.

Physiological arousal or activation drives people to talk and share. We need to get people excited or make them laugh. We need to make them angry rather than sad. Even situations where people are active can make them more likely to pass things on to others. ●

Principle 4: Public

Think about the last time you sat through a bewildering PowerPoint presentation. At the end of the talk, the speaker probably asked the audience if anyone had any questions. The response? Silence. But not because everyone else understood the presentation. The others were probably just as bewildered as you were. But while they would have liked to raise their hands, they didn't because each one is worried that he or she is the only one who didn't understand. Why? Because no one else was asking questions. No one saw any public signal that others were confused, so everyone kept doubts to him- or herself. Because behavior is public, and thoughts are private.

The Power of Observability

The famous phrase, "Monkey see, monkey do" captures more than just the human penchant for imitation. People can imitate only when they *see* what others are doing. Observability has a huge impact on whether products and ideas catch on. Say a clothing company introduces a new shirt style. If you see someone wearing it and decide you like it, you can go buy the same shirt or something similar. But this is much less likely to happen with socks. Why? Because socks are harder to see.

Observable things are also more likely to be discussed. Public visibility boosts word of mouth. The easier something is to see, the more people talk about it. Observability also spurs purchase and action. As discussed with triggers, cues in the environment not only boost word of mouth but also remind people about the things they already wanted to buy or do. The more public a product or service is, the more it triggers people to take action.

Behavioral Residue

A product, idea or behavior advertises itself when people consume it. When people wear certain clothes, attend a rally, or use a website, they make it more likely that their friends, coworkers and neighbors will see what they are doing and imitate it. If a company is lucky, people consume its product or service often.

But what about the rest of the time? Is there something that generates social proof that sticks around even when the product is not being used or the idea is not top of mind? Yes, it's called behavioral residue, the physical traces or remnants that most actions or behaviors leave in their wake. Mystery lovers have shelves full of mystery novels. Runners have medals from participating in 5Ks. When these items are publicly visible, it provides people with the chance to talk about related products or ideas.

It's been said that when people are free to do as they please, they usually imitate one another. We look to others for information about what is right or good to do in a given situation, and this social proof shapes everything from the products we buy to the candidates we vote for.

We need to be like Hotmail and Apple and design products that advertise themselves. We need to be like Lululemon and create behavioral residue, discernible evidence that sticks around even after people have used our product or engaged with our ideas. We need to make the private public. If something is built to show, it's built to grow. ●

Behavioral Residue and Shopping Bags

Behavioral residue exists in all types of products and ideas. Tiffany, Victoria's Secret and a host of other retailers give their customers disposable shopping bags to carry purchases home. But because of the social currency associated with some of these retailers, many consumers reuse the bags rather than tossing them. They use the Victoria's Secret bags to carry their gym clothes or toss their lunch in a Tiffany's bag.

Clothing retailer Lululemon takes this idea one step further. Rather than make paper bags that are relatively durable, it makes shopping bags that are hard to throw away. Made of sturdy plastic like reusable grocery bags, these bags are clearly meant to be reused. So people use them to carry groceries or to do other errands. But along the way, this behavioral residue helps provide social proof for the brand.

Principle 5: Practical Value

People like to pass along practical, useful information, news others can use. In the context of triggers, practical value may not seem like the sexiest concept. Some might even say it's obvious or intuitive. But that doesn't mean it's not consequential. When writer and editor William F. Buckley Jr. was asked which single book he

would take with him to a desert island, his reply was straightforward: "A book on shipbuilding." Useful things are important.

Offering practical value helps make things contagious. People share practically valuable information to help others. In this way, sharing practically valuable content is like a modern-day barn raising. In the eighteenth and nineteenth centuries, people would get together, volunteer their time, and help their neighbor. Next time around, the barn would be built for someone else. You can think of it as an early version of the current prosocial ideal of "pay it forward."

Sharing something useful with others is a quick and easy way to help them out. Even if we're not in the same place. Passing along useful things strengthens social bonds. If our friends are into cooking, sending them a recipe we found brings us closer together. Our friends see that we know and care about them; we feel good for being helpful, and the sharing cements our friendship.

If social currency is about information senders and how sharing makes them look, practical value is mostly about the information receiver. It's about saving people time or money or helping them have good experiences.

Think about sharing practical value as akin to advice. People talk about which retirement plan is cheapest and which politician will balance the budget. Think about the last time you made a decision that required you to gather and sift through large amounts of information. You probably asked one or more people what you should do, and they probably either shared their opinion or sent you a link to a website that helped you out.

Saving a Couple of Bucks

When most people think about practical value, saving money is one of the first things that comes to mind. One of the biggest drivers of whether people share promotional offers is whether the offer seems like a good deal. If we see an amazing deal, we can't help but talk about it or pass it on to someone we think would find it useful. If the offer is just okay, though, we keep it to ourselves.

Highlighting Incredible Value

Deals seem more appealing when they highlight incredible value. Remember with social currency, the more remarkable something is, the more likely it'll be discussed. We're bombarded with deals all the time, so a deal needs to cut through the clutter to get shared.

- **Expectation.** Promotional offers that seem surprising or surpass expectations are more likely to be shared. This can be because the actual deal itself exceeds expectations or because the way the deal is framed makes it better this way.
- **Availability.** Somewhat counterintuitively, making promotions more restrictive can actually make them more effective — restricting availability through scarcity and exclusivity makes things seem more valuable.
- **Timing/Frequency.** Putting something on sale can make it seem like a good deal. But if the product is always on sale, people start to adjust their expectations. People come to realize that sales are the norm and no longer see them as deals. But offers that are only available for a limited time seem more appealing because of the restriction. Just like making a product scarce, the fact that a deal won't be around forever makes people feel that it must be a really good one.
- **Quantity Limits.** This works similarly to frequency restrictions. Retailers sometimes create limits around the number of a given discounted item a given customer can buy, such as "one per household." You might think that by making it harder for people to get as many as they want, these restrictions would hurt demand, but it's just the opposite. It makes the promotion seem like an even better deal.
- **Access.** Even restricting access can make a promotional offer seem better, such as a hotel rewarding loyal members with "exclusive" hotel rates. These offers seem special. This boosts sharing not only by increasing social currency but also by making the deal itself seem better. Like restrictions on quantity or timing, the mere fact that not everyone can get access to this promotion makes it seem more valuable. This increases practical value, which in turn boosts sharing.

More Than Money

Useful information is another form of practical value. Helping people do things they want to do or encouraging them to do things they should do faster, better and easier. Look at the content you've been emailed over the past few months, and you'll see similar patterns. Articles about sunscreen brands that Consumer Reports rated the best, tips to recover quickly from exercise — these things are useful. Practical advice is shareable advice.

In thinking about why some useful content gets shared more, a couple of points are worth noting. The first is how information is packaged. Vanguard doesn't send out a rambling four-page email about financial management with 25 advice links about 15 different topics. It sends

out a short, one-page note with a key header article and three or four main links below. It's easy to see what the main points are, and if you want to find out more, you simply click on the links.

The second key is audience. Some stories or information have a broader audience than others. You might think that content that has a broader audience is more likely to be shared, such as a piece about football should be shared more than one about water polo. The problem with this assumption is that just because people can share with more people doesn't mean they will. In fact, narrower content may actually be more likely to be shared because it reminds people of a specific friend or family member and makes them feel compelled to pass it along. So while you may have a lot of friends who like American football, no one person comes to mind when you come across the related content. However, you may have only one friend who cares about water polo, so when you read an article about it, you think of your friend right away, and you share it.

So while broadly relevant content could be shared more, content that is relevant to a narrow audience may actually be more viral.

Principle 6: Stories

The story of the Trojan Horse has been passed on for thousands of years. It's estimated that the battle took place around 1170 BC, but the story was not written down until many years later. For centuries, the tale was transmitted orally. But the story of the Trojan Horse also carries an underlying message: "Never trust your enemies, even when they seem friendly." By encasing the lesson in a story, early writers ensured it would be passed along. People think in terms of narratives, but while the focus is on the story itself, information comes along for the ride.

Build a Trojan Horse

Stories give people an easy way to talk about products and ideas. Subway might have low-fat subs, and Lands' End might have great customer service, but outside of triggers in conversation, people need a reason to bring that information up. And good stories provide that reason. They provide a sort of psychological cover that allows people to talk about a product or idea without seeming like an advertisement.

When trying to generate word of mouth, many people forget one important detail. They focus so much on getting people to talk that they ignore the part that really matters: what people are talking about. That's the problem with creating content that is unrelated to the product or idea it is meant to promote. There's a big difference between people talking about content and talking about the company, organization or person that created the content.

Making Virality Valuable

Evian's "Roller Babies" video has the same problem. The clip shows diaper-wearing babies doing tricks on roller skates. The babies' bodies are animated, but their faces look real, making the video remarkable to watch and garnering more than 50 million views, and *Guinness World Records* declaring it the most viewed online ad in history. But all this attention didn't benefit the brand; the same year, Evian lost market share and sales dropped almost 25 percent. The problem? Roller-skating babies are cute, but they have nothing to do with Evian.

The key is to not only make something viral but also to make it valuable to the sponsoring company or organization. Not just virality, but valuable virality. Think of Barclay Prime's $100 cheesesteak: an expensive, high-end cheesesteak and an expensive, high-end steak restaurant are clearly more related than Evian and roller-skating babies. And the item wasn't just a stunt; it was an actual item on Barclay's menu. Further, it spoke directly to the inferences the restaurant wanted consumers to make about its food: high quality but not stuffy, lavish but creative. Virality is most valuable when the brand or product benefit is integral to the story, when it's woven so deeply into the narrative that people can't tell the story without mentioning it.

If you want to craft contagious content, try to build your own Trojan Horse. But make sure you think about valuable virality. Make sure the information you want people to remember and transmit is critical to the narrative. So build a social currency-laden, triggered, emotional, public, practically valuable Trojan Horse, but don't forget to hide your message inside. Make sure your desired information is so embedded into the plot that people can't tell the story without it.

RECOMMENDED READING LIST

If you liked *Contagious*, you'll also like:

1. ***The Power of Habit* by Charles Duhigg.** Duhigg takes us to the thrilling edge of scientific discoveries that explain why habits exist and how they can be changed.
2. ***Buyology* by Martin Lindstrom.** Lindstrom presents astonishing findings from a groundbreaking neuromarketing study that peered inside the brains of 2000 volunteers as they encountered ads, commercials and brands.
3. ***How We Decide* by Jonah Lehrer.** In this bestseller, Lehrer takes a fresh yet informed perspective on the fascinating subject of how we make up our minds.

· Book 28 of 106 ·

Content Marketing, Engineered

Wendy Covey

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Content Marketing, Engineered

Build Trust and Convert Buyers with Technical Content

by **Wendy Covey**



Contents

Develop a Brand and Content Strategy
Page 2

Create Sticky Content
Page 2

Publish and Promote Your Content
Page 3

Sales Enablement
Page 4

Measurement and Return On Investment
Page 4

THE SUMMARY IN BRIEF

Engineers don't behave the same way as your typical B2B buyer. Marketing to them must be greatly differentiated. Nowadays, sales can't hold information hostage because engineers can find the content they need online. Companies who share expertise through quality content on a consistent basis are seen as trusted resources, spend less per lead, and achieve greater pipeline efficiency.

Content Marketing, Engineered: Build Trust and Convert Buyers with Technical Content guides you through the key steps in gaining awareness and building trust with technical buyers using compelling content. It's not an easy task: your prospects can spot "marketing speak" with the trained eye of a gazelle watching for predators at the watering hole.

Author Wendy Covey wrote this book for marketers focused on reaching engineers and engineers learning to become marketers. By the time you reach the last page of the book, you'll know the entire end-to-end content marketing process. And all of your effort in implementing it will translate to growth for your business.

IN THIS SUMMARY, YOU WILL LEARN:

- All the key elements of marketing to technical buyers.
- The importance of developing detailed buyer personas.
- The many content types involved in marketing to engineers.
- Why and how content marketing extends to helping sales.

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Develop a Brand and Content Strategy

Your brand is your company's narrative. It describes the problems your customers face, guides them to the solutions you provide, and shows the results your solutions deliver. Successful brands make their customers the focus.

It's smart to break down the pool of potential customers into buyer personas—fictional representations of your ideal customers based on demographic data, online behavior, and your educated speculation about personal histories, motivations, and concerns.

Tell Your Company Story

Buyers still want authentic messaging from brands they can trust. Trust is built through long-term, consistent communication and interaction with all of your stakeholders, from employees and customers to partners and suppliers. Engineers easily see through a marketing facade that's not technically supported.

Brand positioning is the process of defining your brand. It begins with developing your mission, vision, and core values, and then moves on to creating a company positioning statement. Then the process moves to messaging a brand tone and attributes and telling your corporate story.

All of this leads to a carefully crafted positioning statement that you can use as the foundation for your website, content, and talking points for your sales team. And from it you can create a short elevator pitch that all employees can use.

Develop messaging that conveys a strong brand. Brand perception is what customers—both current and potential—think about you. Brands are established by building trust in a one-of-a-kind promise about who you are, what you stand for, and what unique, meaningful benefits you deliver.

Develop strong messages that convey a powerful brand. With your brand attributes, tone, and positioning defined, take some time to draft and finalize your differentiation pillars, elevator pitch, and segment messages.

Your brand should have a narrative or story that speaks to the problems your customers face, the solutions you provide, and the results your solutions drive. Successful storytelling makes your customers, not you or your product or service, the heroes and position yourself as their guide.

Storytelling is repetitive. Strong brands created by smart marketers repeat their brand message over and over for years or decades. Your marketing gives your customers the language they need to talk about you and share their successes.

Create Your Content Marketing Plan

Half or more of the buyer's journey happens before the prospect engages directly with a salesperson at a company. During this time, buyers are consuming your content and forming opinions about your company and your solutions. You'll want to devote time, attention, and strategic thought to your content plan.

Establish content marketing objectives that tie directly to your marketing goals. With your objectives in place, map out your content. A topic cluster framework is an excellent tool for brainstorming with your team about content themes, topics, and subtopics because you can visually map their relationships.

To be found in this new age of relational search, you need to use topic clustering as the primary tool for your organic SEO strategy. This methodology focuses on identifying content themes that your customers care about and you're an expert in, creating deep content topics around these themes, and building relationships between those topics via cross-linking on your site.

To choose a topic cluster, first, choose a core theme relevant to your audience persona in which you are an expert. It might be a solution you offer or an industry trend related to your solutions.

Next, consider how the content topics in your topic cluster fall along the buyer's journey to make sure you're covering every stage. Then you can identify the specific type of content you need to create for each topic.

Research shows that engineers find almost all content types valuable. They like to review it in the formats that best suit the material. You should label each topic in your cluster with the type of content you'll use.

Create Sticky Content

To write your content effectively and efficiently, you need to understand who should write your content, the fundamentals of strong content, the nuances of specific types of content, and all the ins and outs of editing and refining your content. Specific people must be designated to create content so it actually gets written.

To create high-quality, trustworthy, and accurate content that technical buyers value, you must involve SMEs. Engineers trust content created by other engineers over other content.

Learn to Write by Content Type

You need to tailor your content writing to the type of content you're working on, whether it's blogs, infographics, case studies, videos, webinars, white papers and ebooks, corporate slide decks, or podcasts.

Once you've drafted your content, you need to review it with your SMEs, edit it, include images, and add CTAs. All content needs to be edited before it's published. Glaring errors in grammar and flow diminish trust and make a brand seemed rushed and sloppy.

Publish and Promote Your Content

Marketing technology encompasses an array of software tools that help you publish content, capture and nurture leads, pass qualified leads to sales, and measure results.

A suite of software tools is often referred to as your "martech stack." It includes your website content management system (CMS), customer relationship management (CRM) system, marketing automation, document management system (DMS), and specialized functional software tools. Ideally, marketing and sales work within one unified tool, or they at least have tools that integrate.

Your website is the very first and most important place you will publish your content because this is where your prospects will go first to find information. Fifty-five percent of visitors spend less than fifteen seconds deciding whether to stay on your website.

There are various methods for publishing content on your company website. Most sites use a set of templates that dictate the various design layout options.

Pillar pages. Pillar pages are long-form web page templates that cover your content theme thoroughly while linking to internal and external content that dives deeper into various topics.

Blogs. Blogs are an essential part of a content marketing strategy. You can use them to publish fresh content regularly, which allows you to stay top of mind with prospects and helps boost your SEO rankings. B2B companies that blog generate 67% more leads than companies that don't.

Landing pages. A landing page is a page with a form containing an overview of a content asset. It's a gateway to capturing new contacts and leads from your website. Once visitors complete your landing page form, they should be able to instantly access the piece of content.

Contextual web content. Websites that greet return visitors by name, offers auto-filling forms, or tailors shopping information based on your past orders are engaging in contextual marketing. Contextual marketing helps advance relationships and measurably improves marketing results. It is usually very expensive to implement, but the landscape is changing.

On-page SEO. As you publish new content online, a key step is to optimize it for search. This is done primarily through metadata and links. Today, 87% of US search engine traffic flows through Google.

Share Your Content

You need to use a diverse set of channels to help engineers find and consume your information. Research findings, past experience, and testing can all help inform which channels work best for reaching technical audiences.

Scan your site for locations to promote your content, particularly those pages most relevant to the content topic. Cross-linking between pages creates valuable content relationships.

When you're brainstorming how to implement effective CTAs on your website, start by thinking through how your target persona interacts with your website. Bold and well-designed buttons that incorporate action-oriented verbiage are more likely to convert your users.

Social channels are a good place to share your information and gather information, even for a technical buyer. LinkedIn and YouTube are high priority for engineers. In addition to the giant platforms, there are communication channels for specific audiences in industry verticals.

To build and engage a social following, you need to post frequently with material suited for your target personas. Use thoughtful and technical content in all your social posts. Don't be fluffy!

Driving traffic to your content through organic search is always best, but sometimes you need traffic and leads now. With online advertising, you essentially pay a fee to get in front of a community that someone else has already gathered.

Email remains the value-to-results leader for engaging with the contacts in your database. Handle email marketing with great care. Product the confidentiality of your contacts' information. Don't spam them. Use an email platform that ensures you employ best practices. Offer a way to unsubscribe. Be sure you have a clean database. Consider permission-based email marketing. The easiest way to do this is to offer subscriptions to your e-newsletter, blog, or other company emails.

E-newsletters are an effective way to stay in touch with your prospects and customers, establish thought leadership, and keep your brand top of mind during a long sales cycle. Engineers subscribe to an average of three to five newsletters at any given time.

Effective email campaigns start with a specific topic and audience in mind. The topic should be something important and time-sensitive, such as a new product or upcoming event. The audience should be a segment of your database who will find the topic relevant.

Sales Enablement

Today, engineers are conducting research, evaluating vendors online, and delaying their engagement with sales until they are well down the path of the buying process. Successful salespeople serve as educators and advisers.

Sales advisers need content to support their efforts. Evaluate what content you're using that helps sales advisers prospect and manage an opportunity. Explore the points in the sales process where marketing-generated content can help. One of the ways is in troubleshooting sales issues with marketing efforts.

Measurement and Return On Investment

By measuring the impact of your content marketing activities, you can learn what is working best, where to make improvements, and how your content marketing efforts are impacting your business goal successes. You need two types of measurement, overview metrics and tactical metrics used to measure the effectiveness of individual activities, campaigns, or pieces of content.

Content Marketing Return On Investment

MIT and HubSpot research showed that North American middle-market companies that adopted an inbound content marketing approach and paired it with their marketing and sales automation platform achieved these results in year 1:

- All companies increased monthly leads by two-and-a-half times or more
- More than half saw an increase in revenue
- 60% experienced lead quality improvement
- 70% increased their lead-to-customer conversion rate

By consistently creating quality content, and thoughtfully positioning and promoting this content, you will become a trusted resource for engineers. Buyers will more easily find you and your sales reps will more effectively act as advisers to continue a buyer's educational journey.



Wendy Covey is CEO of a successful technical marketing agency, author, and podcast host. With 20+ years as a marketing leader in engineering design and manufacturing, Wendy knows the key to building trust and converting technical buyers is understanding their pains and developing compelling, technical content that leads to a solution. Through her company, TREW Marketing, Wendy has helped hundreds of engineering and technical companies become trusted advisors, grow sales pipelines, and increase market share through content marketing.

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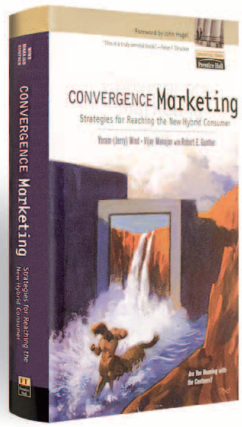
· Book 29 of 106 ·

Convergence Marketing

Yoram (Jerry) Wind and Vijay Mahajan

SOUNDVIEW Executive Book Summaries®

FILE: MARKETING



Yoram (Jerry) Wind and
Vijay Mahajan with
Robert E. Gunther

CONTENTS

Portrait of the Customer as Centaur
Page 2

Myths and Realities
Page 3

The Five C's Of Convergence
Page 4

Customerization
Page 4

Community
Page 5

Channels
Pages 5, 6

Competitive Value
Page 6

Choice Tools
Pages 6, 7

Mastering Convergence Marketing: Redefining The Four P's
Pages. 7, 8

Pathways to Convergence
Page 8

Strategies for Reaching the New Hybrid Consumer

CONVERGENCE MARKETING

THE SUMMARY IN BRIEF

During the advent of the Internet, marketers thought of consumers in terms of those who shopped in the non-virtual marketplace (traditional consumers) and those who shopped online (cyberconsumers). In reality, neither extreme truly reflected the habits of tech-savvy consumers. This new audience took on the hybrid qualities of the centaurs of Greek myth — half man, half beast — as they shuttled between online and offline storefronts and information centers, according to their needs. The companies best suited to meet these needs are those that engage in strategies of convergence, adjusting and adapting their businesses between online and offline environments to meet centaurs on their own terms. The authors examine ways to successfully engage centaurs, and look into the future of business and technology.

What You'll Learn In This Summary

In this summary, you will learn the following:

✓ **Recognizing the needs of the new breed of consumer.** Centaurs make purchasing decisions based on a set of needs, from the desire for personalization to the need for interaction with others. By understanding their desires and harnessing the power of the tools at your command, you can reach them.

✓ **Mastering the Five C's of Convergence.** Consumers can do things they never could do before, combining their traditional behaviors with the constantly advancing possibilities of technology. To meet the ever-evolving needs of this audience, companies must address the convergence of the consumer with the technology in five key areas: "customerization," community, channels, competitive value and choice tools.

✓ **Redefining the Four P's.** The four traditional components of successful marketing strategy — product, price, promotion and place — continue to be important today, but each has been transformed by the Internet, raising new challenges, applications and opportunities.

✓ **Finding the Pathways to Convergence.** To truly build an organization that is open to the new hybrid consumer, you must be willing to transform the way you do business, and feed that transformation into the messages you broadcast to your increasingly individualized audiences.

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Portrait of the Customer As Centaur

A centaur is a creature from Greek mythology, with the head and torso of a man joined to the body of a horse. The centaur is an apt metaphor for the new breed of hybrid consumer who combines timeless human needs with new technology. This consumer is a combination of traditional and cyber, rational and emotional, wired and physical.

Centaurs connect with companies and other people in a freeform, self-organizing, organic fashion — they divide their shopping cart and information gathering between the online and offline world. They pick up their morning newspaper from the curb and buy milk at the grocery store, yet they also look to the Internet for information and buy food from Peapod, an online grocery store. They make purchases at both Nordstrom.com and the Nordstrom at the local mall. In other words, they make connections in ways marketers cannot control. Marketers never before had to get inside a consumer's head the way they must now, in an effort to determine each individual's "marketspace," rather than the marketplace of segments of consumers.

New and emerging technologies have changed the way customers behave — what they expect and how they view their relationships with corporations — both online and offline. These centaurs are radically transforming the practice of marketing. They have enduring human desires, but these have been sharpened and attenuated by the promise of technology. These needs and desires include the following:

● **Desire for uniqueness, personalization and customization.** Centaurs buy customized products online, yet they also purchase off-the-shelf products at their local grocery or department stores. This circumstance presents a number of challenges to companies, such as how to offer the right mix of standard and customized products, and how to offer the right balance of personalization and mass marketing messages.

● **Desire for social interaction.** Centaurs meet friends in social (offline) environments, but they have also created online communities, where they can exchange ideas, recommendations and information, on everything from books to medical advice, and beyond. Companies must find ways to tap into these communities, even creating their own, to meet these consumers on their own terms.

● **Desire for convenience and channel options.** Centaurs want to walk in or log in, interacting with companies wherever and whenever they desire, and to do so on their own schedule, not the company's. Challenged with this need for convenience, companies must combine multiple channels into a single, seamless interface, and find accurate ways to anticipate how and when consumers will interact with them.

● **Desire for value.** Centaurs mix purchases in physical stores with online markets at will. They search for competitive prices, even going to online auction houses (like eBay) to get the prices they want. Companies must reshape their pricing strategies in an environment in which customers have many more pricing options, and reshape their outlets for information in ways that add value to purchases.

● **Desire to make better decisions.** Centaurs will go to sites like MySimon to comparison shop, as well as name-your-price sites like Priceline to find the best deals. To address this issue, companies must put more tools into customers' hands, enabling them to make more educated decisions and adding simplicity to the act of comparison shopping.

These five interrelated opportunities created by the centaur require companies to rethink their approaches to marketing. ■

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Myths and Realities

As we pick through the wreckage of the so-called dot-com "revolution," there is one piece of the puzzle that is consistently missing — the consumer. The revolution's eventual collapse is not just the story of irrational exuberance and overzealous investors, but also the story of a generation so enthusiastic about technology that it often lost sight of the people at the center of it. During the boom, the loudest voices heard were those that proclaimed that everything would be changed by the Internet. During the eventual bust, these voices were overtaken by those that claimed everything would remain the same.

They were both wrong. Both perspectives were based on myths about consumers, myths that did not take into account the fact that consumers changed in fundamental ways, but also retained some of the more traditional characteristics and needs they always had. While some segments lean more toward the extremes (completely cyber-centric vs. completely traditional), the reality is the hybrid, the centaur. It is this convergence of old and new that drives the convergence of strategies in marketing. To better understand this convergence, it is necessary to investigate some of the myths implied by such extreme views of the consumer.

Myths of the Traditional Consumer

Among the myths of the traditional consumer that have been challenged by the Internet are the following:

● **Only the elite want customization.** Consumers are no longer satisfied to let Henry Ford dictate the color of their cars (black), in exchange for affordability. Today, they expect to receive a product tailored to their desires without paying extra for it.

● **Price is the bait set by the seller.** Traditionally, companies dictated pricing, with customers as passive recipients. No more. Consumers today want to do the hunting and the pricing, and have turned to online name-your-price and auction businesses to accomplish this. Consumers are now active partners in pricing strategies: Companies must respond by developing a system for dynamic interaction and value-based pricing.

● **The consumer is on the couch.** Consumers are no longer passive recipients of information and marketing messages. They can actively search for the information they want, and expect to have interactive experiences that inform, educate and entertain them.

Multi-Channel Experiences

● **Location is key.** The goal in the past was to find a prime location and offer attractive hours to drive the consumer to you. Today, consumers can buy goods and services quickly from virtually any location. This requires companies to offer integrated, multi-channel experiences that enable consumers to interact with them in any way they choose.

● **Consumers are islands.** Companies assume that consumers act alone in making their decisions. The reality is that consumers are now increasingly connected to one another in virtual communities. This requires companies to build and manage relationships with these communities, not simply with individuals.

Myths of the Cyberconsumer

Among the myths of the cyberconsumer that have been illuminated by recent dot-com failures are the following:

● **People do not want to be troubled with shopping.** At one time, some people saw the Internet as a wonderful world in which machines would take over the hassle and burden of shopping. The reality is that people like to shop — just witness any shopping mall on a Saturday afternoon.

● **Efficiency is all that matters.** At one time, some people thought the Internet was going to remove inefficiencies from the transaction experience — no more wandering around or between stores, looking for products or the best price. The fact is, consumers value other things in their shopping experiences besides efficiency — finding value buys, couponing, even reveling in searching through stacks of items to find the right one (as in antique shopping). For some, the sheer inefficiency of a shopping experience makes the effort worthwhile.

● **Consumers want to get the best price.** Cheap is not always best. Overall, consumers look for a fair price, not always the best price.

Consumers are either online or offline. Consumers have finely coordinated their online and offline behaviors into a seamless whole that serves their needs. Sellers should be adept at balancing their online and offline businesses.

The New Color of Convergence

● **Consumers' behaviors are not black and white, online or offline.** In the new reality, online and offline converge to create a new color, transforming the original theories of each into something different. Businesses must respond by understanding the changing centaurs and designing a business strategy around them.

The right balance of "bricks" and "clicks" depends on both the type of business and its consumers. Businesses must take their understanding of their audiences' complex behaviors and build products and services to meet those needs. The consumer must be at the center of this process. ■

THE FIVE C'S OF CONVERGENCE

Companies are in the midst of the realization that, with new technologies, consumers can do things they never could do before, and with these new capabilities, they are changing in ways heretofore unimaginable by combining their traditional behaviors with the constantly advancing possibilities of the technology. Indeed, there is a convergence of the consumer with the technology, in five key areas:

- **"Customerization"**
- **Community**
- **Channels**
- **Competitive value**
- **Choice tools** ■

Southwest Airlines Asks the Next Question

Southwest Airlines has created one of the most user friendly and powerful travel sites by continuing to ask the next question. If you book a ticket, it asks you if you want a rental car and hotel room. Since it already knows your destination, it immediately presents you with a set of options for that destination. This not only reduces steps for the user, but it means the company is thinking one step ahead of the customer — the essence of personalized service.

'Customerization'

In the industrial age, consumers shaped their expectations around the limits of technology. For example, they were willing to accept a few basic mass-produced models of cars in a single color (black) for a lower cost and quicker turnaround. As technology advanced, so too did companies' abilities to tailor products to the desires of specific customers — lots of them. This mass customization has tended to focus on the manufacturing technology, and not on the customization of marketing, which replaces anonymous transactions with deeper, more interactive relationships with consumers that are built over time. These relationships — the central tenet of customerization — go beyond the customization of products for customers. Companies must now give customers the ability to also customize positioning, pricing, marketing communications and experiences, as well.

Consumers can have very different reactions to personalization and customerization. Sometimes, they even prefer standard, off-the-shelf products to similar products with many different customizable options, for a number of reasons:

- **Fitting in with the crowd.** Very often, there is more value in being part of a crowd by owning a product everyone can obtain than in standing out with a customized product. This also extends to marketing, where one can create a sense of connection through mass marketing messages.
- **Experience.** Very few customers are willing to purchase a vehicle without the experience of taking a test drive, but more will take advantage of a simulated experience when choosing other types of products, such as eyeglass frames. Some experiences can be simulated in an online environment, while others cannot.
- **Uncertainty.** When you buy something off the shelf, you know exactly what you are getting. When you design a product from scratch, you have created a prototype that might not be exactly as you envisioned it.
- **Unarticulated needs.** Sometimes customers simply don't know what they want until they have seen it.

So, how can companies effectively and creatively combine standardized and customized marketing messages and experiences?

Tailoring Marketing Messages

- **Integrate online and offline customization.** There are many opportunities for seamlessly integrating a customer's online and offline customization options. One way to accomplish this is by capturing buyer preferences in a store and moving them online, or using online information to shape the store experience.
- **Ask the next question.** Use customization technology to bring into the transaction any complementary offerings you have to offer, and to tailor your marketing messages as part of the interaction with customers. Invite the customer into the lab. Companies can give R&D a direct pipeline into the market by inviting customers to provide feedback on product designs before they are manufactured.
- **Use customized choices to inform mass production.** By combining customer configuration with a mass production strategy, companies can use the insights gained from customized products to shape their mass-produced line. Customer design choice might even portend emerging trends.
- **Increase digital content.** By increasing the digital content of offerings, companies can make it easier to customize at low cost. This works even for non-digital products, and online customization interfaces can be used to give customers a wide range of options that are only a simple mouse click away. ■

Community

As "social animals," we all desire a personal connection with other people. This connection has traditionally been found in physical communities — a family, a neighborhood, a church or a work-centered community. Technology has, unsurprisingly, changed the way we think about communities. As a medium for connection and interaction, the Internet offers an entirely new channel for communities. These virtual communities have the potential for greater geographic scope and narrower focus than most offline communities.

The emergence of virtual communities creates several opportunities for convergence, including the following:

Physical and virtual communities. This convergence offers more powerful perspectives on reinforcing these communities than we gain by looking at either one in isolation. Companies can build interactions and bridges between virtual and physical communities by doing the following:

- **Gathering lost tribes.** Take natural physical communities that are diffused and give them a place to meet online.
- **Creating parallel universes.** Sometimes, the physical community becomes the basis for the virtual community, and vice versa.
- **Engaging in cross-pollination.** Even when parallel universes are not created, the interactions in the virtual community may lead to interactions in the physical community, and vice versa. Consider eBay, where the virtual interactions of the community result in the physical exchange of goods.

Economic and social elements of communities. One of the key convergence challenges as virtual communities develop is to give them viable economic foundations without eroding their social fabric. This is not a new challenge — when communities are exploited for economic gain, their social strength is undermined. Companies must balance the economic and social objectives of the community by doing the following:

- **Embed the economic in the social.** In the best travel service sites, for instance, the social community is directly integrated into the transaction, creating both economic and social value. Whenever possible, embed the revenue streams in the life of the community.
- **Tap into the energy of the community through community-generated content.** The interest and passion of a community's members are what give the community its energy. When interacting with a community, a company must give community members a sense of ownership and involvement in the success of whatever endeavor they pursue.
- **Build bridges to existing communities.** Many virtual communities are already being created without any economic purpose, merely for the social and psychological value of connecting with others. Companies need to ask themselves how they can connect to these communities.
- **Sustain trust.** In any interaction, trust is crucial, but particularly when making a social community more economically focused. ■

For the issues involved in developing community strategies go to: http://my.summary.com

iVillage Sets Tone for Trust

People know when they are being lied to, or when something that is represented as a norm is actually far from it. iVillage understands this, and carefully chooses advertisers for their fit and commitment to building a relationship with the site and its members. The company is also very cautious about using models and other celebrity endorsers. It wants to set a very different tone than magazines that are targeted toward women. Says iVillage founder Candice Carpenter, "Women have had magazines blasting perfection at them. Our goal is to let women be focused on themselves."

Channels

The need to have clicks and bricks is now fairly obvious, and the need to create a coherent customer experience across multiple channels is also becoming increasingly obvious. People have always had the desire for speed, convenience and relevant channel options. But, a failure of integration or operation of the online and offline businesses can create slow and inconvenient interaction that undermines the reputations of both the online and offline businesses. Putting the right pieces together in the right way is critical.

To do this, companies must be mindful of how they go about integrating customer experiences. Many companies started with the technology and ended up with disjointed customer experiences. Others started with business models, and still could not meet customer needs. The most important place to start is with the experience of the customer, by doing the following:

- **Let customers decide how they want to interact.** When Barnes & Noble places an electronic kiosk in a store, it gives customers the flexibility to do research and conduct business in the manner (online or offline) they choose.

(continued on page 6)

Channels

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● **Understand the context and timing for interaction.** A channel often affects the type of activity and interaction that occurs. The context of specific channels affects consumer behavior, and by understanding this context, companies can direct their offerings to the best channel.

● **Create seamless interfaces between online and offline experiences.** Increase the ease of moving from online to offline transactions and back. Enabling customers to return unwanted merchandise purchased online to physical stores is just the tip of the iceberg. ■

Competitive Value

The centaur is reshaping the value equation, and companies that can best address this fact are actually accelerating the process as they meet new consumer needs. While we often focus on price and product when we think of value, there has always been much more to value than these simple components.

With the rise of the Internet, some of the other sources of value have been transformed or become more important. These sources include the following:

● **Price.** Price is changing in fundamental ways online with new dynamic pricing strategies, such as auction models and name-your-price outlets.

● **Service.** Typically, personal service has been very costly. The Internet has the potential to offer online information and customer service at a much lower cost.

● **Brand.** The trusted value of a strong brand becomes more important to the value equation when the increasing product proliferation both online and offline is considered.

● **Convenience.** The ease of doing business with a company is an important component of value. The addition of new channels offers not only a new set of shopping options, but also an increase in the convenience of the entire buying and consumption cycle.

● **Novelty.** The novelty of being a first mover or opinion leader also adds value for consumers, as witnessed by the high prices paid for early versions of the Palm Pilot. The Internet can capitalize on its ability to be rapidly reconfigured and customized to generate value by creating something new.

● **Peace of mind.** Security and trust add value as well, particularly in the virtual world, where business is transacted without a physical connection.

But, even this expanded concept is only part of the value equation in an Internet age. There is also a "convergence value" in the way online and offline businesses work together. Well-coordinated online and offline strategies may give customers integrated solutions that create more value than the sum of the parts. On the other hand, mismatched efforts can erode value.

Convergence value comes not only from combining online and offline strategies, but also in the way companies combine them. This value is increased through two types of convergence:

Buyer-initiated and seller-initiated pricing. How can you use and combine traditional pricing and new dynamic models in ways that increase value?

● **Offer flexible seller-initiated pricing.** Online prices can be tailored to specific users and raised or lowered instantly for assessing and responding to consumers' price elasticity. Further flexibility can be added through the use of dynamic coupons, particularly e-coupons.

● **Offer buyer-initiated pricing.** A more radical form of pricing is the rise of customer-set pricing, of which several models exist — from auctions and name-your-price models to fire sales and barter models.

Offering and experience. How can you draw upon all the senses in providing information, education and entertainment to enhance the product/service offering?

● **Increase novelty and entertainment value.** The interactivity of the Web offers many opportunities to create a lively experience for consumers, in addition to providing them with products — an experience that goes far beyond the experience of the product itself.

● **Create experiences that reinforce the brand.** Volkswagen AG created its own 24-hour online radio station that caters to the carmaker's youthful buyers and ties in with the company's branding and the experience of driving the car. Volkswagen's television commercials contain the same music that is played on the online radio station.

● **Create pathways to entertainment that run from offline to online and back.** Makers and sellers of goods can turn to the Internet to generate invaluable grassroots or word-of-mouth interest in a product. ■

To see how entertainment marketers use the Internet, go to: http://my.summary.com

Choice Tools

The Internet is a rich and active source of information that consumers use in making key decisions, and these tools have arrived none too soon. Consumers are overwhelmed with choices and data, both of which have been accelerated by online technologies, creating the need for search engines (like Yahoo, Google and AltaVista) to find information, decision-making tools

(continued on page 7)

Choice Tools

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(like MySimon and Expedia) to transform that information into knowledge, and life management tools (like Microsoft Office and My.Yahoo.com) that help consumers make sense of it all.

Centaurs are no longer willing to accept what companies or even non-virtual advisors, such as doctors and brokers, might tell them. These consumers expect to be able to find their own information and to call on an experienced personal advisor when they have the need. The rise of decision-making tools and the subsequent changes in the consumer present several convergence challenges for marketers.

Balancing Decision-making Tools and Experts

How can companies combine online tools and personal experts, both online and offline?

- **Take the tools to the point of decision.** Portable technologies, such as Personal Digital Assistants, cellular phones and the like, provide opportunities to put decision-making tools right in the hands of consumers when they need them.
- **Charge for advice and decision support.** Develop and experiment with more sophisticated decision-making tools, and use value-based pricing (directly or indirectly) for customers who use their enhanced features.
- **Look for ways to put value-added tools into the hands of consumers.** Put tools in place that match customer preferences with products or information, or that open up existing internal corporate tools to customers, or that provide other mechanisms to enhance the value of a transaction.

Managing Company Messages And Third-party Information

In addition to combining online tools and other expert advice, companies must also combine more credible third-party information sources with company information and marketing messages. To accomplish this, companies must do the following:

- **Provide both company and competitor information.** Customers can find competitive information with ease: Wouldn't you prefer they be on your Web site when they find it, and not your competitors' Web site?
- **Offer third-party evaluations.** Provide customer comments, consumer feedback, independent reviews and other types of third-party sources that prove to an audience that content is not controlled by any overt bias.
- **Make biases clear.** Make a clear line between expert advice and promotion. Often, prominent placement on a Web site is seen as an expert recommendation by consumers, who will cry foul if they feel they are being manipulated or misled.

Combining Company-pushed Messages And Customer-pulled Information

Whereas consumers were once passive recipients of messages delivered by companies, centaurs are now empowered to find the information they want and need most. Companies need to rethink their communications strategies in a variety of ways, including the following:

- **Recognize the limits of marketing messages.** The more information and decision-making tools consumers have at their fingertips, the less control and influence companies have over this information.
- **Build credibility by building trusted brands.** Companies must create a convergence of online and offline branding that reinforces both.
- **Focus marketing messages on the intangibles and affect.** Whereas messages built around products and prices provide tangible means by which consumers can compare companies, marketing messages can be more effective if they move from emphasizing information and increase emphasis on affect, or positive associations with a company. ■

For an example of how Amazon.com misread customer expectations, go to: http://my.summary.com

Mastering Convergence Marketing: Redefining The Four P's

Modern marketing and its tools came of age during the heyday of television and mass markets. Convergence marketing comes of age during an age of customer empowerment, interconnectivity, a time of increasing customization, customer-driven processes and interactive communication.

Marketing majors used to learn the four P's of marketing — product, price, promotion and place — that, while not comprehensive, have been a convenient cornerstone of traditional marketing strategy. Each of these P's continues to be important today, but each has been transformed by the Internet, raising new challenges, applications and opportunities. Consider each in turn:

- **Convergence of product.** The whole definition of the product is changing, from the convergence of physical and digital products to the bundling of products and services into a total customer experience. Given the rapid pace of technological change and obsolescence, companies can benefit by building platforms that can be easily updated, giving customers the opportunity to cus-

(continued on page 8)

Mastering Convergence Marketing ...

(continued from page 7)

tom-design products.

● **Convergence of price.** Companies have an opportunity to experiment with new pricing strategies and create a portfolio of consistent pricing models online and offline. Ongoing and experiential models lead to pricing models based on subscriptions, rather than transactions, creating recurring revenue streams for companies, rather than a once-shot transaction. This ongoing, value-based pricing exists not only in the business-to-consumer realm, but also in the business-to-business realm.

● **Convergence of promotion.** Promotion can now be integrated into an immediate and ongoing dialogue between a company and the consumer in myriad ways — from currently available interactive advertising, to a future where consumers will be able to access information about clothes or furniture seen on their favorite television programs by clicking on those items. The spread of technology, like interactive television, mobile phones and other cutting-edge tools and toys, will create many opportunities for increasingly creative approaches to advertising.

● **Convergence of place.** The concept of place has traditionally referred to distribution. In the digital age, however, consumers expect increased speed and convenience, and to be able to find products whenever they want, from any given location on the globe. Companies must retool their logistics strategies to meet these expectations — delivering products directly to the customer's door, and focusing on the entire network that is required to shape and reshape the supply chain in response to new challenges.

Convergence Marketing Strategies

Some other marketing strategies to consider include the following:

● **Reverse segmentation.** Segmentation is changing with the rise of personalization and customization. With sophisticated data-mining, companies have been able to move from mass markets to segments to markets of one. They are also using this customer information and the tools that gather it to personalize the customer experience, actively tailoring their offerings to the perceived needs of individual customers. These micro "segments" provide plenty of challenges for companies concerned with completely understanding the shifting and occasionally quirky needs of individual customers.

● **CRM.** Customer Relationship Management (CRM) is the deliberate process of building the systems and processes for focusing the organization on the customer. It builds bridges between internal systems and external operations. Every touch point with customers meets a coherent interface in CRM, from customer service to marketing to sales, and beyond. This focus on the customer allows organizations to build and strengthen long-term relationships. ■

Pathways to Convergence

Convergence requires a fundamental set of difficult changes (which we can call "c-changes," or convergence changes). Indeed, implementing convergence strategies entails a number of significant challenges, among them:

● **Do not make c-change an IT initiative.** Just because your change involves business practices transformed by the Internet does not make your c-change initiative a strict IT initiative.

● **Anticipate resistance.** Everybody loves change, as long as it is not done to them. Expect people to resist, and have responses prepared for each conceivable case.

● **Change business practices, not just technology.** New technology will not improve bad practices — it will simply make them faster. Do not automate existing bad business practices. Change these practices to meet your emerging, converging needs.

Embrace the Possibilities of C-Change

● **Do not be limited by past experiences.** Encourage the people involved directly and indirectly with your c-change effort to embrace the possibilities of it.

● **Make the path to change temporary.** When you bring together a team to make your c-change reality, make it known that team members will be returning to their original jobs in a finite period of time. Continuously focus on transformation, but don't make it an institution. ■

For more pathways to convergence, go to:
http://my.summary.com

Bell Labs Fixes Phone Systems Without Breaking Them

In 1951, the head of Bell Labs assembled his top researchers and informed them that the entire telephone system in the United States had been destroyed the night before, and that they — the researchers — had to rebuild the entire system from scratch, right then and there.

Of course, the system was fine. The Bell Labs head was simply challenging his people to think outside their normal frames of reference, to innovate out of perceived urgency. By challenging the researchers to identify new needs and plans for meeting them, many of the innovations we take for granted today (the Touch-Tone phone, Caller ID, cordless phones and more) were created.

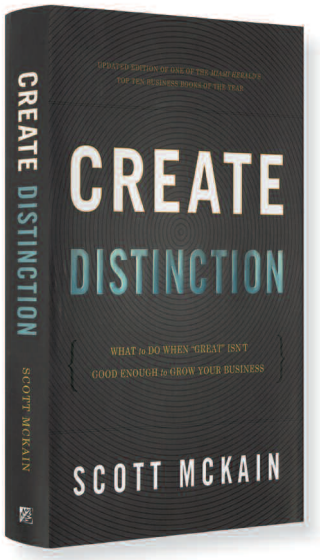
· Book 30 of 106 ·

Creative Distinction

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Create Distinction

What to Do When 'Great' Isn't Good Enough to Grow Your Business



by Scott McKain

THE SUMMARY IN BRIEF

In *Create Distinction*, Scott McKain offers a potent cure for similarity and uniformity — the primary killers of businesses and careers. Have you taken your business from good to great, only to find that "great" still isn't cutting it? In our homogenized world, companies in every sector appear more and more alike, as do the tweets and LinkedIn pages of professionals across the contry. But if people see you or your company as nothing more than a carbon copy of the competition, how can you expect to attract attention?

McKain's original approach to this problem, first captured in his book *Collapse of Distinction*, was conceived and written in the direct aftermath of the 2008 financial meltdown. To reflect the changing realitiy since that book's publication — and to incorporated new research and up-to-date examples — McKain has retitled and revised the book as *Create Distinction*.

McKain lays out the cornerstones of distinction and equips you with the specific tools and knowledge you need to stand out. Whether you're in the C-suite of a multinational company or just vying for your next promotion, you'll learn how to rise above the fray and make your work unmistakable. With this practical advice, you'll feel confident stepping up from the competition—and toward success.

IN THIS SUMMARY, YOU WILL LEARN:

- The three destroyers of differentiation and how to avoid them.
- What creates differentiation in the marketplace.
- How to create small, solid points of distinction that are recognizable and important to your customer.
- How to stimulate productive creativity to create the ultimate experience.
- The value of your organization's unique story and how to find it.

CONTENTS

How We Got Into This Mess: The Three Destroyers of Differentiation
Page 2

The First Cornerstone: Clarity
Page 5

The Second Cornerstone: Creativity
Page 6

The Third Cornerstone: Communication
Page 7

The Fourth Cornerstone: Customer-Experience Focus
Page 7

Distinctive Is Superior
Page 8

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THE COMPLETE SUMMARY: **CREATE DISTINCTION**

by Scott McKain

The author: Scott McKain is the country's leading expert on business and professional distinction. He is chairman of McKain Performance Group and cofounder and principal of The Value Added Institute, a think tank that examines the role of the customer experience in creating significant advances in the level of client loyalty.

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Introduction

Over the past several years, we have seen the homogenization of practically everything. The car that I drive probably looks a lot like yours, no matter the nameplate. The big store where I shop almost certainly appears and feels a lot like yours, no matter the logo on the door, no matter the community where it's located. It looks, acts, feels the same — and this is causing a customer revolt.

In a front-page article, *The Wall Street Journal* proclaimed, "The Walmart era … is drawing to a close." In other words, we are at the initial stages where the "faster … cheaper … perfect" generation of customer is now looking for something else from businesses — something profoundly more difficult to deliver. People are craving, even coveting, distinction.

Being different, standing out, getting noticed in a sea of sameness is vital to an organization's sustained growth and profitability.

How We Got Into This Mess: The Three Destroyers of Differentiation

To truly understand how to create distinction, it's first important to understand why distinction is so rare in today's marketplace. Taken individually, each of these Three Destroyers of Differentiation creates a compelling challenge. When combined, they have a synergistic and destructive impact on your industry, your organization and even upon you, professionally and personally.

Differentiation Destroyer #1: Copycat Competition and Incremental Advancement

When you are faced with a competitive situation, you've got to constantly get better and provide more compelling reasons for your customers to spend money with you.

However, here's the interesting and challenging rub that's often overlooked: When my competitor creates a point of differentiation and gains an advantage, my natural inclination is to either:

- Merely imitate the competition's improvement, or
- Attempt to incrementally improve upon the advancement.

In addition, I will probably call my latest effort the "new category leader," built to eliminate your advantage. For example, how many mobile phone manufacturers have been proclaiming their newest product to be the "iPhone killer"?

Notice the problem: in both examples, all efforts are based upon what my *competitor* is doing, not necessarily what my customers desire. And in most cases, such advancements are evolutionary—not revolutionary.

Customers also play a part in enforcing this kind of incremental advance. It is part of the DNA, if you will, of our system that the competitive, capitalistic form of economics will also goad customers into steadily, methodically increasing their demands, no matter the economic climate.

Differentiation Destroyer #2: Change That Creates Tougher Competition

In today's world in which you and I compete, it's not the interstate bringing new competition to us, as it did

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Rebecca S. Clement, Publisher; **Sarah T. Dayton**, Editor In Chief; **Andrew Clancy**, Senior Editor; **Amanda Langen**, Graphic Designer; **Jeannette Scott**, Contributing Editor

to the diner in my hometown — it's the Internet. Your customer now has access to two factors that can make it very difficult for you to differentiate: competition and information.

In the past, if I wanted to purchase a bottle of aftershave, I would go to a bricks-and-mortar store in my city. There were a variety of retailers merchandising the product, from drugstores and Aqua Velva to department stores with Polo.

Now, however, all I need to do is go online, and I can select from a myriad of manufacturers and a plethora of products.

Today, when a customer walks onto a car lot to purchase a new or used vehicle, they frequently possess practically the same information as the salesperson with whom they will be negotiating. The customer may have accessed the dealer's price on the car, what incentive payments the dealer will receive, and even the history of the specific car he or she is considering for purpose. In other words, not only do customers have access to abundant information, they also can discover data that previously was confidential or proprietary within your organization. And if a customer can obtain this input about you, so can your competition.

Differentiation Destroyer #3: Familiarity Breeds Complacency

When something like a product or service is present to the point that it becomes thoroughly familiar and is boundlessly available, we do not then begin to scorn it, hate it or express disdain toward it. Instead, we begin to take it for granted. We become complacent and presume it will always be around.

In my book *What Customers REALLY Want*, I write that every organization or professional on the planet has some kind of acquisition strategy; in other words, almost all of us have some kind of specific plan for attracting new customers.

However, few companies or professionals have a retention strategy, a precise program that outlines specific steps for retaining our current customers, for growing and expanding the business we are obtaining from them.

Who Moved My … Career?

When the challenges and pressures brought upon organizations from the phenomenon we are discussing create personal impact, it accelerates our need for understanding. It leaves us wondering not just about "who moved my cheese" — we are dismayed someone or something has moved our entire career.

Let's assume you are a financial adviser. You care about your clients and their goals. Nevertheless, just when you thought your business was going to start becoming a little easier, someone came along and changed all the rules.

You cannot figure out what happened. You went to seminars and improved your business and yourself a little bit every single year. Yet clients now seem bored or distracted when you bring them in for their semi-annual reviews. And when you are home on a Sunday afternoon watching your favorite NFL team, you can't help getting a little edgy at the parade of commercials for E*Trade, Charles Schwab, Scottrade, and other brokers promoting online tools for investing.

The Three Destroyers are already at work undermining your business. Here's how:

Destroyer #1: Copycat Competition and Incremental Advancement

You always felt your competitors were the other financial advisers at your office — certainly, no more than the ones at the other local firms. Therefore, you executed only incremental improvement, not significant ones that would create distinction.

If a competing financial adviser had a client meeting around a wine tasting and it received positive reviews, you did exactly the same. Maybe you even stepped it up a modest amount, hired the sommelier from a good local restaurant, and had a tasting just a bit more sophisticated than that of your rival at the other financial firm.

You didn't reconstruct your client base, nor did you become innovative.

Instead, you did one of the following:

- Emulated your competitors so they couldn't achieve significant competitive differentiation, or
- Delivered what you perceived to be the minimum degree of advancement required in order to establish yourself over your competitor as the primary provider of the goods and services inherent in your profession.

Here is the problem: neither strategy creates distinction.

- The first — imitation — merely does enough to keep your competitors in check. It does not create space in the marketplace; all it does is temporarily ensure that the pack of non differentiated competitors keeping their doors open will include you.
- The second — incremental improvement — maintains your positioning but fails to create the type of distinction that inspires the passion that results in client loyalty and engagement.

Destroyer #2: Change That Creates Tougher Competition

Because you failed to create an innovative approach to the way you deal with your clients — and because you evaluated your success against a band of bland brothers and sisters in the profession or industry — your customers have stopped seeing how your specific involvement in their financial affairs is bringing any significant value to their lives.

If a client doesn't feel you offer exceptional value or a compelling experience, why shouldn't they make inexpensive online trades or steam the dress at home?

Clients will always find a point of distinction. Therefore, if you fail to outline one for them in compelling fashion, they will go to the worst possible distinguisher for you: price.

Destroyer #3: Familiarity Breeds Complacency

Your customers are bored, and I'll bet you never saw it coming.

You bring in your clients for their annual reviews, let them know your performance beat the market average by 4 percent, fill them in on new investments you have discovered that are congruent with their preferred approaches and risk tolerances, and you can almost see their eyes glaze over. How in the world could they be bored when you are talking about something so important?

If customers know your routine almost as well as you do, you have substantial problems. What have you changed in the past year in your approach to your customers? If your answer is "basically nothing," it begs the questions: what makes you different? ●

Three Levels of Differentiation

There is a lot of literature and discussion using the words differentiation and distinction, but what exactly do they mean? Since both terms are used here — and treated somewhat interchangeably — it might be easy to get confused. There is some overlap in meaning, after all.

Either term can mean the effort to set you and your organization apart from your competitors in a cluttered marketplace. Where these terms differ, as they will be used here, is in their degree. I'm suggesting they fall at different places along a continuum.

Level one is sameness, a "sea of similarity." This is the place where most organizations — and, frequently, the professionals who work for them — are found adrift. It does not necessarily mean their product doesn't work or their service is lousy. It's that they do not have the requisite characteristics that would compel their customers to be loyal and passionate about their products or services. They are the ones who become the casualties of the Three Destroyers of Differentiation we discussed earlier.

Level two is differentiation. Businesses and workers at this level are not satisfied with numbing similarity, so they display characteristics to set them apart from their competition. They will point to various aspects of their products and services and say, "See! This proves we are better than our rivals!" Beware, though: the unique points of which the organization is so proud may not find traction with customers.

Level three is distinction. Because of the collapse we discussed in chapter one, this level is an extraordinarily rare place for individuals and organizations to reside. Nevertheless, we all know professionals or companies who become the "go to" provider in any—and just about every—industry. They are so uncommonly excellent, or their differentiation strategies are execute to such an extraordinary level of precision, that these distinct examples become clear market leaders.

Consider the computer industry — specifically the laptop market — and you can come up with a lot of names at level one (sameness) with relative ease. These manufacturers all seem to run together in a pack of similarity. Asus, Gateway, Hitachi, Acer, and Fujitsu, among others, come to mind in the laptop market. I'm certain they all make a fine product, and I know they usually charge a lower price. But it is difficult for me to find an exceptionally compelling reason to choose an Acer over an Asus, as a case in point, because I'm just not aware of any specific points that would assist me in discriminating between them.

Level two (differentiation) are those manufacturers that are known for something: HP laptops are media centers; Dell is built-to-order on a budget; Sony integrates their line of digital still and video cameras and other products into their Vaio units. Level two manufacturers all possess their unique points of differentiation and so attempt to justify why you, the prospective customer, might choose to not only purchase a Sony as opposed to an Asus but also potentially be prepared to spend more to acquire it.

Level three (distinction) is best represented by Apple and its line of MacBooks. The Mac has become, to use the term of author and consultant Joe Calloway, a "category of one." The Mac has developed to the extent that it no longer merely possesses points of differentiation; it

has risen to a class all its own. The MacBook line isn't just different from other personal computers; it has created an emotional connection with its customers.

According to Michael Porter's *Competitive Advantage*, there are three generic strategies for creating differentiation: product, price and service. In the real world, service is the primary differentiating choice.

The Ebert Effect

Several years ago, I attended a reception in Hollywood for movie reviewers that was sponsored by one of the major studios. There I had the occasion to meet the best in the business, Roger Ebert.

He asked me what had most surprised me about reviewing films. My response was I could not understand why so many critics offered such glowing reviews to so many foreign films that seemed, to me, to be amateurish in their script and production.

Roger chuckled, then shocked me a bit with his response, which first came in the form of a question: "Scott, how many movies are you normally viewing in any given week?"

"One," I answered, meaning the solitary film I would be reviewing for that week's broadcast.

"Don't you see? That's your problem," he responded. "Many of the people in this profession are seeing one or two movies a day. Those little, offbeat, quirky, odd foreign or independent films — like the one you are in, Stroszek — they capture our attention because they are a bit different."

Expand the Concept

Expand the Ebert Effect from entertainment and film to your business.

How many midsize, mid-priced sedans sit in automobile showrooms? Could you begin to count the number of non-differentiated dealerships employing a mass of indistinguishable salespeople executing a generic sales process to sell those cars?

The Ebert Effect noted that different is perceived to be superior. However, that difference must be at a point that matters to the customer.

Through my research and experience, I've discovered there are Four Cornerstones of Distinction. Every company and person must draw upon these qualities to develop differentiation and uniqueness in the marketplace.

What the Ebert Effect Means to You

The Ebert Effect has many points of impact for you and your organization. Here are some of the most significant:

- It doesn't matter if you believe your product, service, or self is distinctive. The only perception that matters is the customer's.
- You may be so busy doing your job for your organization that you overlook or even ignore the sheer volume of similar messages your customers are receiving.
- Creating differentiation doesn't mean you have to become completely, totally unique from your competition from top to bottom. It simply means you must create small, solid points of distinction that are recognizable and important from the customers' perspective because customers perceive difference as superiority.

The First Cornerstone: Clarity

I'm constantly asking entrepreneurial professionals and organizational managers that very question: "Who are you? How would you specifically define yourself and your company?" And guess what? Most people cannot answer the questions.

By asking, "Who are you?" I do not mean your title, the company's name, or the name of the product you manufacture or the service you sell. The answer I'm seeking goes much, much deeper. I want to know what is compelling about you, what will create points of distinction about you, and what will establish a connection between us.

Here is the reason many — I suggest most — organization and professional cannot answer the questions: they do not have clarity about who they really are.

Many organizations and professionals are so afraid of losing to the competition, they strive to become almost all things to almost all people believing it will bring them more customers.

How Do You Become Clear?

One of the best exercises I've developed for clarity stems from an approach I related in my first business book, Expand Distinction: ALL Business Is Show Business. It's called the "high concept" principle. The high concept is a short, powerful phrase that grabs the attention and engages the involvement of your audience.

When the iPod was released, Apple did not describe it as an MP3 player or any of the other terms that competitors in the category of portable music players were using at the time. Instead, as related by Adam Lashinsky, senior editor-at-large for *Fortune* in an address to students at Stanford on May 23, 2012, Apple simply used the powerful high-concept slogan "1,000 songs in your pocket."

Creating Your High Concept

Consider three fundamental questions as you develop your high concept statement:

1. What makes your business (or you) different from your competition?
2. What makes you better than your competition?
3. What makes you and your organization unique?

If you cannot answer these questions, neither can your customers or employees.

Continue to develop your high concept by asking your colleagues and yourself these questions:

- What are the defining values of our organization?
- Are they outlined in our mission statement?
- Could they form the basis of our high-concept statement? ●

The Second Cornerstone: Creativity

Clarity about the work comes before creativity within the work. An author doesn't just start creating without already knowing whether she is developing a novel, a screenplay, a song, or a poem. And no matter how wildly original her imagination, the artists still respect, at least to some degree, the restrictions of the format she has selected. As trite and obvious as it sounds, songs require notes, paintings usually are made using brushes and canvas, and novels depend upon words.

Yet herein lies much of the difficulty I've observed when organizations encourage their colleagues to "think outside the box." They somehow believe that creativity is stimulated exclusive of restrictions. But, even the most creative artists understand that there are inherent limitations to any form. This is why developing creativity is the second Cornerstone of Distinction. Creativity without clarity is devoid of distinction.

If you are going to inspire productive creativity — the kind that can stimulate strategies that will have immediate positive impact on you and your organization — here are the three action steps you should take.

Step One: Drive It Down

Your first step is to rely upon your clarity to break down all customer interaction into the smallest units or steps possible. Ask yourself this question: what is every point of contact a customer has with me or my organization? Make an extremely detailed list.

Step Two: Pick a Point

Now that you know that every one of these specific items is an opening for you to create space between your organization and your competition, the next step is to review each point of contact to ascertain where you can develop differentiation.

Enterprise Rent-A-Car has been clear about what it is — a company that rents automobiles. Yet when the company broke down the specific points of contact with customers, managers realized that at some point the renter has to obtain possession of the car. At other companies, customers must transport themselves to the rental locations, either at the airport or at a local office. Enterprise is known, of course, as the company that will "pick you up."

Step Three: Develop a Difference

In 1957 Jack Taylor launched Enterprise Rent-A-Car from the lower level of a St. Louis car dealership. Here's the story from William M. Luther's book *The Marketing Plan*:

Enterprise got its start by courting the airport passenger marketing. It could not afford to have space in the terminals, so their check-in facilities were located one or two blocks down the street. They countered this disadvantage by offering lower prices than Hertz and Avis. Their advertising campaign consisted of a photograph of a handsome male, well dressed and drinking a martini. The headline was, "Before I started using Enterprise Rent-A-Car, I lived with my mother." After they built some mass, they moved into the garage-rental market and switched their position to, "We'll pick you up." Their television commercials feature an automobile wrapped up like a gift package driving to the location of the person renting the car. The moral of the story is, regardless of how small your company is today, you can become a leader.

By driving it down, picking a specific point — the manner in which the customer gets to the product — and developing a difference, Enterprise has grown into the largest rental car company in America.

By being creative — within the boundaries of their established clarity — Enterprise developed a powerful point of distinction.

Execution without creativity is excruciatingly boring. It ensures we never rise above the sea of sameness in

which most organizations and individual professionals are adrift.

The Third Cornerstone: Communication

We tend to abdicate our aspirations of profound customer rapport solely to companies that create significant sensory responses, such as Harley-Davidson and other previously mentioned organizations such as Apple.

Not coincidentally, many of us can tell the stories of these companies. We know how Harley came back from the brink of extinction. We know about the return of Steve Jobs to the company he helped found in a garage.

Here's the challenge: we are enthralled by their stories, but we tend to dismiss our own. Every organization and every professional has a compelling story. For most of us, though, the problem is the story is still waiting to be told.

Understanding Story

A significant voice on the subject of the power of stories and myth is Joseph Campbell. One of Campbell's main points is that for a story to be compelling, the hero cannot begin the narrative as the winner. In other words, a story about your professional or personal efforts — or about the growth and development of your organization — cannot begin with your success.

The Harley-Davidson story is compelling in great part because the company was on the brink of disaster. Apple started in the garage, not as a darling of Wall Street; therefore, the return of Steve Jobs as the company was on the brink of extinction makes the story of its success and becoming, perhaps, the world's leading organization an even more gripping narrative.

Your Customers, Your Sales Force

The cover story from *Businessweek* back in mid-May 2008, written by Peter Burrows, disclosed that a large and rapidly growing number of employees in thousands of companies were requesting Apple's Macs on the job rather than standard-issue Windows-based machines.

According to Burrows, one reason that Macs are not even more prevalent in the corporate world is that Apple has no sales force dedicated to marketing its products to businesses. Yet Apple's customers have become a de facto sales team for the company.

The Three-Act Format of Storytelling

In today's world it's not enough to create the story. You have to be committed to conveying it repeatedly to the groups and individuals who matter most to your organization.

The three-act format focuses on the two critical elements of every compelling story:

- The characters
- The conflict the characters encounter

Here is the three-act format:

Act 1: Introduction of characters and conflict

Act 2: The varied attempts by the characters to resolve the conflict

Act 3: The heroic resolution of the conflict by the lead character

Act 1

Many businesses have been founded because a single entrepreneur fervently desired a better product, or a better life.

Here's how you begin to discover your story:

Start with a blank sheet of paper and ask yourself, What conflict did I desire to resolve when I started my business? Or what challenge did the founders of the company seek to conquer when they began it?

If that's too daunting, ponder a favorite client and describe the difficulties he or she encountered prior to engaging your products and services. Somewhere inside, there is a significant (at least to you) conflict that was begging for resolution.

Act 2

Now that you have defined the conflict, describe the pursuit of an answer to the problem. In the real world, as well as in fiction, few of us arrive at the remedy on our first attempt.

To advance your story, you should begin to isolate numerous aspects that detail the search for resolution you (or your organization's founders) explored or that your customers are currently seeking so you can enhance the impact of your narrative.

Act 3

We have now arrived at the conclusion of your story; a compelling Act 3 and your opportunity to become heroic. What would be the Act 3 of your narrative? Consider several wrap-ups to your story, and write them on your "story sheet."

The Fourth Cornerstone: Customer-Experience Focus

What's It All About?

To create a compelling differentiation in today's market, it's not enough for organizations and professionals of

distinction to implement a "customer-focused" strategy. Remember, our cornerstone states: Distinction is created by developing a customer-experience focus. In other words, concentrating on customers is not enough if you want to become a true market leader.

Step One: Ask a Question

The first step to create the Ultimate Customer Experience (UCE) is to take a legal pad and (individually or with your team) ask this question: "What would happen if everything went exactly right?" Then record all of the responses.

Doing this is more complex than it might first appear. For example, if everything went exactly right:

- How many times would the phone ring before it was answered?
- What percentage of your calls should be fielded by a live person instead of via technology?
- What sensations would be experienced by customers when they walk into your store?
- What would the temperature be?
- What would customers hear?
- In other words, what should the store sound like?

For example, I've heard Starbucks does not allow its associates to wear cologne or perfume on the days they work. The reason is obvious. When you walk into the coffee shop, Starbucks wants you to savor the aroma of the coffee.

Step Two: Engage Your Customer in the Process

When there is enhanced interaction, what follows is enhanced connectivity. The most basic — and often most powerful — approach to involving the customer is simply to ask, "If you could describe the ultimate experience of doing business with an organization like ours, what would that be?" (Then you listen!)

When a customer presents you with an answer, it gives you an opportunity to initiate a transaction. Therefore, you may find it hard to resist the chance to "close the sale." At this juncture, then, from the customer's perspective, this entire process immediately appears to be nothing more than a sophisticated sales call — not an attempt to improve her customer experience.

Step Three: Sync the Information

Next, match the steps you have internally developed to create the UCE with the hopes and dreams that have been expressed through this process by our customers.

Step Four: Outline the Roadblocks

Another questions is vital to the development of the UCE: "What roadblocks prevent us from executing the UCE for every customer or prospect at every point of interaction?"

- Make a list of as many barriers as you can.
- Next, investigate and analyze each of them.

Step Five: Execute!

Almost always, the Ultimate Customer Experience boils down to a commitment that is made by employees throughout an organization.

A couple of days ago, a United Airlines employee stood behind the ticket kiosk with my driver's license in one hand, my boarding pass in the other, and a computer screen with my reservation in front of her. She was literally surrounded with forms that had my name on them, yet she never used "Scott" or "McKain" at any point in our interaction. ●

Distinctive Is Superior

You Can Do It

The easiest tactic for you is to merely continue what you are currently doing. You may perceive that to "not make waves" and to "keep on keeping on" are the safest things for you to do. Let me emphatically state my belief that in the vast majority of cases, this is the most dangerous approach.

Because of the Three Destroyers of Differentiation, your job — from an organizational and an individual perspective — is only going to continue to increase in difficulty.

However, if you start today to chart a fresh approach based on the Four Cornerstones of Distinction, you can begin to enhance your organization while you nurture and grow yourself.

Create differentiation. Build distinction. It will make all the difference. ●

RECOMMENDED READING LIST

If you liked *Create Distinction*, you'll also like:

1. ***Can't Buy Me Like* by Bob Garfield and Doug Levy.** We've entered the "Relationship Era," where the only path for businesses is to create authentic customer relationships. This summary gives you the edge.
2. ***The Reinventors* by Jason Jennings.** Jennings and his researchers screened 22,000 companies around the world to provide the best perspective on how to pursue never-ending radical change.
3. ***Serial Innovators* by Claudio Feser.** The typical life expectancy of a company is estimated to be 15 years. Learn how to ensure that your company stands out and thrives.

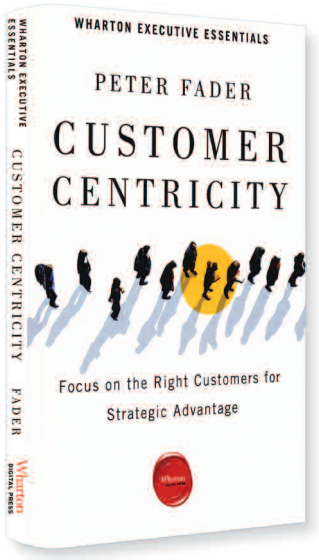
· Book 31 of 106 ·

Customer Centricity

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Customer Centricity

Focus on the Right Customers for Strategic Advantage



by Peter Fader

THE SUMMARY IN BRIEF

Not all customers are created equal. Despite what the tired old adage says, the customer is not always right. Not all customers deserve your best efforts: in the world of customer centricity, there are good customers … and then there is pretty much everybody else. Upending some of our most fundamental beliefs, renowned behavioral data exert and Wharton School professor Peter Fader provides insights to help you revamp your performance metrics, product development, customer relationship management and organization in order to make sure you focus directly on the needs of your most valuable customers and increase profits for the long term.

In *Customer Centricity*, executives will discover that some of companies that are considered customer friendly do not truly put their customers at the center of their operations. The practice of being customer centric requires organizations to identify their most important customers and craft their strategy around them. Although the model presents challenges to a company's budget and processes, the rewards from getting the most from the best customers make *Customer Centricity* a journey worth taking.

IN THIS SUMMARY, YOU WILL LEARN:

- Why the product-centric approach is more vulnerable than ever before.
- How strategies of customer centricity can help you gain competitive advantage.
- Why the traditional models for determining the value of customers are flawed.
- How to use customer-centric data to make smarter decisions about your company.
- How your company can put customer relationship management to proper use.

CONTENTS

Product Centricity: Cracks in the Foundation
Page 2

Customer Centricity: The New Model for Success
Page 3

Customer Equity: New Views on Value
Page 5

Customer Lifetime Value: The Real Worth of Your Customers
Page 6

Customer Equity vs. Brand Equity
Page 6

Customer Relationship Management: The First Step Toward Customer Centricity
Page 8

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THE COMPLETE SUMMARY: **CUSTOMER CENTRICITY**

by Peter Fader

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Introduction

Nordstrom is a high-end retailer that sells many wonderful products. But Nordstrom is not really famous for what it sells; it is famous for how it sells — with truly outstanding customer service.

According to legend, the year was 1975, and an unhappy owner of a set of worn-down tires walked into the new Fairbanks, Alaska, Nordstrom outpost and asked to return them. The request was an odd one for several reasons, the most notable being this: Nordstrom not only did not sell the man the tires in question, but also did not sell tires at all.

No matter, the story goes; the store granted the request anyway. All at once, Nordstrom had a handy little story on which to hang its customer-service hat.

But here's what you need to understand: Nordstrom was probably wrong to do this.

Despite everything you may have ever learned about business, I am here to let you in on this little secret: the customer is not always right.

Rather, the right customers are always right and, yes, there is a difference.

Customer centricity is a strategy to fundamentally align a company's products and services with the wants and needs of its most valuable customers. That strategy has a specific aim: more profits for the long term.

Customer centricity is about identifying your most valuable customers — and then doing everything in your power to make as much money from them as possible and to find more customers like them. These customers give you a strategic advantage over your competitors; it's a strategic advantage that could be the best path forward for many companies. ●

Product Centricity: Cracks in the Foundation

What is the primary objective of every company in every sector and every marketplace in the world?

Well, the answer is obvious, isn't it? The only reason anyone goes into business — the only reason any commercial enterprise exists — is to make a profit and to maximize those profits over as long a time period as possible. And, broadly speaking, for the better part of the past century, all companies have used the same general strategy to achieve that goal. That strategy can be termed "product centricity."

Organizations that follow this model are literally built, from top to bottom, around the demands of the product:

- All strategic advantage is based on the product and the product expertise behind those products.
- Divisions and teams are set up around products.
- Employees are rewarded based on their ability to create new products or sell existing products.
- The long-term focus is about strengthening the product portfolio and constantly finding new ways to expand it.
- The brand is perceived to have greater value than the customer.

It's a time-tested and well-proven approach to business, so it's no surprise that 99 percent of companies on the planet still operate this way today. It doesn't matter if they are selling widgets or consulting services or plastic surgery or education; most business executives view the world through the lens of product centricity.

Take a look at Apple — possibly the most successful product company in existence today. Apple kicked off

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fiscal year 2011 with the single-best quarterly performance in company history. Apple sold 4.1 million Macs that quarter (nearly 25 percent more than they had in the previous year) along with 16.3 million iPhones, 19.45 million iPods and 7.33 million iPads. Revenues reached $26.74 billion. Profits topped $6 billion. Who can argue with that kind of success?

In that sense, Steve Jobs and the powers-that-be in Cupertino, Calif., have no reason to change. No reason at all.

At least not yet.

Why Are There Cracks in the Foundation of Product Centricity?

The rules of the game have changed and consumers hold far more power than ever before in today's ultra-competitive business environment. Make no mistake: although the product-centric model is not quite broken, there are certainly some cracks in the foundation. Those cracks can be traced to four key factors:

1. Technological advances and the speed with which new technologies are created and copied.
2. Globalization and the geographic advantages that have been lost as a result.
3. Deregulation and the way it has shaken up traditionally stable industries.
4. The rising power of consumers and their newfound ability to get what they want, whenever they want, from whomever they want.

These trends have reshaped the world of business — and they should not be ignored.

So where does this leave product-centric companies? Well, in my view, it leaves them vulnerable.

Today, for the first time in history, companies can collect massive amounts of data about their customers.

This data explosion is the last crack in the foundation and possibly the most important reason why the product-centric model is imperiled. Customer-level data are more available to you today than ever before. And if you don't use it, your competitors will.

Why Does Being Customer Friendly Fall Short of Being Truly Customer Centric?

When I poll my students, more hands go up as affirmation of Apple's presumed customer centricity than for any other firm. Apple has deservedly leapt to the forefront of the computing world. The company has evolved into a powerhouse. More than that, the company is a marketer's dream. Apple is trendy, hip and enormously popular among young people, and it is supported by a legion of fans who are loyal beyond all measure of loyalty. Apple people are truly all in for Apple. And it is certainly true that the company goes out of its way to treat is fans pretty well; as my son can attest, if your iPod breaks, the good folks at the Apple Store will treat you wonderfully while you await your repairs.

But again that's not really the point of customer centricity.

For as much as Apple appears to care about its customers, the company has thus far taken only modest steps to really understand those customers.

Millions upon millions of people buy Apple's products every single month. The company has countless opportunities to engage with those customers, learn from them, understand them. But what does Apple do to actually achieve this? What does the company really know about each of those millions of people who so anxiously await each and every new product offering? Surprisingly, it knows very little.

For proof, look no further than iTunes, which, despite its massive popularity and industry-shaping influence, was actually quite late to the party for something as basic as a recommendation engine. The Genius engine, which uses past purchase history to tell customers what other songs they may like, didn't arrive until 2008. That's a stunningly delayed response, especially considering the fact that Amazon had been doing basically the same thing for more than 10 years.

I'm not here to say their model doesn't work, because it quite clearly works just fine. But I am here to say that even enormously successful companies like Apple will eventually need to start thinking in new ways, questioning the status quo, and wondering what comes next.

Customer Centricity: The New Model for Success

The ultimate aim of the customer-centric model is the same as the ultimate aim of the product-centric model: to make the company as profitable as possible in the long run.

Yes, the *ends* of customer centricity may be conventional; the *means* of customer centricity, however, are radical. And, in the end, putting customer centricity into practice demands a good bit of work — and a willingness to suffer a short-term hit in the pursuit of the long-term gain.

For now, let's start with the basics — a definition of customer centricity:

Customer centricity is a strategy that aligns a company's development and delivery of its products and services with the current and future needs of a select set of customers in order to maximize their long-term financial value to the firm.

Customer centricity requires that a company be willing and able to change its organizational design, performance metrics, and employee and distributor structures to focus on this long-term creation and delivery process.

The Organizational Challenge

The idea that some customers matter more than others is a radical one. But so is the idea that your company should completely retool its research and development functions, rework its metrics and generally rethink every aspect of its daily operations specifically to meet the demands of those right customers — and, in the process, acknowledge that your old way of doing things was, for lack of a better term, misguided.

So many companies are so good at the product-centric basics — inventing a thing, producing a thing, delivering a thing, inventing a new thing and so on — that they don't stop to ask themselves, even for a moment, whether the customers they are selling to are the right ones. In a customer-centric firm, however, that question gets asked repeatedly because customer centricity flips the model. Companies don't make and sell the products they think their customers will want; they make and sell products they know their customers will want.

Once you have identified your right customers the next steps are obvious. You mine those customers for information. You find out what they want, what they need and what they will demand going forward. You find out how to acquire new customers who share some of the key characteristics that distinguish your best customers.

The Financial Challenge

This must be said: customer centricity will cost you money, at least in the short term. You'll have to invest in the technologies and human capital necessary to collect and sort through data about your customers. You'll have to reorganize your organization to be more nimble, more flexible and more responsive to the needs of your core customers. Essentially, you'll have to be willing to suffer a short-term loss in order to achieve a long-term gain.

Customer centricity can allow your organization to make far more money from your most valuable customers who will buy from you more often and spend more when they do buy from you.

But most important, it will also generate profits — for the long term.

Few companies in the world understand this better than U.K. retailing giant Tesco. Through its massively successful and ever-expanding Clubcard customer loyalty program, first introduced in 1995, Tesco has, over the past two decades, aimed to both better understand on the macro-level scale what kind of marketing initiatives, promotions and sales are working on a company-wide basis and also drill down to the micro-level scale to every individual customer and initiate company-customer interactions that make each and every one of those customers feel valued — and, in the process, generate value back to the company.

Entire books have been written about Tesco's customer-centric initiatives, but really, the details of the program are quite simple. Every time a Clubcard patron buys something at Tesco, those patrons get points that are paid back to them four times per year and can be used, of course, to buy more Tesco products. So the customer wins. But Tesco wins too. It wins with data.

With each transaction made under the Clubcard program, Tesco gathers data about what was purchased, how much was spent, where the purchases were made and more.

Tesco executives have reason to trust their data. Before the introductions of the Clubcard program, Tesco was the second-largest retailer in Britain. Today, thanks in large part to the customer-centric ideas at the heart of the company's customer loyalty program, Tesco is ranked first in its home market and third in the world, with more than 4,800 locations around the globe and annual revenues of $62 billion as of 2010. And, although in the past half decade Wal-Mart has launched a campaign to beat Tesco in its core markets, the customer-centric U.K. titan has more than held its ground; in fact, in early 2011, London-based General Dynamics released a report predicting that Tesco would grow at an annual rate of 7.5 percent per year through 2015. That was the highest rate in the entire retail sector — higher even than that predicted for Wal-Mart.

The Paradox of Customer Centricity: What About Your Other Customers?

Understandably, many find this laser focus on a select few customers unsettling, and even for those who eventually come around to seeing the potential value in customer centricity, there often remains one big lingering question: What about all of the other customers? It's the elephant in the room. It is, as I like to call it, the paradox of customer centricity.

In order to do customer centricity right, you need to know almost everything there is to know about your customers, and knowing everything there is to know about your customers, and that requires resources — people, technology, man-hours. In the long-term, of course, I believe these huge efforts can and will pay equally huge dividends. But in the short term, well, there is the simple reality of paying the bills, making payroll and staying in business.

This is where your other customers come in. It's also where we acknowledge the paradox of customer centricity. In a customer-centric company, as we spend more and more of our time and money focusing specifically on the right customers, it turns out that we actually need those other customers quite a bit.

You want them to provide the steady influx of cash that will allow you to continue your work toward capitalizing on the right customers. You want these other customers to keep right on being your customers; you just don't want to burn any calories worrying about them. What I'm suggesting here is that you should view these other customers as low-hanging fruit. They are easy money.

And while those right customers get your best efforts, the others don't, And no, there's nothing wrong with that. In fact, from a strictly business perspective, it's the right way to do things.

I always stress to my students that the decision to become a customer-centric company is most certainly not a decision to become a boutique company. We in the customer-centric world are not downsizers. We don't want to shrink our customer pool or limit profits. Rather, we are simply interested in allocating our resources in the most efficient way possible.

Customer Equity: New Views on Value

Talk to a traditionalist or somebody with a more practical view of business and you'll likely hear that a firm's total equity can be derived by adding up all of the assets, tangible and otherwise, that can be found in one of two equity silos. There is, of course, financial equity, which includes such basics as cash, real estate, investments in other firms and other financial assets. And then there is operational equity, which encompasses a company's technologies, product lines, human capital and more. Add the two together and there you have it: a company's total equity.

It's hard to argue with this methodology, of course. It's simple, straightforward and grounded in the world of the tangible. But, as it turns out, determining a company's total equity is a tad more complicated than this two-pronged approach might suggest. Indeed, the task of quantifying a company's total equity requires some more thorough and more creative thinking about what, exactly, qualifies as equity in the first place. In fact, these people would have you believe that equity can also be found in two additional silos.

The more widely accepted of these two equity silos is brand equity, a rather novel and still controversial idea that nonetheless can be traced directly to the staid world of product centricity, where brand managers reign supreme. According to the brand equity backers, companies can find real, quantifiable value in their brands and in their brand portfolios. In other words, proponents of brand equity believe that, just as Coca-Cola could (and would) count its Atlanta headquarters building as an asset, so too could (and should) the company count its flagship Coke brand as an asset.

Although brand equity may indeed be real, and it may one day be quantifiable in a manner that CPAs around the world will accept, I'm fairly certain that it's often not quite as important or valuable to a company's overall equity as is the last piece of our equity puzzle: customer equity.

What Is Customer Equity?

Customer equity, quite simply, lies at the very heart of customer centricity.

I define it as follows: Customer equity is the sum of the customer lifetime values (CLVs) across a firm's entire customer base.

The implications of this straightforward definition are fairly obvious. If we are to agree that every company's objective is to maximize its overall equity, and if we agree that customer equity can and should be counted toward a company's overall equity, then we must also agree that companies should dedicate the resources necessary to do whatever it takes to maximize that customer equity.

Of course, before we can maximize customer equity, we must know how to quantify customer equity. And, as my definition suggests, we can't do that until we know the value — the CLV — of each and every one of our customers.

Which Companies Are More Likely to Find Value in Customer Equity?

Before we go any further, we should establish whether customer equity is something your company should fully

commit itself to acquiring. To answer that question, we need to first explore two other questions that, in a sense, draw an ever-important and, in some cases, very real line between those firms that naturally lend themselves to a product-centric approach and those that may be better suited to a customer-centric approach:

1. What kinds of firms are more likely to grow via brand equity?
2. What kinds of firms are more likely to grow via customer equity?

The answers to the first question are generally both predictable and absolutely on target, as product-centric powerhouses, such as Coca-Cola and Apple, are overwhelmingly tabbed as companies that could rightly claim enormous brand equity as a major source of value and a principal asset for future growth.

As for that second question? Well, the answers are decidedly more muddled. In many discussions, I've heard Comcast named as a potentially customer-equity-rich firm. American Express and American Airlines have been selected as well. In other words, when it comes to identifying potentially customer-equity-rich firms, there is hardly a consensus, either in the real world or in academia.

Customer Equity vs. Brand Equity

Although even experts in the field have yet to come to consensus on the standout customer-equity-rich firm, there is a general agreement on the vast *potential* of customer equity for certain markets and industries.

Contractual firms (e.g. those that utilize subscription models) are more likely to find value in customer equity.

Companies that sell highly customized offerings (e.g., grocery stores, in which every customer's cart full of items looks different) are more likely to find value in customer equity.

Companies that have powerful intermediaries standing between them and their end users (e.g., a consumer packaged-good manufacturer) are more likely to find value in brand equity.

Companies that inherently establish long-term relationships with their customers (e.g., insurance companies) are more likely to find value in customer equity.

Customer Lifetime Value: The Real Worth of Your Customers

CLV is the unit of measurement upon which customer centricity and customer-centric firms are built. I define CLV as follows: Customer lifetime value is the present value of the future (net) cash flows associated with a particular customer.

1. CLV is a forward-looking concept. CLV should not be confused with a customer's past profitability. When we calculate CLV, we are not looking backward. We are not concerned with how much value Joe Smith brought to us over the past year (there's another term for that: profit). What we are most concerned with (and rightly so) is how much Joe Smith is going to be worth tomorrow.

2. It is essential to use only relevant data to calculate CLV. For instance, although a proper calculation of CLV must take into account customer acquisition costs, only the most directly applicable of those costs should be considered. To my way of thinking, only those dollars specifically associated with a specific customer should be considered when running these calculations.

3. CLV calculations are predictive, not precise. Although the textbook formula seems to suggest that you can get a precise, true and accurate CLV — for example, that Joe Smith's CLV is $1.5 million — it is actually making a prediction for Joe Smith's CLV. We are making a guess — an educated guess, but a guess nonetheless. There is plenty of variability involved in that guess and we should never forget it.

4. Different methods are used to calculate CLV in different kinds of business settings. As one example, the terms "retention" and "churn" apply specifically and exclusively to the contractual setting: Will we continue to hold this customer's business when he decides whether or not to renew his contract? But these words make no sense at all in the noncontractual domain.

So, with these complications (among many others) in mind, we acknowledge that CLV calculations have their limits. Customer centricity has its limits, too. And this is why I believe the naive thinkers are wrong. If we are being completely honest, we will admit that when we calculate CLV, we're actually creating an *expectation* of value.

What Can CLV Do for Your Company?

When calculated correctly, CLV can:

- Tell you what your individual customer is worth;
- Allow you to estimate the value of your company's overall customer equity;
- Enable your company to divide customers into tangible segments, separating the most valuable and

committed customers into different groups and distinguishing them from the less valuable but numerous others;

- Create opportunities to help you refine marketing practices and ensure that the right approaches are being made to the right customers;
- Allow you to better predict how certain customers in certain situations might act going forward;
- Ensure that resources are used more efficiently in efforts to retain and develop existing customers and acquire new ones.

Why Are Traditional Approaches to CLV Calculations Flawed?

These methods are flawed because they violate the cardinal rule of customer centricity. They do not acknowledge the undeniable reality of customer heterogeneity.

For example, some companies might believe that all they need to do in order to calculate their overall customer equity is to take look at all of their existing customers as one massive homogenous group, calculate the CLV for "the average customer," then multiply by the size of the customer base. This approach is simple, straightforward and easily accomplished. It's also completely wrong.

If we are to accept that different customers will act in different ways, then we simply cannot accept the idea that the value of all those customers can be derived from the same set of data calculated in the same way, no matter their circumstances, their inherent levels of loyalty, their commitment to our firms or their overall tenure as customers.

How Can Customer Segmentation Create More Accurate CLV Calculations?

There is no one-size-fits-all solution in CLV, just as there is no one-size-fits-all solution in customer centricity. The most fundamental flaw of traditional methods for calculating CLV (and, by extension, customer equity) is the idea that one formula can be applied to all customers and give companies a clear idea of what their customers are worth. This flaw becomes readily apparent if we look at even just one key data point in any CLV calculation: retention rate.

Let's start with the hypothetical.

According to traditional CLV calculations, all customers in a contractual business setting (for example, subscribers to a magazine) essentially carry with them a "retention coin." For each retention period, those customers flip that coin. If that coin comes up heads, the customer stays; if it comes up tails, he or she leaves. So the probability of a customer staying for four time periods, for example, could be represented quite simply as the probability of a customer's coin coming up heads four times in a row. Such math would create a very specifically shaped survival curve that, in theory, illustrates how many customers will still be around after four years.

But the reality is that such a curve is almost never borne out by the data. A true survival curve, as it turns out, does not gently decline in a steady manner.

Now let's turn to our second example, which shows the implications of accounting for heterogeneity in a real-world setting. Vodafone Italia, the mobile powerhouse that recorded revenues of more than $2 billion in 2010, is one of the companies that has taken the first crucial step toward a clearer, more accurate picture of the value of its customer base.

Unlike some of its competitors, Vodafone is smart enough to understand that not all of its customers will renew their subscriptions with the same frequency. Some are more likely to renew and others are significantly less likely to renew. As a result, when working to understand its overall customer equity, the company doesn't just look at the average renewal rate of all of its customers; instead, it breaks those customers down into three customer segments, each grouped by their propensity to renew.

A Quick Discussion about Noncontractual Businesses

Terms like "retention" and "churn" don't apply in the noncontractual world. Customers go away in the noncontractual setting, but they do so silently; they have no need to tell the firm they are leaving by walking away from a contractual relationship. This makes for a much trickier CLV calculation.

We have to look at the time since a customer's last transaction and ask a question: Is the customer alive but dormant or is the customer "dead"? For instance, Amazon uses a one-year hiatus to define a lapsed customer. Maybe we don't care about any one of these customers; it is unlikely that they are the kinds of focal customers who deserve red-carpet treatment. But, on the other hand, these light buyers can be a huge chunk of the customer base.

State of the art CLV models capture this issue by focusing on the interplay between recency and frequency of each customer's transaction history.

Customer Relationship Management: The First Step Toward Customer Centricity

I want you to imagine a beauty salon on Main Street. The owner is a woman named Natasha and she's been running her shop for years. At Natasha's, the customers keep coming back and sending their friends and family, too. This means Natasha keeps making profits, quarter after quarter, year after year.

In her own way, she built her beauty shop, her business and her livelihood through customer centricity powered by Customer Relationship Management (CRM). She has thrived thanks to information and smart action on that information. And it's all in the cards — the big stack of index cards that help her to remember key details about key customers. She doesn't know everything about everyone — in fact, for many customers, she doesn't make much effort at all. What makes Natasha so successful is her ability to leverage the data she has collected on her focal customers over the years.

Those index cards are Natasha's CRM. They are the memory chips on which she saves the crucial information that makes her special in the eyes of her customers: birthdays, anniversaries, names of kids, likes and dislikes, product preferences, spending limits, favorite vacation destination and long-term aspirations. Those cards, in other words, offer her the bits of information she might be able to use for profit in the future — to promote a manicure or pedicure, provide someone a special discount to celebrate a child's graduation or even to suggest relevant products that aren't offered at her salon.

Natasha knows what her customers want. She knows what they need. She knows what they might be convinced to buy, given the right opportunity.

Because she knows all of this, she is perfectly positioned to succeed on two fronts. She can succeed in the bottom-line sense, of course, but she can also succeed on a deeply personal level, leveraging her vast well of information to enable the establishment of connections between company and customer that even the mightiest of corporations would envy.

What is CRM — and What Should It Actually Do?

A standard definition of CRM might read as follows: CRM is a coordinated set of systems that a company uses to help create and extract more value from its customer base.

A more suitable definition of CRM would be this: A direct manifestation of the customer-centricity business philosophy, CRM represents a firm's front-line efforts to better understand the unique characteristics and expected value of its focal customers and to use that information to appropriately allocate resources.

It's not about mass marketing. It's not about company-wide promotions or seasonal sales. It's about relationships — specifically, strengthening relationships.

So let us contrast this view of CRM with the standard definition that tells us CRM is a coordinated set of systems that a company uses to help create and extract more value from its customer base.

- The focus of a CRM effort should be less on systems and more on customers.
- CRM efforts often (over)promise on value creation and extraction without proper understanding of the underlying behavioral patterns. Although it's great to want to create and extract value, this won't occur without a deep understanding of customer behavior.
- CRM should not view the customer base as a mass of largely undifferentiated buyers; instead, managers need to celebrate heterogeneity to be truly customer centric.

Many very smart, very cutting-edge companies have great products and services to sell. But the truly customer-centric ones know their success is not based just on those products and services; their success is based, instead, on the means they use to leverage those products and services to understand the value of their customers, to identify the worthwhile ones and the dead weight, and to build operations and systems that will allow them to constantly fine-tune their understanding of the company's principal source of profits and growth.

Customer centricity gives you an advantage. It creates opportunity. It opens new doors. Customer centricity is about leveraging the single most valuable asset that your company has: your customers.

They are out there, waiting to be served. But they don't all expect, require or deserve the same level of service or attention. Ignore their heterogeneous needs at your own risk. ●

RECOMMENDED READING LIST

If you liked *Customer Centricity*, you'll also like:

1. ***Overpromise and Overdeliver* by Rick Barrera.** Barrera shows that today's most successful companies master Touchpoint Branding — the art of making sure that every point of contact between a company and its customers is well executed and fulfills an over-the-top brand promise.
2. ***Shopper Marketing* by Markus Stahlberg and Ville Maila.** Comprised of articles written by 35 experts from around the world, this book provides practical advice regarding shopper needs, trends and retail environments.
3. ***Snap Selling* by Jill Konrath.** Konrath offers four SNAP rules to win more sales, and she teaches us that sales is an outcome, not a goal.

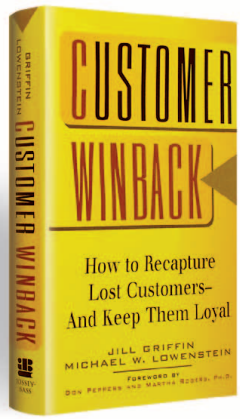
· Book 32 of 106 ·

Customer Winback

Jill Griffin and Michael W. Lowenstein

SOUNDVIEW Executive Book Summaries®

FILE: STRATEGIC MANAGEMENT



How to Recapture Lost Customers — And Keep Them Loyal

CUSTOMER WINBACK

By Jill Griffin and Michael W. Lowenstein

CONTENTS

Customer Winback Is Critical To your Bottom Line Success
Page 2

Developing Winback Strategies
Pages 2, 3

Customer Lifetime Value
Pages 3, 4

Strategies for Saving A Defector
Pages 4, 5

Strategies for Saving A Customer About to Defect
Pages 5, 6

Satisfied Customers Aren't Always Loyal Customers
Pages 6, 7

Make Your Company Defection Proof
Pages 7, 8

Target the Right Prospects In the First Place
Page 8

To Create Loyal Customers, Start with Loyal Employees
Page 8

THE SUMMARY IN BRIEF

Customer defection is one of the most overlooked and least understood problems facing businesses today. With customer churn increasing and customer loyalty becoming commoditized, winning back and keeping lost customers has never been more important. Lost customers mean lost revenues and negative word-of-mouth, and can damage employee morale. But by designing and implementing a customer winback program you can transform these problems into increased customer loyalty while decreasing your acquisition costs.

This summary will help you learn how to spot customers who have, or are about to defect, and show you how to stop customers from defecting in the first place.

What You'll Learn In This Summary

- **All customers are at risk.** Even satisfied customers can be easily persuaded to go to a competitor with a better offer. Take no customers for granted.
- **Customer winback strategies are more cost-effective than acquiring new customers.** The success rate for selling to previous customers is much higher than selling to prospects. Winback strategies also help you develop new ways to differentiate your company.
- **Calculating customer lifetime value (LTV) and second lifetime value (SLTV) is key to identifying the customers you want to win back.** Not all customers are created equal. LTV and SLTV, which take into account future potential purchases, help you know which ones are worth the effort.
- **Apply Customer CPR to customers about to defect.** When you've identified customers who are about to leave, you need to Comprehend, Propose and Respond (CPR) immediately.
- **Customer information systems are key to making our company defection-proof.** Customer knowledge helps you develop customer loyalty.

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Customer Winback is Critical To Your Bottom Line Success

On average, firms can lose up to 40 percent of their customers every year. What's more, most companies are unaware of the scale of customer defection and so do nothing to address the problem. And even among those companies that track customer defection rates, most assume a lost customer is a lost cause. However, a study by research firm Marketing Metrics uncovered that overall, companies have a much better chance of gaining business from former customers than from new prospects. On average, firms have a 60 to 70 percent chance of selling to its current customers again; a 20 to 40 percent chance of successfully selling to previous customers; and only a 5 to 20 percent chance of turning prospects into customers.

Even harmless sounding or "average" defection rates can be misleading. Look at an 80 percent retention rate for a college, which sounds healthy and robust. However, by the time a freshman class of 1,000 students enters its senior year with an 80 percent retention rate, there will be just over 500 students (512) remaining. If the 500 lost "customers" had been retained, the savings in unspent customer acquisition dollars alone would be substantial.

Lost customers often lead to more than just decreased profits. Steady, unstaunched customer defection can create low morale among employees, which results in higher employee hiring and training expenses. And by keeping customers from defecting in the first place, you minimize any negative word-of-mouth lost customers can generate.

Move from Problem to Opportunity

The trick is to reframe customer defection as an *opportunity* to provide superior, individualized customer service. By gaining back a customer's trust, not only will you gain a steady share of their pocketbook, but you will discover new ways to differentiate your company. By listening to your unsatisfied customers you can shape a more powerful marketing strategy for all of your customers.

Knowledge is the key to successfully winning back lost customers. Today's computer information technology allows unprecedented access to and analysis of a wealth of detailed customer data. But you need to know which information to capture and what to do with the data. Customers defect for different reasons, and some customers aren't worth winning back. Through careful segmentation you can select the most important customers to win back, and develop individualized strategies for each sector of lost customers.

First Union Corporation, the United States' sixth-largest bank, handles 45 million customer service calls a year. To help its customer service representatives make more informed decisions with customers who call with a complaint or requesting a service, the company now uses a "tiered" system of customer service. Developed after intensive studies to identify and segment customers in terms of their current and estimated profitability for the bank, the system lets reps know (within 15 seconds of taking the call) what category their caller is in. With high-profit customers, reps are empowered to waive late fees, for example; with more problematic customers the reps might not be as lenient.

This type of tiered customer service has resulted in significant revenue increases for First Union, and it is an emerging trend in leveraging customer loyalty. ■

Developing Winback Strategies

Winning back customers is a company-wide effort that requires a new mindset from all employees in all departments. Communication is essential to establishing an effective winback program. Rather than model acquisition and retention efforts along an "assembly line" system, which separates the marketing, operations and service departments, integrate winback efforts into these functions to transform your company into a "loyalty

(continued on page 3)

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Developing Winback Strategies

(continued from page 2)

laboratory." Get every employee thinking from the customer's point of view.

Don't underestimate your employees' ability to provide insights into customer behavior and preferences. Whenever any new promotion is considered, ask for input on how it will affect customer loyalty. Learning to leverage cause-and-effect factors in acquisition, retention and winback strategies can give you an edge. One health insurance company, for example, uncovered customer desire for more information about plans before enrolling. This information led the company to expand its new member orientation program and to redesign its sales incentive system. Sales commissions are now awarded only if new customers remain in their chosen plans for 90 days or more and if first-year disenrollments are down. The company has seen its 90-day cancellations decrease by more than 30 percent and its disenrollment rates are now among the best in its region.

When asked, customers who have defected can tell you what made them unhappy enough to leave. Many times companies are surprised at the reasons their customers left.

For instance, South African mobile telecom company MTN began a study on customer churn. Before beginning its winback effort, management at MTN had assumed that changing phone numbers would be too burdensome for customers and would prevent them from leaving their network. What MTN management learned was that changing phone numbers was no big deal to their customers. This was a crucial insight that would have been missed without a winback program.

Since then, the company implemented a handset upgrade for existing customers (not just new customers), which saved money in paperwork and sales commissions, and paved the way for longer-term improvements in other areas of customer service, such as billing procedures. ■

Identifying Customer Segments

Part of any acquisition, retention and winback program is proper identification of the six major groups of customers:

- **Prospects** — potential buyers who have not yet purchased from you.
- **New customers** — customers who have bought from you at least once.
- **Retained customers** — customers who have purchased from you more than once and show one of five loyalty patterns (repeat purchasing on a regular basis; purchasing a cross-section of offerings; referring others; resisting the pull from your competitors so far; and weathering some problems in service.
- **At-risk customers** — customers who display behavior that indicates the relationship is in danger (i.e., less frequent or smaller orders in a comparative time period).
- **Defectors or lost customers** — customers who have stopped purchasing or have told you explicitly that they no longer consider themselves customers.
- **Regained customers** — specially targeted customers who have returned after an absence.

Most Common Reasons Customers Leave

Poor Service
This includes history of problems with delivery or service, or even a price increase without adequate prior notice.

Poor Handling of a Complaint
If a customer doesn't feel his or her complaint is taken seriously or treated with respect, even a single incident can cause them to seek out your competition.

Disapproval of Changes
You run the risk of losing customers anytime you change a policy or price, product or salesforce.

Feeling Taken for Granted
Remember that every customer needs to be "resold" in every transaction.

Customer Lifetime Value — Merging Past and Anticipated Purchases

Part of the assembly line mentality is an emphasis on the past purchases of a customer. A successful winback program integrates past purchase performance with anticipated future purchase potential.

Calculating the lifetime value (LTV) of a customer involves studying past purchases, acquisition costs and retention costs as well as using educated assumptions about future purchase activity. Generally, customer orders per year as well as average order size will increase the longer a customer remains with a company. LTV can also include nontangibles such as a customer's referral value. By separating high LTV customers from

(continued on page 4)

Customer Lifetime Value — Merging Past and Anticipated Purchases

(continued from page 3)

low or marginal LTV customers, you can better budget marketing and advertising efforts.

Once a customer has defected, you need to determine the reason the customer left and then calculate that customer's second lifetime value, or SLTV. A regained customer's SLTV differs from his or her LTV as an active customer. These differences make targeting defected customers more profitable than new prospects because:

1. **Defected customers are familiar with your products or services.**
2. **You already have information on these customers' preferences.**
3. **You have the ability to personally address these customers in a winback effort, unlike acquisition efforts.**
4. **The length of the prospect and new customer phase is likely to be shorter with regained customers.**

Magazine publishers have learned a lot about SLTV from their studies on lapsed subscriptions. For instance, the more time that has passed since a subscription has run out, the lower the defected customer's SLTV. And SLTV generally is higher if the lapsed subscriber signed up using a subscription card rather than a secondary source. Any industry can identify similar rules to calculate SLTV for their defected customers. ■

Strategies for Saving A Defector

Once you have determined that you have lost a customer and that you want that customer back, there are both immediate and longer-term steps you need to take.

Quick Strategy

If a valued customer has told you in person that they are no longer going to be buying from you, this is the time to:

1. **Listen carefully and acknowledge their complaint. Be contrite!**
2. **Don't pass the buck and say, "I'll have to talk to my manager…"**
3. **Offer a generous solution.**
4. **Give the customer options.**
5. **Be gracious whatever the customer decides.**

If the customer has decided to accept your immediate winback solution, make sure you thank the customer. Then examine your company's operations and make the necessary changes to avoid this situation with any other customers. Analyze what you did that was successful in this encounter, and communicate that to the rest of the company. Make sure this encounter is recorded in the customer's file so that other employees are aware of it whenever they interact with the customer.

Longer-Term Strategy Up Front

Most of the time, customers just slip away without a direct confrontation. When you see that this has occurred, in the long run it is best to be sportsmanlike rather than appear desperate to regain the business. Leave the former client or customer with a good impression. Remember that even though they may not be buying from you anymore, they will be meeting other clients who may need your goods or services. Don't give them an opportunity for negative word-of-mouth. Then you need to get to work by positioning your company for "reentry."

Again, think from the customer's perspective. Chances are he or she feels bad at least on an emotional level for dropping your business. You can leverage this emotion by:

Play second fiddle: If your past relationship with the customer has been good, make a pitch for even a portion of their business. Often this kind of arrangement is accepted immediately and it leaves you as an established supplier.

Ask for another meeting: If you are turned down for even a portion of their business, ask if they would reconsider in a few months' time. Even if this overture is rejected, ask for permission to stay in touch. Courtesy is very effective.

Behind the Scenes

Once you have identified which lost customers you wish to gain back, the essentials for any winback plan must include a thorough understanding of this customer's current needs and a sense of trust. You may have lost the customer in the first place because your product or service no longer met its needs. Use this time to study your customer's marketplace. Anticipate any future changes and position your company or product as offering a solution.

One retailer's loyalty research revealed that customers it considered as lost still considered themselves customers (even though they had not made a purchase in two years) — but their interests had become more specialized. This company responded by developing a purchase interest profile for these customers to learn what their new interests were. As a result, more than half of them reactivated their purchasing.

(continued on page 5)

Strategies for Saving A Defector

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Choosing the Appropriate Message, Media and Frequency

When approaching a former customer, your goal is showing that your product offers a better value than anything from a competitor. You need to create a message that is both relevant and personal. In this case, generic form letters are anathema. For instance, don't send a "why did you leave us" survey to a customer who merely paid off his credit card balance, not transferred it to another card. You need to carefully analyze all your data on the defected customer—so you can address their needs specifically. Include five key points in any re-approach message:

- **Acknowledge their past business**
- **Point out improvements and changes that have been made since the customer left**
- **Make it easy for them to switch back**
- **The sender should be someone the customer knows**
- **Possibly include a financial incentive for switching back**

The media you choose (in-person, telephone, e-mail, regular mail, fax) to send your reapproach message should be appropriate to each customer's preference, but any re-approach should include at least some in-person contact. Some companies adhere to multi-part mailings that are staggered over six months and end with a phone call. Others use carefully scripted telephone messages to initiate dialogues with lapsed customers.

In addition, there are also indirect ways to make contact with lost customers. One company holds luncheons twice a year, with carefully selected invitations to both current satisfied customers and customers who have defected. Another approach is to remain active in local civic or professional organizations. Many of your former and current customers probably also are members.

Persistence doesn't always pay off. Just sending letters every three months, especially if these letters repeat the same message, won't make a big impression. Constantly evaluate what value each lost customer needs, and see how you can position your product as providing the most value. Sometimes drastic measures are called for, such as the hotel chain manager who arranged for a former client to not only re-visit one of her hotels, but set up appointments for the client to see her competitors as well. This extra service won her back the contract. ■

Strategies for Saving a Customer Who Is About to Defect

How can you stop customers who are on the brink of defecting?

First, you need to know the signs of a customer who is thinking of leaving. Do you have a process in place that customers need to go through when they are about to leave? Some ISPs, for instance, allow customers to cancel their service online, while others require a phone call to their service center. By requiring a phone call, the company has a chance of saving that customer by beginning a dialogue. In conversation with each customer on the brink of defection, the company gains valuable insights that can help them reshape their operations and service departments to avoid problems in the future.

But many companies lose customers silently, with no warning. In these cases, you can rely on purchase data history or complaint logs kept by frontline staff to catch customers who are close to defection.

Customer CPR

Once you have identified customers who are at risk of leaving, then you need to apply customer CPR — Comprehend, Propose and Respond.

Comprehend

Listen to your customers. Let them rant, if necessary. In listening, identify what triggered their dissatisfaction. It takes considerable skill — and training — to handle irate customers tactfully. Your staff needs to know that an angry customer not only has an immediate problem — that needs to be resolved immediately — but has probably also had other problems with the company in the past. Rather than just responding to the customer's immediate (or "trigger") needs, customer service representatives must also learn how to uncover the customers' "driving" needs — unmet needs that have been festering for a while.

The sequence of questions below is a recommended approach for uncovering a customer's deeper needs.

Begin by uncovering trigger needs:

1. **I'm sorry you're having problems. Please give me the details so I can help.**
2. **Why are you considering leaving us?**

Next, try to uncover driving needs.

3. **Have you had problems before?**
4. **If you leave us, where do you plan to go?**
5. **What attracts you to [competitor's name], and why does it attract you?**

Finally, uncover the "original" needs that brought the

(continued on page 6)

Strategies for Saving a Customer Who Is About to Defect

(continued from page 5)

customer to your company in the first place:

6. **What were you looking for when you first became our customer?**
7. **Which of our service features do you use the most? Why?**

Propose

Ask the customers what they need from you to resolve the problem, and to keep them as a customer. More often than not, what the customer asks for is relatively cost effective and simple to implement. But be ready with a hierarchy of offers. Customer service representatives should be trained to offer the non-cost option first. One example of a non-cost option is making the customer aware of a service he or she may not currently be using that your company offers. Sometimes a save can be made simply by offering to send a customer a brochure or booklet describing all of the benefits of say, a credit card or a membership.

If the non-cost option does not work, the next step is offering a low-cost solution. One example is waiving some disputed charges on a customer's statement. The next step is proposing higher-cost solutions. It is important to remember that all representatives taking service calls must be empowered to make such offers, including the ability to offer a month or two of free service, for example. To be effective, such an offer needs to be made immediately, without the rep having to double check with a manager.

Respond

After the customer service or "save" rep has made an offer, there are three scenarios they can be faced with: agreement, tentative agreement and disagreement.

● **Agreement** — Learn to sense from the customer's tone of voice whether or not there is any hesitation about the agreement. If you sense some doubt, keep the dialogue going. Be aware of long pauses, monotone response or lack of enthusiasm. These are all signs of some disagreement. Because it is human nature to want to be fair, ask customers what they think is a fair offer.

● **Tentative Agreement** — If you've sensed some hesitation, make another offer. This can be as straightforward as offering a disgruntled cell phone customer a new phone to use free for 30 days, or asking a long-standing (but dissatisfied) client for three to six months to correct any problems.

● **Disagreement**— If what your customer demands is more than the customer's estimated value to your company, you may not be able to make a save, or even want to. Nevertheless, don't burn any bridges. You don't want to create negative word-of-mouth. Thank the customer for all of their past business, and internalize the reasons this customer is leaving so you can prevent other customers from doing the same. Add the customer to your new prospect list for future acquisition campaigns. ■

All Customers Are at Risk

Studies have determined that at any given time, approximately one-third of a business' customers are in some phase of defection. Sometimes customers just stop purchasing and in other cases they give their supplier advance notice of their plans to leave. Surprisingly, most suppliers never respond to a customer's notice of defection.

Nobody likes a whiner or a complainer. It's uncomfortable to tell people face-to-face that you are unhappy with them. These basic human traits manifest in the workplace, as many studies show that most customers do not complain even if they are dissatisfied. To overcome this reluctance you need to:

● **Make it easy for customers to complain.**

● **Train your customer contact staff to use assumptive questioning for uncovering complaints.**

● **Provide quick resolution.**

● **Positively acknowledge every complaint.**

● **Establish and enforce a closed-loop complaint management system.**

● **Conduct customer loyalty research, including one-on-one dialogue with customers, to find out where you can improve your service.**

Satisfied Customers Aren't Always Loyal Customers

Most customers are not dissatisfied. But as the Internet and other technologies offer more transparency on pricing and selection to customers, loyalty is becoming commoditized. You need to be constantly anticipating customer's unmet needs and re-creating business models to meet those emerging needs.

Noriaki Kano at the Science University of Tokyo challenges conventional customer service methodologies and offers a model that offers three levels of customer satisfaction: basic, expected and unanticipated. While companies are well versed at providing the basic and expected levels of satisfaction, it is the next level of service where loyalty can be built. By providing unanticipated value, companies can truly differentiate themselves from the

(continued on page 7)

Satisfied Customers Aren't Always Loyal Customers

(continued from page 6)

competition. FedEx did this by being the first delivery company to offer online tracking of a package or letter. As FedEx's chairman at the time said, "I don't think that we understood our real goal when we first started Federal Express. We thought we were in the transportation of goods. In fact, we are selling peace of mind."

Such constant searching for unanticipated levels of customer service needs to begin with first-time customers. Dubbed "wondrous entanglement," this is a three-part process that involves:

1. **Identifying all of your products and services that could possibly be of use to the new customer.**
2. **Motivating the new customer to use as many products and services as possible. This is an ongoing effort.**
3. **Proving to the customer that your products and services offer value he or she couldn't find elsewhere.** ■

The PACE Process for Searching Out Customer Value

(Prepare, Assemble, Comprehend, Employ)

Step 1: Prepare for the research process.
To encourage customer loyalty, a business must know what makes a customer loyal and what factors exist in a company to discourage loyalty. Start by interviewing managers and staff as well as reviewing existing information, including prior research, sales reports, complaint data, etc. Determine what the company knows about its customers and competitors and what insights are missing.

Step 2: Assemble customer needs and wants.
Use qualitative research methods to uncover customer-defined needs, expectations, problems and complaints. Then use this information to design your quantitative customer questionnaire.

Step 3: Comprehend customer priorities.
Survey randomly selected customers and identify customer loyalty drivers. Analyze the survey data to prioritize your company's performance areas according to improvement needs and opportunities.

Step 4: Employ your findings.
Based on your research findings, develop action plans, programs and processes for improving customer loyalty.

Make Your Company Defection Proof

Once you've become a convert to customer winback efforts, learn to prevent customer defection in the first place. Never before has so much customer information been available—from instantaneous, online click-through data to data warehousing and data mining techniques. Turning that information into knowledge about your customers is how you gain the competitive edge by increasing customer loyalty and making your company defection proof. That's what a Customer Information System (CIS) does.

Creating a Customer Information System

A good CIS will integrate multiple, often scattered, databases holding different data sets and allow seamless access to company employees anywhere. A CIS system also allows you to use every contact with a customer as an opportunity to deepen that relationship.

Designing Your CIS

While there is a certain amount of sophisticated technology involved in designing a CIS, the true value of any system is dependent on its design and usability. There needs to be a two-way conversation between the business objectives of a CIS and the capabilities of a company's IT department. Work in phases so that the system can grow as the customer base grows.

> ***You need to clearly identify the business need being addressed, and the data needed to provide the analysis.***

You need to clearly identify the business need being addressed and the data needed to provide the analysis, and to select the tools to get the data to the CIS users. Major users of the system need to be in on the planning process from day one.

Some ways to collect customer data are:

- **With each sale.** Keeping track of customer purchases can help determine which customers should get specific mailings or catalogs, and provides valuable information on future cross-selling or up-selling opportunities.
- **Customer surveys.** Even though this method has its faults (most surveys are only completed by small groups of customers), it is still effective.
- **Personal interviews.** Using trained interviewers, although costly, is one of the most effective means of gathering in-depth information on customer attitudes. This method also yields greater relevancy and objectivity than other methods.

(continued on page 8)

Make Your Company Defection Proof

(continued from page 7)

● **Frontline dialogue.** Train your employees to routinely collect customer information during normal day-to-day interactions.

Just as important as collecting the right data is making connections. For instance, discount brokerage Charles Schwab and Company now uses data mining to highlight relationships between data fields. This capacity allows it to look at all the accounts owned by individual customers.

FedEx used the real-time data competency of its CIS system in its operations area to create a datamart in its marketing area. This is a server-based system that integrates access and analysis technologies and has been used for more targeted analysis of the company's customer base, resulting in better management of segmented marketing campaigns. Neiman Marcus, one of the top five department stores in the United States, uses electronic clienteling software in its CIS that allows all sales and teleservice employees access to customers' buying profiles at the point-of-sale location. 3Com spent a year creating a single, consolidated customer information system that allows any employee anywhere in the world to access pertinent customer data. ■

Target the Right Prospects In the First Place

All prospective customers are not created equal. Unfortunately, many companies learn this lesson the hard way—after numerous run-ins with customers who are never satisfied. To avoid falling into this trap, spend the time up front to define your business model and your target market. Focus not on how many customers you want to acquire but on how much revenue each potential customer can generate for your business. To do this, carefully define your niche and then build your business model around it. Then go after clients and industries that fit your model and your firm's vision and area of expertise. Just as important is to decline any customers that do not fit your niche.

Evolving software programs are making it easier for companies to identify early on their "ultra" customers. These are the ones who need little incentive to purchase, are more resistant to the pull of competition, are less price-sensitive and generally more tolerant of occasional lapses in services. By using demographic and lifestyle data, conversion model software can help companies target these highest-value customers.

Another approach is one that uses computer software that views a marketplace in terms of users and nonusers. These users are further segmented into truly loyal users and convertible users. The ability to highly segment customers in this way allows you to create more focused marketing and advertising messages to each group. ■

To Create Loyal Customers, Start with Loyal Employees

It's not uncommon for customers to end a longstanding business relationship when their favorite account executive leaves. Some customer loyalty studies indicate that staff turnover is given as the reason for customer defection more than 50 percent of the time. The fact is, if staff turnover is noticeable to your customers, this sends them a negative picture of your company.

Some customer loyalty studies indicate that staff turnover is given as the reason for customer defection more than 50 percent of the time.

Many companies link successful customer loyalty programs with an organizational structure that fosters customer-oriented teams. Teams can be cross-functional (involving employees from different disciplines) or cross-trained (members are trained in several different skills). Alternatives to the common hierarchically structured organization, in which decisions are centralized and controlled are:

1. The Matrix Organization. Team members report to both functional and hierarchical managers.

2. The Lattice Organization. Employees are organized solely around projects

3. Flat Organization. Cross-functional teams are dominant, and there is a high degree of employee autonomy.

Creating Teams Takes Work

If you decide a team-based approach would work for your company, don't expect it to happen overnight. You need to see creating teams as a multi-step process that starts with identifying the right organizational structure as well as the company's existing culture. Both of these tasks involve significant planning and should not be underestimated. Employee buy-in is essential to making the transition to a team-based business. To help support this, make sure your incentive programs support teamwork. Too often, companies have restructured around teams but left their incentive programs untouched, sending conflicting messages to staff.

Finally, teamwork doesn't come naturally. Provide adequate and ongoing training for employees and managers at all levels. ■

· Book 33 of 106 ·

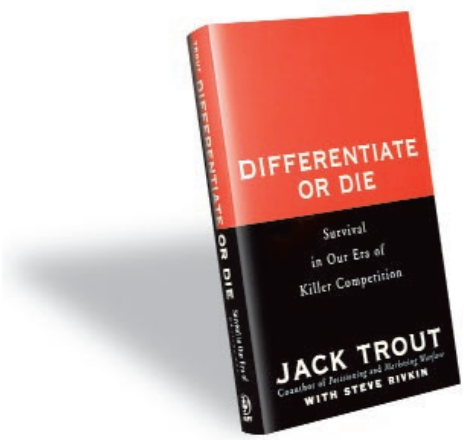
Differentiate or Die

Jact Trout

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FILE: MARKETING



By Jack Trout
with Steve Rivkin

CONTENTS

The Tyranny of Choice
Page 2

Losing and Reinventing the U.S.P.
Page 2, 3

What Differentiation Is Not
Page 3, 4, 5

The Four Steps to Differentiation
Page 5, 6

Nine Successful Differentiation Strategies
Page 6, 7

Growth and Sacrifice in Differentiation
Page 8

Being Different in Different Places: Five Rules for the Road
Page 8

Who's in Charge Here?
Page 8

Survival in Our Era of Killer Competition

DIFFERENTIATE OR DIE

THE SUMMARY IN BRIEF

What factors allow a company or product to stand out in an increasingly competitive (and global) marketplace? That's a question Jack Trout has been answering for 30 years as a consultant to Fortune 500 companies. It is a question that he (with co-author Steve Rivkin) uses in *Differentiate or Die* to help readers create solid strategies to get above the crowds of competitors and generate the business required to stay there.

Among the points covered in this summary are:

● **The Tyranny of Choice.** With nearly one million branded products available in the marketplace today, consumers have more choices than they know how to handle. Companies must thus give customers the tools they need in purchasing decisions, to draw them to their products.

● **Losing and Reinventing the U.S.P**. In order to reinvent the idea of a unique selling proposition (or U.S.P.) and differentiate their products from competitors', companies must move away from differentiation based solely on product, and engage consumers in ways that truly reach them.

● **What Differentiation Is Not.** Some differentiation strategies look appealing, but require more effort than is really necessary in order to make the case for a product or company over others.

● **The Four Steps to Differentiation.** Trout lays out the basics of his differentiation strategy in four essential steps.

● **Eight Successful Differentiation Strategies.** Differentiating your business actually has very little to do with creativity or imagination and everything to do with pursuing a logical approach to engaging customers. Trout lays out eight points of strategy that have proven to beget success.

● **Growth and Sacrifice in Differentiation.** Growth can kill differentiation by tempting companies to thin out their product lines in search of mass acceptance. Trout details why you should avoid the distractions growth poses.

● **Being Different in Different Places.** What differentiation strategy will work abroad? This section presents some key considerations.

Your efforts to stand out in the marketplace begin with the next page ... 

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DIFFERENTIATE OR DIE

by Jack Trout with Steve Rivkin

— THE *COMPLETE* SUMMARY

The Tyranny of Choice

Differentiating products today is more challenging than at any other time in history. When our earliest ancestors wondered, "What's for dinner?" the answer was clear: It was whatever the neighborhood could run down, kill and bring back to the cave. Red meat? White meat? There was only one choice; it was a simpler time.

These days, the average supermarket stocks 40,000 brand items — or standard stocking units (SKUs) — an explosion of choice in just about every product category. That number is a mere fraction of the estimated one million SKUs available in America. The most interesting thing, though, is that the average family gets 80 to 85 percent of its needs from only 150 SKUs, which means there's a good chance the other 39,850 items in the store will be ignored.

What drives choice is the law of division, which states that a category starts off as a single entity then breaks up into other segments. Computers, for instance, once were their own category; over time, however, this category segmented into mainframes, microcomputers, PCs, laptops, notebooks and so forth. Television programming once meant network television programming; now it, too, is broken into segments — network, independent, cable, satellite, public, and now computer-based "streaming" video.

The explosion of choice has led to an entire industry dedicated to helping people with their choices, whether it be a guide to New York City restaurants or advice on which of 8,000 mutual funds to buy. The World Wide Web has expanded this industry past long-accepted structures and strictures, doling out advice on command and fulfilling needs — any need — instantly.

With so much competition, markets today are driven by choice; customers have so many choices that companies who don't address every whim of the marketplace will lose business and will not survive. Those that don't stand out will get lost in the pack. Indeed, companies must address differentiation in three key ways:

- If you ignore your uniqueness and try to be everything for everybody, you quickly undermine what makes you different.
- If you ignore changes in the market, your difference can become less important.
- If you stay in the shadow of your larger competitors and never establish your "differentness," you will always be weak.

It's an unforgiving world out there, and we haven't seen anything yet. ■

The Explosion of Choice

Item	Early 1970s	Late 1990s
Vehicle model:	140	260
Frito-Lay chip varieties:	10	78
OTC pain relievers:	17	141
Levi's jeans styles:	41	70
Software titles:	0	250,000
Web Sites:	0	4,757,894

Losing and Reinventing the U.S.P.

In his 1960 book *Reality in Advertising*, Rosser Reeves defined the concept of the unique selling proposition (U.S.P.):

- Each advertisement must make a proposition to the consumer. Not just words, not just product "puffery," not just show-window advertising. Each advertisement must say to each reader, "Buy this product, and you will get this specific benefit."
- The proposition must be one that the competition either cannot or does not offer. It must be unique — either a uniqueness of the brand or a claim not other-

(continued on page 3)

The authors: Jack Trout, president of the prestigious marketing firm of Trout & Partners, was the first to popularize the idea of "positioning" products and ideas in the minds of consumers. Steve Rivkin is co-author with Trout of *The New Positioning* and *The Power of Simplicity*, and heads his own communications firm.

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Losing and Reinventing the U.S.P.

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wise made in that particular field of advertising.

● The proposition must be so strong that it can move the mass millions.

When Reeves wrote of being different, the world was an easier place. Global competition did not exist; in fact, real competition barely existed. Today, many companies have sales figures that dwarf the gross national product of some countries — the top 500 global companies represent 70 percent of the world's trade. And the big keep getting bigger. Mergers and acquisitions are the rule of the day and competitors are tougher and smarter than ever before.

According to Reeves, in order to differentiate yourself from competitors, you must offer an option that the competition cannot or does not. To do so successfully, you should recognize how customers make decisions based on differentiation. Psychologists have come up with four functions that help people make these decisions — intuition, thinking, feeling and sensing:

● **Differentiating with "Intuitives."** This group uses intuition to concentrate on possibilities, avoiding details in favor of a "big picture" view. They are susceptible to a "next generation" strategy of differentiation. For example, when Advil positioned their ibuprofen tablets as "advanced medicine for pain," they perfectly differentiated themselves for the "big picture" crowd.

● **Differentiating with "Thinkers."** This group is analytical, precise and logical. They possess a lot of information, often ignoring the emotional or feeling aspects of a situation, and often act in response to the facts about a product. BMW's differentiating strategy of "the ultimate driving machine" and discussion of ergonomic design and maneuverability plays well with "thinkers."

● **Differentiating with "Feelers."** This group dispenses with intellectual analysis in favor of following their own preferences, an ideal group for third-party endorsements from experts who look and sound real. Miracle-Gro's "choice of experts" campaign (nice people surrounded by flowers) is the perfect "feeler" strategy.

● **Differentiating with "Sensors."** This group sees things as they are and has a great respect for facts, an enormous capacity for detail and a knack for putting things into context. Hertz's differentiating strategy of leadership ("There's Hertz and there's Not Exactly") is a great program for "sensors," who accept it as common sense that the company is the best.

Reinventing the U.S.P.

Regardless of approach, it is more difficult for companies today to hang onto a U.S.P. or product difference or benefit, as the Reeves model suggests. There are three explanations for what has happened:

● A torrent of new products has washed over consumers, each with conflicting claims and the smallest points of difference ("Now! Tartar control with the great taste of fresh mint gel!")

● The number one response amongst competitors is "me-tooism." Technology enables competitors to tear apart and reconstruct knock-off products before companies even have the chance to establish their differences.

● The speed of technology has enabled companies to reinvent themselves as quickly and as often as they desire, making it difficult to differentiate on product differences alone. Intel, for example, increases data storage and performance each year, at astounding rates.

That said, it's not impossible to differentiate based on product, just difficult. Gillette, for instance, reinvents shaving every few years: with two-bladed razors (Trac II), adjustable two-bladed razors (Atra), shock-absorbent razors (Sensor), and now with three-bladed razors (Mach 3).

Mach 3, in particular, may seem like just a new product, but it is actually the result of $750 million in research, patents, testing and all-around excruciating hard work.

Gillette's attention to detail and differentiation is spreading to its acquisitions. Oral-B, which Gillette acquired, hadn't introduced a new toothbrush in 27 years. Gillette assigned a team of 150 people to research manual plaque removal and create new products to address their findings, resulting in a stream of new implements. By improving, upgrading and reinventing their products, Gillette has become an excellent model in differentiation.

Will competitors get their arms around razors and toothbrushes? Most likely. "Me-tooism" remains a dominant force in competition, since being competitive so often means cashing in on a competitor's successes. Inventing and hanging on to a truly different product is hard work, but it can be done. ■

What Differentiation Is Not

There are any number of ways to differentiate products; many of them have been proven successful (if executed properly). There are, conversely, several "yellow flags" to avoid — ideas that look appealing, but will rarely differentiate you.

Quality and Customer Orientation

The 1990s witnessed a war on quality. You couldn't walk into the business section of your local bookstore

(continued on page 4)

What Differentiation Is Not

(continued from page 3)

without seeing dozens of books on quality with acronym-strewn titles (TQM, SPC, QFD, CQL, etc.). While companies focused on quality improvement programs to meet the demands of their customers, customers simply got more demanding and not necessarily any more loyal to quality-centric organizations. A Gallup survey done for the American Society for Quality Control found that only 28 percent of executives had achieved significant results (in profitability or market share) from their quality initiatives. That doesn't mean companies should (or can) abandon their quality improvement efforts. Customer expectations aren't going away, regardless of how much it costs companies to keep pace.

Indeed, "Do whatever it takes to satisfy customers" became every company's mantra in the 1980s and 1990s. Every complaint was a gift, a clue you needed in order to keep your customers "for life." Frequent buyer programs popped up, first in the airline industry (with American Airlines' AAdvantage program in 1983, then at nearly every airline). What airlines failed to do was to differentiate themselves for frequent travelers to the degree that justified the costs and drawbacks of the program; such programs were, and are, too easily imitated.

What airlines (and, indeed, many industries in the "Quality Decade") should have done was draw the line between operational effectiveness and strategic positioning. Operational effectiveness means performing better the same activities your competitors perform — a common short-term strategy. Positioning, however, dictates that you find unique and meaningful points of differentiation, and use them to competitive advantage.

Creativity

Rosser Reeves railed against "puffery" and ineffectual advertising — "the best taste ever," "incredibly smooth," etc. While such bits of fluff were not up to Reeves' standards, at least they made the attempt to sell. Puffery has, today, been replaced with vagueness — "Start something," "People drive us," "Expanding possibilities." These "slogans" are creative, even entertaining, but it's sometimes hard to tell what companies are advertising.

One argument for such ads is the belief that advertising has lost its effectiveness in an age of over-communication and cynicism. Ads that are emotional or bonding or "cool" connect with consumers, forming a bond with them. The more unconventional your ads, the more success you'll have at differentiating yourself from your competition.

Yet, one factor remains true: If people think you have an important message to convey, they will generally open their eyes and ears long enough to absorb what you have to say. The trick is not to bury that information in what some call "creativity."

Price

Price is often the enemy of differentiation. When price becomes a focus of a message or a company's marketing, you begin to undermine your uniqueness. If you make price the main consideration for picking you over your competitors, you set yourself up to lose, since anyone can mark down a price. Cutting prices is insanity if the competition can go as low as you can.

There are, however, several methods you can employ to get around a price attack:

- **Do something special.** The leader can go to its biggest customers and do something special. Nike, for instance, offered the athletic shoe store chain Foot Locker the Tuned Air, a $130 shoe made exclusively for the chain. So far, so good: Foot Locker has ordered a million pairs thus far, and expects to sell $200 million worth.
- **Cause some confusion.** The leader wins when the market is confused about competing offers. AT&T countered MCI's "Friends and Family" discount program with an aggressive advertising campaign that challenged whether their competitor's program indeed saved consumers as much money as it claimed. The resulting confusion led the bulk of the market to simply stay with AT&T.
- **Shift the argument.** Introduce the concept of total cost as opposed to initial cost. In some categories, the

(continued on page 5)

Southwest Builds a Price Advantage

One of the few success stories of using price as a differentiating factor is Southwest Airlines. By using one kind of airplane, they saved on training and maintenance costs. By offering no advanced seats, they avoided expensive reservation systems. By offering no food, they eliminated expense and time. By avoiding expensive hub airports and using less expensive, smaller airports, they avoided high gate charges.

Southwest used the savings incurred from these efforts to construct a system with the lowest cost per air mile than any other airline, then passed that savings onto their customers. They have differentiated themselves as a low-fare airline and have become big enough that they can't be forced out of a market by a bigger competitor that lowers their price. Many airlines have tried to use Southwest as a model for their own operation; most, if not all, have failed.

What Differentiation Is Not

(continued from page 4)

costs you incur after you buy a product (an expensive car, for example) can be substantial. If your product performs better, you can build a cost-for-cost ownership versus cost-of-purchase comparison.

● **Differentiate with high price.** High prices tell the consumer that the product is worth a lot; in essence, the high price becomes an inherent benefit of the product itself. High quality should be more expensive; high-priced products offer more prestige.

Breadth of Line

People are overwhelmed by choice, causing confusion and making decisions difficult to come by. For some businesses, however, big selection works as a differentiator. Charles Lazarus, the founder of Toys 'R' Us, noted "When parents have no clear idea of what to buy, they go to the store with the biggest selection."

"Biggest selection" is a mantra in retailing, with superstores (or "category killers") becoming successful by using an everything-under-one-roof approach and deep discounts to cater to different niches.

But "big" can be too big, as such one-time kings of category killers like CompUSA, Sports Authority and Party City have found out. You have to manage endless selections of SKU inventories; you alienate core consumer groups with endless mazes of aisles; you alienate older consumers with huge parking lots and massive floor space; you alienate parents with cranky kids in tow who don't have time to figure out your store layout.

What's really needed is guidance on what and where to buy, something the Web provides in spades. Breadth of line is nowhere near as strong a differentiator as leadership or preference or product difference. Breadth of line can be copied easily by a competitor, leaving you with only price (another easy copy) as a differentiator. ■

The Four Steps to Differentiation

Differentiating your business does not mean being cute or "creative" or imaginative. It has everything to do with logic — the science that deals with the rules and tests of sound thinking. Here is a four-step process you can follow to successfully differentiate yourself from competitors.

Step 1: Make Sense in Context

Arguments are never made in a vacuum; there are always competitors swimming around you, making arguments of their own. Your message must make sense in the context of the category; it must start with what the marketplace has heard and registered from your competitors.

You need a quick snapshot of the perceptions that exist in the market; from that snapshot, you can discern the perceptual strengths and weaknesses of yourself and your competitors as they exist in the minds of your target customers. You must also pay attention to what's happening in the market, to gauge whether the timing is right for your differentiating idea. For example, Nordstrom's idea of "better service" played perfectly into the context of a department store market that was reducing its people and service as a way of cutting costs.

Step 2: Find the Differentiating Idea

Your "differentness" does not have to be product-related. There are many ways to set your company apart; the trick is to find that difference and use it to set up a benefit for your customer.

Consider Hillsdale College, near Detroit — one of thousands of post-secondary institutions in the United States. Hillsdale has constructed a differentiation strategy based on the fact that it does not accept any Federal aid for grants and student loans. The college's pitch is "We're free from government influence" — a successful argument that has positioned Hillsdale as a mecca for conservative thought.

Step 3: Have Credentials

To build a logical argument for your difference, you must have the credentials to support your differentiating idea, to make it real and believable. If you have a product difference, you should be able to demonstrate it; that demonstration, in turn, becomes your credentials.

Claims of difference without proof are simply empty claims. A "wide track" Pontiac must be wider than other cars. As the "world's favorite airline," British Airways should fly more people than any other airline. When it's "Hertz or Not Exactly," there should be some unique services that others don't offer.

Step 4: Communicate Your Difference

If you build a differentiated product, the world will not automatically beat a path to your door. Better products on their own don't win; you must build a strong perception in the marketplace to succeed. Every aspect of your communications should reflect your difference — your advertising, brochures, Web site, sales presentations, etc. You cannot over-communicate your difference.

A real differentiating idea can be a motivational bonanza. When Avis said "We're only Number Two; we try harder," their employees were motivated to do just

(continued on page 6)

The Four Steps to Differentiation

(continued from page 5)

that. They were proud to be underdogs. You must give employees something they can latch onto and let them run with it. Come up with a differentiating idea and challenge them to bring it to life.

But there's more. Differentiating does not stop with a simple idea. You must have the resources to build a solid communications program to broadcast your idea. Indeed, an idea without money is worthless; if you don't have funding to put behind your idea, be prepared to give away a lot to get the funding. Steve Jobs and Steve Wozniak had a great idea, but it took Mike Markkula's $91,000 to put Apple on the map. For his investment, he got one-third of the company; he should've held out for half. ■

Eight Successful Differentiation Strategies

● **Be First.** Getting into the mind with a new idea, product or benefit is an enormous advantage. People tend to stick with what they've got, and if you're there first, any copycat measures by a competitor will just reinforce your idea. Being original translates into more knowledge, more expertise. Studies show that, in most cases, being first to the market provides a significant and substantial market share advantage over later entrants. It also forces those later entrants to find their own distinctive positioning strategy.

Being first is one thing; staying first is another. It takes hard work and enormous energy to stay on top with a new product or idea. Continued innovation is key; Gillette pioneered razor blades and remains the leader, thanks to their endless improvements in product and technology.

Not-So-Great Firsts

Successful firsts come from good ideas; unsuccessful firsts tend to stem from bad ideas:

✓ RJ Reynolds spent a fortune on the first smokeless cigarette, thinking that smokeless cigarettes would appeal to non-smokers. Unfortunately, non-smokers don't buy cigarettes.

✓ The makers of Frosty Paws (billed as "the first ice cream for dogs") never took into consideration the fact that Rover will eat anything you throw on the floor. Why would anyone buy premium-priced fake ice cream when dinner scraps will do?

Being first with a stupid idea will get you nowhere.

Getting Credit for Attributes

Visa has dominated the credit car world by taking possession of the attribute of being "everywhere." It accounts for 53 percent of the $1.16 trillion annual credit card transactions, more than MasterCard by a two-to-one ratio. MasterCard, on the other hand, does not own an attribute of its own. It tries to act like Visa (a mistake), rather than staking out some other attribute for competitive advantage. Even American Express has seized upon a separate attribute, as an everyday usage card in grocery stores, gas stations, and the like. Not owning an attribute has been an expensive lesson for MasterCard.

● **Maintain Attribute Ownership.** An attribute is a characteristic, peculiarity or distinctive feature of a person or thing; persons or things are comprised of a mixture of attributes. Each toothpaste, for example, is different from other toothpastes in terms of cavity prevention, plaque prevention, taste and other different attributes.

What makes a person or product unique is being known for one of these attributes. In fact, attribute ownership is probably the Number One way to differentiate a product or service. There is one caveat: You cannot own the same attribute or position that your competitor owns; you must seek out another attribute. Many companies attempt to emulate a leader, when it is much better to find an opposite attribute that will allow you to play off against the leader. To be most effective, attributes should be simple and benefit-oriented.

● **Be a Leader.** Leadership is the most powerful way to differentiate a brand, because it's the most direct way to establish the credentials of a brand. Credentials are the collateral you put up to guarantee the performance of your brand.

Powerful leaders can take ownership of the words that stand for their category. When you think of computers, copiers or chocolate bars, chances are you think of IBM, Xerox and Hershey's. An astute leader will go one step further to solidify its position. Heinz, for example, owns the word *ketchup*, but it also owns the word that describes the ketchup's most important attribute: *slow*. Owning that one word helps Heinz maintain a 50 percent market share.

● **Have a History**. Heritage has the power to make your product stand out. It can be a commanding differentiating idea because there appears to be a natural psychological importance to having a long history, one that makes people secure in their choices. Heritage also

(continued on page 7)

Eight Successful Differentiation Strategies

(continued from page 6)

gives people the impression that they are dealing with an industry leader; if not the biggest, they certainly are a leader in longevity.

Tradition isn't always enough, though. Companies must strike a balance in their marketing between consumer-comforting tradition and progressiveness that is crucial to continued success. A good example of this is Tabasco, the longtime leader in the pepper sauce business, which both honors its heritage and looks forward (through, for example, its trendy neckties, Cajun cooking festivals and Tabasco-laced drinks that originated in Louisiana oyster bars).

● **Specialize in Your Market.** People perceive those who concentrate on a specific activity or product as experts on that activity or product, giving them more knowledge and experience than they sometimes deserve. Conversely, the generalist is rarely associated with expertise in many fields of endeavor, regardless of how good he or she may be. Common sense dictates that a single person or company cannot be expert in everything.

Consider a big food name like Kraft, which, when taken out against specialist brand names (such as Hellman's in mayonnaise or French's in mustard), is trounced every time. In retail, the biggest names that are in trouble today are department stores like Macy's, Hills and Gimbel's — all of which have ended up in bankruptcy court. The big successes are the specialists. Gap, Victoria's Secret and Foot Locker have all succeeded by focusing on one thing.

● **Be the Preferred Provider.** More often than not, people buy what they think they should have, like sheep following a herd. The main reason for this kind of behavior is insecurity. People are more likely to purchase a product that other people think is the correct one to buy. This is called "preference," and it is widely used by companies to differentiate their products from competitors'.

Tylenol, for example, has become the number one pain reliever in America in part because Johnson & Johnson promotes its product as "the pain reliever hospitals prefer." Science Diet, a premium-priced dog and cat food, is "what vets feed their pets." The list goes on and on. Companies use the preferences of others to establish authenticity and to set themselves apart from the competition.

● **Make Your Products in a Special Way.** Companies spend millions of dollars and thousands of man hours developing, producing and testing new, innovative products, only to have their marketing departments hide all evidence of this work in their messages to consumers. Marketers dismiss such information as too complex, preferring to focus on the lifestyle experience associated with the product.

The problem with this strategy is that many competing products can provide the same lifestyle experience; focusing on the unique design or technology in the product, on the other hand, can help distinguish the product in the marketplace. Give the design element a name, and package it as the magic ingredient that differentiates the product from all others. If you've got it, flaunt it, as the following companies found out:

- ✓ Sony started its dominance in television by making a fuss over its "Trinitron." Did anyone know what it was? Nope, but it sounded impressive.
- ✓ When Crest introduced its fluoride cavity prevention toothpaste, they made sure everyone knew it contained Flouristan, though no one knew what that was. However, it sounded impressive.

● **Be Hot.** When you're hot, the world should know you're hot: Word of mouth is a powerful force in marketing. While people love underdogs, they usually bet on winners. It is surprising, then, that so many companies are shy when it comes to telling people about their success. While a few may carp that bragging is pushy, the real reason they're reluctant is the fear that they might not stay hot forever.

What they don't realize is that getting a product or company off the ground is a lot like getting a satellite into orbit: It takes a lot of thrust to get it off the ground, but once it's in orbit, it's a whole different ballgame. Being hot or experiencing tremendous growth can get your product or company some altitude; once you're there, you can figure out something else to keep you there. ■

Schwab's Preference Strategy

Charles Schwab unleashed the ultimate preference strategy by taking out a three-page ad in the *Wall Street Journal* and quoting six authorities (including *Money* magazine, *Smart Money*, and the *Financial Net News*) who named the company the Number One online broker in the field. That wasn't enough; they also noted that 2.5 million investors chose Schwab to help them invest online; that Schwab handles more online trades than any other broker; and that they handle more online assets than any other broker.

By the time Schwab was finished, there was no doubt it was the most preferred online broker.

Growth and Sacrifice in Differentiation

Brands often lose their uniqueness to the desire to be bigger. Indeed, the urge to grow seems almost like a reflex action, in part because that's how businesses tend to reward employees and management. The question of whether growth is indeed necessary is rarely brought up. In the words of economist Milton Friedman, "We don't have a desperate need to grow; we have a desperate desire to grow."

Negative Effects

Growth negatively affects differentiation in two key ways:

● **The company becomes distracted.** Rather than pouring on the resources and preempting a differentiating idea, companies in "growth mode" tend to focus those efforts on growing their businesses. When they do this, they miss out on opportunities to improve their niche development, pursuing instead a broader (and, in most cases, less rewarding) line of growth.

● **The company overextends its product lines.** In an effort to pursue "endless" growth, companies fall into a line extension trap, trying to hang their brand in as many related or unrelated categories as possible. McDonald's, for instance, built a successful business on inexpensive, high-speed cheeseburgers. When the company decided to branch out into pizzas, chicken and kid's menu items, its growth slowed and its hold on the fast food market weakened.

Companies must recognize that maintaining focus on their basic business makes more sense in the long run than watering down their efforts in search of wider growth.

Conversely, giving up something can, on occasion, be good for your business. When you study categories over a long period of time, you can see that adding more can weaken growth, not help it. Phillip Morris, for example, sought to maintain growth by adding products to its flagship brand, Marlboro. Soon, Marlboro Country was filled with Lights, Mediums, Menthol and Ultra-Lights. Sales went down (real cowboys don't smoke Ultra-Lights), so Phillip Morris returned to the tried-and-true red and white packaging, focusing once again on the main Marlboro brand.

The more you add, the more you risk undermining your basic differentiating idea. ■

Being Different in Different Places: Five Rules for the Road

Making your brand a global brand is a tricky, though not impossible, proposition. Before deciding that one differentiating idea can take your brand around the world, consider the following:

1. The current idea may be the wrong idea. Coke inexplicably got rid of its powerful slogan "The Real Thing," only to bring it back in another form when they cracked the Russian market, where there's a rediscovery of roots and a respect for authenticity. "Drink the Legend" is Coke's slogan there.

2. Attributes can change when you cross borders. In Mexico, Corona is a low-rent, humble brand of beer; you can pick up a six-pack in Mexico City for about $2.50. In America, Corona has a spring break, palm trees, drink-it-with-a-lime image, and can usually be found for $6 to $8 a six-pack.

3. Your market leadership may not translate. Nescafe is Nestle's top selling coffee brand in the world, except in India where the company's specially made Sunrise coffee (made with chicory to give it a familiar flavor) outsells the flagship brand.

4. Your heritage may not be respected. Kellogg's is a proud old name for breakfast food, but the cereal giant got a cold shoulder in India, where hot food is preferred for breakfast. So much for heritage.

5. Your specialty may get blurred. What is Lux? In Indonesia, it's a soap; in China, Taiwan and the Philippines, it's a shampoo; in Japan, it's both. It's difficult to convince the world you're a specialist when your expertise varies, according to geography. ■

Who's in Charge Here?

Top management has to be in charge of making sure that differentiating strategy is generated, communicated and maintained. They cannot leave those duties to marketing people and ad agencies in a hands-off capacity. The pages of business publications are littered with tales of CEOs who were misguided in their strategy or who pursued no strategy at all.

In contrast, when you study success, you tend to find that the best CEOs do their own strategy, in their own specific ways. Herb Kelleher of Southwest Airlines helps maintain his company's success by being intimately involved in all aspects of the business. Jack Welch of GE can't go to every meeting and be involved with strategy; instead, he trusts his top business unit leaders to figure out the best way to meet corporate goals.

In 1966, Peter Drucker defined leadership as "thinking through the organization's mission, defining it, and establishing it, clearly and visibly." In a new age of killer competition, the foundation of leadership is "thinking through the organization's *difference*, defining it, and establishing it, clearly and visibly."

Rosser Reeves would have agreed with that revision. ■

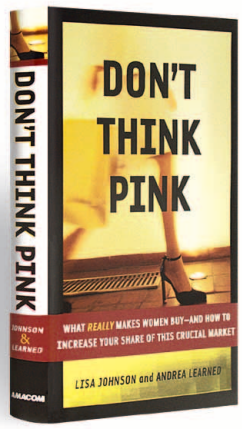
· Book 34 of 106 ·

Don't Think Pink

Lisa Johnson and Andrea Learned

SOUNDVIEW Executive Book Summaries®

FILE: MARKETING



What Really Makes Women Buy — And How to Increase Your Share of This Critical Market

DON'T THINK PINK

By Lisa Johnson and Andrea Learned

CONTENTS

Beyond 'Thinking Pink'
Page 2

Now You See 'Her'
Pages 2, 3

Now You Don't (See 'Her')
Pages 3, 4

Inside a Woman's Mind
Pages 4, 5

Shaping the Generations
Page 5

Looking Beyond Generations
Pages 5, 6

Cultural Influencers
Pages 6, 7

Learning Curves and Life Stages
Page 7

The Internet-Savvy Woman
Page 8

Online Research
Page 8

Enlisting Women as Your Marketing Partners
Page 8

THE SUMMARY IN BRIEF

Women are making more money and more purchases than ever before and, as a result, they are an economic force that marketers need to harness. However, you can no longer "think pink" by assuming that all women are the same and all they want are pastel colored products with hearts and flowers on them. Generational experiences, lifestyle choices, transitional events, and demographic characteristics combine to define the filters through which women make buying choices. With so much money ready to be spent, marketers cannot afford to get it wrong. By examining the different ways women think and how companies can engage women with visible and transparent marketing campaigns, the authors show marketers how to stop thinking pink and start working in partnership with women to determine what they want. Women are willing and able to help you improve your products and services. You just need to get the proper information and then present it to the appropriate consumers.

What You'll Learn In This Summary

- ✓ How to retrain your brain and stop thinking pink.
- ✓ When to use visible or transparent marketing campaigns and when to use a hybrid of the two.
- ✓ How the brains and minds of women work and how that affects their purchasing processes and decisions.
- ✓ The influencers and buying filters of different generations of American women.
- ✓ The influencers and buying filters of American women at different stages in their lives.
- ✓ The influencers and buying filters of emerging majorities and ethnicities.
- ✓ How to leverage learning curves and life transitions to market correctly to women's needs when they emerge.
- ✓ How to work with women and make them your marketing partners as you develop and evaluate new products and services.

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Beyond 'Thinking Pink'

Women's roles in society and their effects on the economy have shifted greatly in the last few decades, but marketers' perceptions have not necessarily caught up. Skimping on research and working from outmoded data and stereotypes lead to pink products (pastels, flowers or "lighter" versions of the original) that don't connect with today's savvy and empowered women.

To connect with women today, consider the following:

1. Earning Power. Women now earn one trillion dollars a year due to a shrinking wage gap, earn more advanced degrees, earn a larger percentage of household income, are growing as business owners, and surprisingly, control 51 percent of the private wealth in the United States.

2. Spending Power. Even greater is women's spending power, estimated at about $2 trillion a year. Women are responsible for the bulk of household purchases, and between purchasing managers and small business owners, they also control a great deal of corporate spending.

3. Run the Numbers. Companies who have assumed that their primary market is men may be surprised to find that women are now the majority of their customers. Establish the facts about who actually buys your products.

4. Mainstream and Integrate. Don't let knowledge about women's preferences and buying behaviors languish in the marketing department. Make sure the whole company is aware of this large and varied market.

5. Reframe Approach. Do not assume women are a nonproductive market because you are not marketing to them successfully. Consider whether your market desires a visible campaign that is directed unquestionably toward women, a more sophisticated transparent campaign that tailors the message for women without specifically labeling the product "for women," or a hybrid campaign that combines the two.

6. Go Inside Her Mind. Understand the biological, neurological and behavioral variations between male and female brains. Women take in and retain more information when walking into a room, they are more verbal, and they seek more human connections.

7. Segment and Focus. Today's women have been shaped by a diverse set of experiences. Don't be lulled into looking at the average income and spending of the whole group, or you will miss lucrative growth segments.

8. Listen in New Ways. Make women your marketing partners and you will discover what they want. They are good at articulating how a product or service might work better for them.

9. Measure ROI. If focusing on women represents a new commitment for your company, measure return on investment (ROI) to support the business case for increased budgets, staffing power, and programming tailored to women.

10. Carpe Diem. Companies are only beginning to understand the importance of moving away from pink thinking. Gain a competitive advantage and spur growth by leading the charge and starting now. ■

Now You See 'Her'

The two main approaches to marketing to consumers of either gender are *visible* campaigns (directly calling out "for women" or "for men") and *transparent* campaigns (delivering a product that works with a gender's information gathering and purchasing processes, but that doesn't single it out as a special group). Plus, a third or *hybrid* approach combines the two. Each option

(continued on page 3)

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Now You See 'Her'

(continued from page 2)

can be highly effective in reaching women in particular. The success of one approach or another depends on the product or service, the profiles of core women customers, and how they want to be reached.

Some products just demand language and imagery that are clearly directed toward women. One example of a successful visible campaign is that of the Venus razor by the Gillette Co. Wachovia used a visible campaign when it created an online retirement calculator for women that factored in their longer lives and years outside the work force.

Hybrid Campaigns

In a hybrid campaign, the overall marketing effort might remain transparent, but certain products or elements are more visibly focused on women and their distinct needs. Home Depot's "Do It Herself" workshops promote a visible element within an overall transparent campaign.

Rejuvenating Effects toothpaste is a product that represents the hybrid approach to marketing to women. Developed as a product within Procter & Gamble's Crest line, it is promoted as the first toothpaste targeted specifically to women using the slogan, "For a radiant smile, today's new beauty secret."

Beware if a visible approach, either on its own or as part of a hybrid approach, reinforces outdated stereotypes of women and their preferences for the sake of a marketing pitch, or you will turn off both men and women alike.

When assessing the value of a visible campaign for reaching your market, consider how connected to a woman's specific realities, such as body shape and health, your product or service may be, and how her emotions around those topics may affect her purchase. Golf clubs re-engineered for a woman's smaller grip, swing and size is a case when a visible approach is the best choice. ■

Visibly Marketing Nutrition for Women

Well-executed visible marketing streamlines women's buying minds. Media coverage of nutrition and diet has increased greatly in the last decade, and everything from breakfast cereal to power bars provides opportunities to tap into women's understanding that they need more of vital nutrients in their diets, such as calcium and iron.

It is well documented that diet is instrumental in preventing osteoporosis, heart disease and cancer. At the same time, it is important to accommodate women's busy lives by finding quick ways to fit nutrition into their routine. Companies that talk to women early on in the development process can zero in on their concerns and create products that:

✓ Provide a good portion of each day's calcium requirement to prevent osteoporosis.

✓ Contain added nutrients and soy protein to boost protection against heart disease.

✓ Use promotional copy that espouses the product's essential nutrients specifically for a woman's diet.

✓ Maintain their established logo and brand, but possibly include a female graphic element.

✓ Package the product to reflect a woman's mobile life, for example individually wrapped portions or smaller containers.

Now You Don't (See 'Her')

Transparent marketing requires more sophistication and in-depth knowledge of your market. It requires making changes in your product and marketing that are inspired by women, but are appreciated by everyone. Though transparent marketing takes more work, it builds brand loyalty and increases sales in a way that a visible campaign can't. As more and more women realize that you pay attention to their preferences, there will be less need for the "for women" tag line. You will provide intuitive solutions and take the hassle out of buying for everyone. There is no need to be insincere, sappy or sexist in an effort to research or use your newly found information. Women will respond to an appropriate message.

Keys to Transparent Marketing

To create a transparent campaign, you should:

1. Narrow your focus. Women are so diverse that you will dilute your message by trying to appeal to everyone. Determine which segment across ages, life stages, or cultures is the best fit for your product.

2. Understand the customer community. Intimately know what influences your customers' community. Consider the routines, thoughts, stresses, hopes, desires and belief structures female customers encounter daily.

3. Build customer feedback into your process. Don't wait until a product is practically on the shelf to get feedback. Work from the beginning to market with women instead of to them.

4. Focus on your product's context. Have your product show up in your customer's life at key scenarios or life stages. Get it in the doctor's office or the mailbox

(continued on page 4)

Now You Don't (See 'Her')

(continued from page 3)

just when the customer will need it.

5. Understand and define your brand. Let your brand's spirit stand out. Don't allow your brand to become bland and blend in with all the others. Capture women's attention and get the buzz started with their friends by promoting your brand's uniqueness.

6. Be authentic. Share your brand's strengths and weaknesses. Those you want to reach will appreciate your honesty and trust the people behind your brand. ■

Transparency in Home Improvement

Here is how the home improvement industry instituted transparent marketing to reflect the emergence of women as core customers:

1. Narrow your focus. In 2003, Lowe's found that 80 percent of women do "everyday fix-it" projects around the house. This and similar research showed that women should receive more focus from the home improvement industry.

2. Understand the customer community. Women do not have the time or patience to wait for husbands or handymen to fix problems. The industry did not go visibly pink, but designed innovative products and solutions that are easier for everyone to use, such as Sherwin-Williams Dutch Boy paint with its "Twist & Pour" square plastic container, twist top, built-in side handle, and no-drip spout.

3. Build customer feedback into your process. Large home improvement stores all offer do-it-yourself (DIY) classes. Women learn how to tile floors and companies get feedback about women's needs.

4. Focus on your product's context. Women are information hungry and visually oriented. Craftsman Tools targets female buyers with detailed photo displays, and Ace retail stores feature in-store libraries of how-to information on household projects.

5. Understand and define your brand. Home improvement has become a cool, empowering hobby and the industry's stores are now weekend destinations. Entertainment extensions like the hit TV show *Trading Spaces* and interactive how-to seminars foster that perception.

6. Be authentic. Women to not want to be condescended to or ignored when standing in the aisles of a local retailer. The home improvement industry has approached women as the DIYers they are and reflects a true commitment to helping them understand what to do and how to do it.

Inside a Woman's Mind

Men and women *do* think differently. Gender-specific brain differences have a profound effect on the way information is absorbed, processed and retained. Here are a few differences in the ways male and female brains process information:

1. A Woman's Brain Synergy. Women have more dendritic connections than men and more connecting tissue, allowing them to transfer data between the brain's right and left hemispheres faster. This may be why it is easier for women to compile diverse input and come to a decision. They are also more in touch with their feelings and better able to express them. Marketers must understand that every interaction matters, that women notice inconsistencies in messages, and that human connections are key to attracting them.

2. A Woman's Observational Skills. Women can take in information on many levels, and typically absorb a much greater amount of it from their environments than men do. Give women incredible detail to absorb and digest. Your brand needs to be everywhere, including her peripheral vision and integrated marketing channels.

3. A Woman's Sense of Discovery. Women would rather do front-end research and then go straight to the one product that meets their needs. The pre-purchase process is much more important than it is for men, because that's when women ask their questions and eliminate potential mistakes and time wasters. Support women's inquisitive nature, provide basic benefits and features, and plug into women's ongoing education.

4. A Woman's Sense of Values. Women often incorporate their values into their shopping habits. Select messages and images that speak to your customers' values, and connect women to each other around your brand. Make improving a woman's life your brand's context: Simplify her life by saving her time.

5. A Woman's Communication Style. Women communicate to build bonds and forge relationships based on mutual values and interests. Avoid over-automation, focus on relationship-building opportunities (one-on-one experiences), and facilitate story sharing.

How Women Buy

Smart marketers not only know how women think, but they also know how they buy.

First, **women develop and use smart shopping skills.** Create a sales culture committed to helping consumers determine the best choice, not closing the quickest sale.

Women are constituent-driven decision makers. They set priorities according to the needs of those most dear to them, so identify ways they can support family

(continued on page 5)

Inside a Woman's Mind

(continued from page 4)

members with purchases.

Women seek ongoing relationships and insider information. A woman's first research step is to turn to a trustworthy, unbiased source who already owns and uses the product, so provide pass-along devices (online and print) to support personal networks.

Finally, **women comparison shop.** They gather data through reading and research, so provide comparisons of your product's features against competitors. ■

Shaping The Generations

There are many ways to segment the women's market, but a good way to start is by considering the events that have shaped the lives of the different generations that make up the market. (See chart below.)

Generation Y Women

Generation Y grew up with the personal computer and the Internet. Gen Y women are well educated and now outnumber men in college and graduate schools. Their role models are their prosperous Boomer parents, and they expect a lot from brands. The Gen Y woman's view of your brand is influenced by her characteristics: She is optimistic, technology savvy, a doer, entitled, multicultural, individualistic, education focused, socially conscious, confused and stressed, independent yet collaborative, and entrepreneurial. She desires highly personalized offerings and appreciates opportunities for self-discovery and sharing, such as online communities.

Generation X

Though Generation Xers were once labeled slackers, they have matured and are far better described as entrepreneurial and practical. They grew up with the Vietnam War, the 1970s oil crisis, Watergate, Roe v. Wade, rising divorce rates, the release of the movie *Star Wars*, the PC revolution, and AIDS. Influencers that filter Gen X's views of life include: a nontraditional upbringing, a gender-neutral outlook, a commitment to lifelong learning, technology savvy, self indulgence, putting motherhood on hold, professional careers, and financial challenges.

They respond to hip humor, truthful advertising and highly visual ads, and do research before making major purchases. They switch brands often, have environmental concerns, and prefer gender-neutral approaches.

The Generations

Generation	Born	Age in 2003	Estimated Population	Estimated Women Population
Y	1980 – 1997	6 – 23	74.2 million	36.2 million
X	1965 – 1979	24 – 38	62.1 million	30.8 million
Baby Boomer	1945 – 1964	39 – 58	80.2 million	40.8 million
Mature	Before 1945	59+	50.7 million	28.7 million

Baby Boomers

Starting in 1996, over 4 million members of this group have turned age 50, and this will continue for the next decade. These women grew up with the Cold War, the introduction of television, the Kennedy assassination, the Beatles, "the Pill," the Vietnam War, and Watergate. They went to college far more than the previous generation, and more Boomer women work than women of the generations on either side of them. As they approach traditional retirement age, they don't necessarily expect to stop working. They postpone marriage and have divorced more than any previous generation.

Characteristics that affect their buying include their interests instead of their age, stress and time management, care giving, confidence and optimism, and their exercise and health. To reach them, forget senior discounts, support connectedness, promote youthful appearance, be a knowledge source, and get to the point.

Mature

Mature women span a large time frame and have diverse beliefs and experiences. Although the 81 million Americans over age 50 account for only 28 percent of the population, they represent 50 percent of total consumer demand, 65 percent of total net worth, and 70 percent of all personal financial assets. Their attitudes and lives were shaped by World War II, the rise of suburbia, the Korean War, and Elvis Presley.

Filters that affect their consumer behavior include: selective indulgence, volunteerism and activism, embracing the Internet, and being energetic and active. To reach these women, speak to their lifestyles, not their age. They look to experts and authority figures, resent age-related adjectives, build human connection via interactivity, appreciate the personalized approach, and tap into intuition and emotion. ■

Looking Beyond Generations

Beyond segmenting women by the generation they belong to, common cross-generational traits and roles in the course of their lives may carry even more weight.

Single Women

Greater career opportunity, higher divorce rates, and longer life expectancy have contributed to women living

(continued on page 6)

Looking Beyond Generations

(continued from page 5)

on their own for longer periods of their lives. By 2006, aggregate solo female income is estimated to reach almost $200 billion, up 20 percent from 2001. Single women are content and in control, they sometimes intentionally take on motherhood without a partner, and they have unconventional living arrangements. The filters that affect their buying include a redefinition of family, healthy lifestyles, living a spiritual journey, and empowerment. They respond to marketing messages that reflect their intelligence, honor their lifestyle choices, and affirm their self-esteem and independent spirit.

Businesswomen

Working women and female entrepreneurs wield a mighty economic influence because they not only buy for work, but they incorporate information gathered from work purchasing in their home lives. In 2002, there were almost 4 million privately held 50 percent women-owned businesses generating $1.17 trillion in sales. Most workingwomen juggle many responsibilities, so making their lives easier appeals to them.

Filters that affect businesswomen include brand loyalty, desire for customer service and training, efficient Web sites, combining personal and business buying, environmental and social responsibility, and hiring help to save time. To attract their business, promote the benefits of your product or service before price, develop products for both business and household use, offer product training, provide ways to speed through purchase, present full- and fast-service Web sites, integrate your retail experience, and fully utilize online channels.

Moms

Having children profoundly affects women's lifestyles. Their parenting styles segment mothers more than the ages of their children or traditional demographics. An average-income family will spend approximately $165,000 on a child by the time he or she reaches 18. Moms often choose to work even when they don't have to. Moms' buying filters are usually affected by one of two mothering styles: either traditional roles are followed and balanced with the modern need for women to be making a living, or women who did not plan their pregnancies, are perhaps unmarried, or are raising their children in a true partnership with the father, innovate their child-rearing roles. No matter what kind of mothers they are, you must market to multi-taskers, provide information over emotion, support their practical priorities, address their sense of balance and perspective, and educate them online. ■

For Additional Information on what moms want in advertising, go to: http://my.summary.com

The Female Business Traveler

Hotel chains are making changes to attract female business travelers, a fast-growing travel segment. Here are a few of the changes hotels have made:

✓ **Security.** Hotels have designed brighter lobbies, more open spaces, and tighter security to discourage intruders, because security is a primary concern of women travelers.

✓ **Food Service.** Businesswomen actually prefer to eat in their rooms, so room layouts are more likely to accommodate meal trays, and the room service menu includes healthier and more nutritious options.

✓ **Design.** Hotels are being designed with a more residential feel and fewer dark and paneled decors. W Hotels hosts a "living room" instead of a lobby, with space for a single traveler to feel comfortable.

✓ **Extras.** From Wyndham's Herman Miller ergonomic work chairs and in-room Internet access to the Loews Vanderbilt Plaza Hotel's "do not forget" closet, many hotels are providing amenities for all business travelers. Others provide a technology butler for computer-related questions, in-room massage, and pet-friendly rooms.

Cultural Influencers

Another way to segment women is by ethnicity. Groups that were once thought of as minorities are now becoming emerging majorities. No matter the market, an in-culture marketing approach should be the ultimate goal. Consider cultures and dialects; variable acculturation; sensitivity to religion; and the importance of family, appearance, and language barriers.

Hispanic American Women

Between 1990 and 2000, the Hispanic population grew 58 percent and its buying power grows approximately 12 percent annually. These women have emigrated from many different countries, but no matter what their acculturation level or dialectical preferences, they generally have family and household purchases in mind. Families often include a broad range or relatives and generations, and shopping is often considered a family affair. Catholic holidays and traditions are also important. To attract this market's respect, and reflect cultural and dialectical differences, show pulled-together fashion and make-up, remember family and children, tap into local celebrations, be online, and buy cable TV time.

Asian American Women

Asian American women come from cultures as diverse as Japan, Indonesia and India, so they do not share the same language or religion. Their buying filters

(continued on page 7)

Cultural Influencers

(continued from page 6)

tend to revolve around community and children, and may reflect social status and roles of women in home cultures. The women are typically highly educated, often have their own businesses, and although they are very brand conscious, they are not necessarily brand loyal. To attract them, reflect the uniqueness of their different backgrounds, understand that images of success resonate, learn and honor culturally specific traditions, use familiar body types and skin colors, and don't overlook the fast-growing generation that immigrated to the United States with their parents as children.

Black Women

This emerging minority covers a broad range of dark-skinned ethnicities beyond African Americans. More Black women go to college than do Black men, and college educated Black women earn more money than the median for all Black working men — and for all women. African American women handle more financial responsibility than women in general because they are less likely to be married.

Despite this, Black women adopt more than half of all children adopted by single women. Whether Black women come from Africa, the Caribbean, or the United States, and whether they lived through segregation and the Civil Rights era, affect their view when making consumer purchases. To attract these women, demonstrate your commitment to their communities and church, value their lifestyles and cultural diversity, tap into their popular cultural interests, and reflect their use of media channels. ■

Valentine's Variations

Asians are a diverse ethnic group with different traditions and holidays of which advertisers should be aware. One example is the different variations of St. Valentine's Day, a holiday that Americans celebrate by giving chocolates, flowers and presents to their loved ones.

In Japan, the holiday has been adapted as Giri Choco which means "obligatory chocolate." It is a one-sided gift-giving tradition for females to buy chocolates for their boyfriend, husband, male co-workers and classmates. One month later, on White Day, men who received the gifts must reciprocate, though with jewelry, candy and flowers.

Korea observes the equivalent of White Day when women give men chocolate on Valentine's Day and men give women candy a month later.

Many Chinese follow the American tradition of Valentine's Day, but they also celebrate Lover's Day to commemorate a legendary love story about a young mortal cow herder and immortal weaving fairy who could not be together. On the seventh day of the seventh lunar month — the one day of the year the lovers are reunited — the Chinese will buy loved ones flowers and other gifts.

Learning Curves and Life Stages

Life transitions provide an excellent opportunity to build brand loyalty when there is a steep learning curve, such as having a baby or investing in stocks. These are the times when many new brand decisions are made.

The consumer's confidence level becomes a key issue in what she will choose to buy. Alienating either tentative or sophisticated buyers with the wrong level of information is a danger. Be certain to prepare several service levels to serve all the customers on your industry-confidence spectrum.

Tentative testers will ask for advice from friends and then do research on the Internet. Make sure their friends are already aware of your brand and that it will be easy for newcomers to navigate your Web site and find information. Confident consumers are more interested in ways to speed through the buying process. Remove speed bumps that challenge their patience. For example, offer a "quick buy" link on your site for regular shoppers who have already given you their profile information.

To serve both ends of the confidence spectrum, ask where customers are in the buying/education process, provide a range of education, teach related skills, map key information points, and expand online options.

Life Transitions

Life transitions, such as going away to college, a career change, the birth of a child, or retirement, are important moments of brand reflection, consideration and decision for customers. Therefore, they are important opportunities for marketers. People not only think about what they need, but they may re-examine how to best fulfill those needs.

Women usually make the buying decisions when navigating through change. Marketers must remember that traditional one-time events are happening more often, timelines are shifting, and "mature" transitions are more frequent. For women experiencing a life transition, everything is new, including brand names, product categories, and price ranges. Marketers should help women get up to speed, tap into human relationships, create clarity through relevant associations with old experiences, group products and information into sets, become a trusted filter, and address multiple needs at once. ■

The Internet-Savvy Woman

Going online has become a way of life for women. To reach them, go where they already assemble. Women are 52 percent of the U.S. at-home Web population and they are online for both community and shopping.

How Do Women Use the Internet?

Women start using the Internet by experimenting with e-mail, and quickly learn to incorporate e-mail and online research into their daily connections with family, friends and businesses — making the Internet their tool and advisor.

Though women make or influence the bulk of consumer purchases in the United States today, they do not have much time to devote to traditional shopping. They are quickly becoming quite comfortable doing that online, so Web sites have to improve functionality and customer experience. With potential customers at all levels of Internet comfort, companies should address the following areas to better reach customers: connection speed, software download alternatives, navigation and viewing options, the human touch in customer service, and meeting customer needs via e-mail.

Shaping Online Views

Women's brand loyalty really hinges on both the product and the shopping experience. Success in serving women depends on meeting, if not exceeding, their expectations for an improved customer relationship. Women are so demanding of a good customer experience online that a bad experience will ruin their loyalty for the brand's off-line channel as well. Because women do so much of their shopping online, it is worth it to invest some time and effort avoiding costly mistakes.

Don't use guesswork and outdated stereotypes to decide what women want. Avoid flashy technology — women really want ease of use, solution-oriented content, and superior customer service when shopping. Don't send useless, self-serving e-mail, and don't ignore the integration of online and off-line customer experiences. Also, companies must not waste the customer's time with poorly designed Web sites. ■

Online Research

Because so many women are already online for research and shopping, work with them to learn more about what they want as consumers. To discover their true requirements, values and preferences, you must:

- **Sit back and observe.** To learn about what attracts women online and keeps them there, look at popular Web sites like Dailycandy.com for ideas about hip and happening shopping and events, and Tickle.com for ideas about women's entertainment needs.
- **Ask and see (through their eyes).** Companies should use online polls, quizzes, surveys, feedback, promotions and e-mail advisory boards to gather information about purchasing behaviors and customer needs.

When conducting online research, **DO** pose questions in a fun, conversational tone; make it simple to sign in and get started; know the incentives that will inspire responses; express appreciation for participation; keep initial surveys or interactions brief; and use e-mail addresses only for your originally stated purpose. **DON'T** ask for too much personal information; make your questions stiff or clinical; use e-mail addresses for spam; or abuse respondents' generosity by requesting feedback too often. ■

Enlisting Women as Your Marketing Partners

If you ask them the right questions, women have an incredible ability to help you solve brand challenges for the products and services they purchase. Ask women and then listen to them carefully early in the development process of products, packaging and marketing. Instead of using traditional focus groups, try having conversations in relaxed atmospheres; use a live talk-show format; tap into existing meetings of women's groups, such as book clubs, walking groups, or investment clubs; perform virtual listening by sharing online; ask industry insiders; get feedback; and review data.

Tips for joining conversations with women include:

- **Encourage story telling.** Women share vital information about the things that brands need to know in the context of stories.
- **Use all your senses to listen.** Pay attention to the energy level in the room and the conversation's content.
- **Support the conversation through environment and context.** Fun and relevant environments can do wonders to support authentic conversations.
- **Look at her holistically.** Women often view products and services as part of a solution or improvement that they will incorporate into their lives.
- **Use your best listeners.** When conducting research and listening to women, send marketers to listen to women who understand and enjoy the market, and who are clear on the objectives of your brand.

The biggest advances in learning from the conversations of women will come as companies use streamlined internal communication systems, such as an intranet and e-mail, to make the ongoing feedback from women available throughout their organizations in real time. ■

For Additional Information on virtual listening, go to:
http://my.summary.com

· Book 35 of 106 ·

ENGAGED!

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ENGAGED!

Outbehave Your Competition to Create Customers for Life



by Gregg Lederman

THE SUMMARY IN BRIEF

While the great majority of companies want to be good at delivering the customer experience, very few are investing the necessary resources to create the systems to define the experience and ensure it is consistently brought to life. As consumers, we are fed up with tolerating employees in companies who act as if they are doing us a favor by providing … well … customer service.

In *ENGAGED!* you will see why world-class companies have fiercely loyal customers who proactively recommend them to others and who buy more and more often. These companies all have one thing in common — ENGAGED employees who are motivated and committed to act in the company's best interest. ENGAGED customers fall in love with your company, are more loyal, proactively tell others about you, and buy more of your company's products and services (and do so more often). As you will learn, the benefits of engaging your workforce and customers are easy to see and difficult to refute.

ENGAGED employees Live the Brand to help their company Achieve Brand Integrity. To Live the Brand means you KNOW the mission, values, brand positioning, guiding principles, etc., that your company has announced to the workforce and marketplace, and you know how to DO them in your day-to-day job.

IN THIS SUMMARY, YOU WILL LEARN:

- Eight principles to help you get more ENGAGED employees and customers.
- How to design and implement a sustainable customer experience.
- How to communicate expectations for Living the Brand.
- How to create a Living the Brand system rooted in behavior.
- Approaches for defining a profitable mindset and experience.

CONTENTS

Principle 1: Get Every Employee on Stage, Delivering the Experience for Customers
Page 2

Principle 3: Don't Just Announce Your Culture, Make It Visible
Page 4

Principle 4: Spring from Culture Talk to Culture Change
Page 4

Principle 5: Quantify Your Culture to Turn Common Sense into Common Practice
Page 6

Principle 7: Put the Carrots Away, Rewards Don't Work the Way You Think They Do
Page 7

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THE COMPLETE SUMMARY: **ENGAGED!**

by Gregg Lederman

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For additional information on the author, go to www.summary.com or www.GreggLederman.com.

PART 1: DEFINE A LIVING THE BRAND SYSTEM

Principle 1: Get Every Employee on Stage, Delivering the Experience for Customers

Leaders in the companies you love to do business with understand that KNOWING the brand and DOING the brand lead to stronger work cultures and more profitable customer relationships.

Employees in these companies you love recognize they are on stage orchestrating an experience. They appreciate that they have the ultimate responsibility and opportunity to deliver an experience — to perform an experience that makes customers happy. And in most cases, it makes them happy, too.

At work, all employees (everyone who gets paid for doing a job at the company) are on stage responsible for delivering a branded experience to coworkers and customers. That means that no matter how far removed your role is from the actual customer, you are still responsible for delivering an experience that helps those who do interact with the customer. All employees are on stage!

Get Everyone Focused on Your Company's Purpose

When I ask audiences, "What is the purpose of your company," inevitably, the majority of responses are that the purpose is to make a profit. While this view may seem obvious, it fails to take into consideration what companies need to get there. While profit is the fundamental objective for every company, companies can't achieve it without creating and keeping customers.

A challenge many companies face is that they spend so much time trying to get new customers that they lose focus on the tremendous efficiencies that can be created by delivering a better experience to existing customers.

Customers Who Love You Will Spend More

According to research by Harris Interactive, consumers not only want a better experience, but also they will pay more for it. Even in a negative economy, 60 percent of consumers say a better experience is a high priority and one that they are willing to pay more for (either most of the time or always). On the flip side, another study found that 91 percent of unhappy customers will not willingly do business with your company again.

There has never been a better time to ENGAGE employees with the delivery of a well-orchestrated customer experience. Now is the time to make sure you have a Living the Brand System in place. This is an approach for defining, reminding others about and quantifying the branded experience employees can orchestrate at critical points of interaction. Customers want to love you. You are on stage. Start performing! ●

Principle 2: Make Happy Employees to Create ENGAGED Customers

Most companies have a vast reserve of untapped employee performance potential where managers struggle to build emotional connections between employees and the company's success. The evidence is irrefutable

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Rebecca S. Clement, Publisher; **Sarah T. Dayton**, Editor in Chief; **Andrew Clancy**, Executive Editor; **Amanda Langen**, Graphic Designer; **Jeannette Scott**, Contributing Editor

— most workforces are filled with disengaged workers who are not willing to put in the extra discretionary effort that owners and managers want. The research tells us that 70 percent of workers are "not engaged" or are "actively disengaged" in their work, meaning they are emotionally disconnected from their workplace and are less likely to be productive.

Whether your company is in retail, manufacturing, distribution, health care, professional services or some other unique niche industry doesn't matter. The level of employee engagement has a profound impact on the experience your customers will have with your products and services. And a lack of employee engagement is expensive!

The Five Levels of Being Engaged

Where does your workforce, team or department fall within the Five Levels of ENGAGED?

Level 1: "I'm not ENGAGED." Level 1 employees typically have an "I don't care" attitude, distrust management, provide inconsistent customer service (usually due to lack of process and training), and do not see how they make a difference every day at work.

Customer Experience Result: Bad experience; low retention; no consistency = no loyalty; not ENGAGED.

Level 2: "I'm somewhat ENGAGED." These employees may have some understanding of your company's values, brand, and promises to customers; however, a lack of appreciation and recognition helps fuel uncertainty regarding whether the workforce is really committed to taking care of customers.

Customer Experience Result: Unreliable experience; not satisfied or loyal; low retention; not ENGAGED.

Level 3: "I'm ENGAGED." Employees at this level begin to understand how their actions make a difference in the company's overall success. They understand performance expectations and have walked a mile in the customer's shoes, yet they still distrust management somewhat and lack confidence in the company's ability to deliver a consistent customer experience.

Customer Experience Result: Inconsistent experience, which sometimes leads to frustration; somewhat satisfied but still not loyal; not ENGAGED.

Level 4: "I'm very ENGAGED." Employees here clearly understand the branded experience being promised. They are focused on what to do for customers and are becoming more committed to performing the branded experience. These employees feel empowered and properly trained on how to *do the right thing*.

Customer Experience Result: Consistent, above average experience; sense of belonging that leads to moderate loyalty; somewhat ENGAGED.

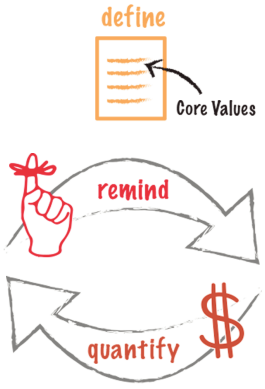
Level 5: "I'm extremely ENGAGED." These are your star performers who are passionate advocates for your company's branded experience. They love working for your company, and they tell people about their experience. They feel appreciated for their efforts and are confident in their ability to provide consistent, above average and sometimes even WOW experiences to customers.

Customer Experience Result: Extreme brand loyalty, which leads to increased referrals; customers here feel as if they are "members" of your brand, that is, a part of your cult following; ENGAGED.

The Living the Brand System

There is one system that works across all the systems in your company — a Living the Brand System. No one person or job function owns it. A company must do three things to implement a Living the Brand System:

1. Clearly DEFINE the branded experience.
2. REMIND employees about the delivery of the experience — clearly setting expectations, communicating and holding everyone accountable.
3. QUANTIFY the experience, and link it to financial results.



When it comes to implementing an employee- and customer-focused branded experience, your success as a company (and as a manager) will be determined 1 percent or less by the training provided to the workforce and 99 percent or more by the ability of management to remind them. ●

Principle 3: Don't Just Announce Your Culture, Make It Visible

Your mission, values, brand positioning, guiding principles, etc. are invisible unless your employees know specifically how to act them out through their day-to-day behaviors. To do that, employees must have the right mindset to guide the behaviors that bring a branded experience to life.

Let's refer to your mission, values, brand positioning, guiding principles, etc. as your core values, or your brand. For employees, your core values are the important beliefs that power a common mindset — making them actionable and enabling employees to Live the Brand and outbehave the competition. To customers, your core values set the expectation for the experience to be delivered.

Make your core values and brand messaging meaningful by clearly defining a mindset and making them behavior-based. Begin to think of them as verbs, not nouns. So instead of saying Integrity, call it Delivering Integrity, or instead of Accountability as a core value, try stating it as Being Accountable for Our Actions and Results. You must go beyond the names of your core values and determine the actions everyone can and should do. Those actions are the behaviors that power the branded experience.

The Power of Mindset

A culture is not something you announce. It is created by an intense focus on the mindset and behaviors that bring the branded experience to life. Culture is quite simply "the way we do things around here." It is behavior-driven, and it is rooted in beliefs that guide a common mindset for employees through the company.

Our mindset drives what we think about. It is driven by deeply held values and beliefs you hold to be true. You can't see what others are thinking, but you begin to see their mindset through their attitudes (somewhat visible) and eventually through their behaviors (very visible).

Every company has the daunting task of either influencing what employees think or leaving it up to chance.

Making the Invisible Visible Big Idea #1: If you don't define your company mindset, employees will use their own.

Build Behaviors that Make a Branded Experience

Behaviors must be clear and managed. Otherwise, all you are doing is marketing your brand. In essence, you'll have done what I've coined as "branding for the neighborhood." You've painted the white picket fence, planted a terrific landscape, painted the house, installed beautiful new garage doors and added a nice asphalt driveway. You've created amazing curb appeal; your house looks great to the neighbors. What happens when reality sets in? Will your workforce fulfill the marketing promises? If the answer is no, you've probably got some work to do to make the brand visible and create a culture that is intensely focused on the right mindset and the right behaviors.

Making the Invisible Visible Big Idea #2: If you're not managing behaviors, you're not managing your brand.

If you as a leader in your company are not willing to define what success looks like behaviorally (regardless of how elementary some of the behaviors are), then don't expect employees to deliver your branded experience consistently because they won't!

The branded experience is a result of well-orchestrated behaviors by employees. It is what we witness as consumers of a product or service. As employees, the experience is what we witness day in and day out when we come to work.

Making the Invisible Visible Big Idea #3: The experience is the marketing. ●

Principle 4: Sprint from Culture Talk to Culture Change

If You Don't Have It, Build It

Too often the marketing in the marketplace is filled with lies. Well thought-out messages without ENGAGED and empowered employees acting out the promises made (through behaviors) become nothing more than empty promises with a lot of hope behind them. Culture change happens by changing the way people behave. Anything less is a bunch of happy talk (culture talk). When getting your workforce on stage to deliver a branded experience, behaviors are what matter most.

Behaviors driven by a common mindset will enable any company to sprint from culture talk to culture change.

If your company is like most companies, there are probably certain behaviors that employees do sometimes to almost never that you wish would happen always. To make always (or almost always) a reality, you must first document the behaviors and, second, make sure everyone in your workforce knows they are nonnegotiable.

Nonnegotiable means that they are required for everyone to do if they want to remain employed.

Use the Five Dimensions of Brand Integrity to build Company-wide Basic Behaviors:

- Culture and Team
- Operational Strength
- Lead by Example
- Products, Knowledge and Expertise
- Customer Service

It is rare that I review a list of core values within a company and don't find at least one of the Five Dimensions missing or combined into something more complex. For instance, Operational Strength tends to be left out even though from a behavioral perspective, it is something that every company "values."

Word of caution: Don't let just any behavior make it into your Company-wide Basics. Show conviction to make sure that the most important to the branded experience culturally and for customers make it to the top.

Define Job-Specific Behaviors

In defining job-specific behaviors for service-oriented jobs, you are in essence defining the actions you want employees to do in their specific role to create an experience for the customer. You are designing the customer experience. Here is a high-level overview of the Customer Experience Design process using the example of a server job in a restaurant at the point of initial greeting.

Step 1: Explore Customer Desired Outcomes. A Desired Outcome is what customers want as a result of doing business with your company and its products or services. A Customer Desired Outcome at the Server Greeting touchpoint would be a genuinely warm and welcoming greeting.

Step 2: Uncover Experience Obstacles. An obstacle is what gets in the way of an ideal customer experience. Obstacles can be ways employees drop the ball before, during or after a customer interaction. An obstacle may also be something that is out of your control. An example of an Experience Obstacle at the Server Greeting would be it takes too long for the server to come to the table.

Step 3: Craft the Experience Mindset. The Experience Mindset is a short description that sets the tone for how you want employees to think with respect to customers. It is not a marketing tagline. For our restaurant example, an Experience Mindset to guide the actions and interactions of the entire workforce could be, "You are our special guest."

Step 4: Draft Job-specific Behaviors. Job-specific Behaviors are the actions that should be done 100 percent of the time at the point of interaction with the customer. They are the non-negotiable "must do to keep your job" behaviors. In the restaurant scenario, an example of this could be sharing what you love about certain menu items.

Step 5: Uncover Above and Beyond Opportunities. Above and Beyond Opportunities are situational behaviors that employees can do to deliver a great experience. At the Server Greeting, an example of this would be to remember customer names and use them.

Step 6: Prioritize Processes. Inevitably, you will uncover a series of processes that are either needed or already in place but not followed consistently enough. If a behavior is dependent on a process, then the process must be addressed. An example of a process that would be critical to the Server Greeting might be to limit the number of tables for each server in order to make sure they are able to provide the necessary time and attention to the customer experience.

Visit http://engagedbook.com/dl to download the full Customer Experience Design Exercise.

PART 2: IT'S TIME TO MEASURE AND MANAGE THE EXPERIENCE

The 360° View of the experience includes customer-focused metrics, employee-focused metrics and the impact on financial metrics that matter most.

The 360° View will help keep the branded experience high on the radar as one of the most critical drivers of success for your business and not some initiative that has a start and stop point.



The 360° View provides the evidence that Managing the Experience is driving a quantifiable gain for your company — true, measurable results that get the attention of any leader who cares about bottom- and top-line growth.

If you are not going to prove the success of your efforts or where you are falling short, it will be hard to keep your managers or executives engaged with efforts to improve the culture or the customer experience.

Metrics That Matter Most

Leading companies are passionate about quantifying the success of their business and, in particular, what the impact is of the experience on driving that success. Following is a list of measures that leading companies use on their pathway to more profits.

Revenue Generating: repeat business per customer, average sale per customer, profit margin, customer retention, number of referrals, average sale per top 20 percent of customers, cross-selling/up-selling, hours billed (utilization), inventory turns, billing cycles and conversion rates.

Cost Reducing: employee turnover, unwanted employee turnover, quality issues, product returns, employee absenteeism, legal expense, marketing expense, training expense, safety issues, time to fill a job and employee theft.

Take a minute to review these metrics, and choose the ones that are most applicable to your business. If you think of others, make note of them. Highlight the metrics that matter most.

Visit http://engagedbook.com/metrics to download a copy of the Metrics That Matter Most. ●

Principle 5: Quantify Your Culture to Turn Common Sense into Common Practice

In today's work environment where 65 percent of employees are either somewhat or totally unsatisfied, you better believe they are willing to speak up and share why or why not.

Too many companies are focused on ineffective ways of gathering employee satisfaction and engagement data. Many collect piles of random culture survey data not knowing what to do with it. Others experience gaming activity by managers in order to drive up satisfaction scores.

The only true employee-driven measure of whether the workforce is living the brand is the viewpoint of others.

The best (and maybe the only) way to find out from the workforce how consistently the branded experience is being delivered is to get the perspective of "others in your work area" and to gather the information in a rock-solid, confidential way. Asking for employees' perspective of others they work with is the best measure because it is what employees know — it's what they experience. However, it must be confidential, or all bets are off with respect to validity.

The Living the Brand Assessment

The Living the Brand Assessment provides the most valid indication of current alignment, engagement and overall behavioral strengths and weaknesses for a company. But once again, this only happens when confidentiality is preserved.

Exhaustive surveys result in mounds of data that HR (and most managers) cannot quantify or compare to key financial metrics. The Living the Brand Assessment approach puts an end to this frustration because it takes the onus of sharing the results out of the domain of "HR only" and makes it every manager's responsibility to review, observe and communicate to the workforce.

The Living the Brand Assessment is made up of a series of indicators that are grouped into three visibility metrics:

1. Know It Score: Do employees KNOW the branded experience? This score is a percentage that measures employee alignment with individual and company performance expectations with regard to company goals and objectives, the customer experience, and whether others are contributing to a strong culture. The Know It section asks employees for their point of view of themselves as well as those they work with.

2. Do It Score: Do employees DO (behave/perform) the branded experience consistently? This score is a percentage that measures how consistently employees deliver the behaviors that make up the branded experience. If your company has gone beyond just announcing the culture and has documented and introduced its Company-wide Basic Behaviors, then of course you'd want to measure how consistently the workforce is doing them.

3. Employee ENGAGED Index: The ENGAGED Index is an indication of employee commitment and motivation to act in the best interest of a company. The ENGAGED Index provides a window into how employees in any individual job category, department, division or geographic location are thinking and feeling about the work culture, which in turn provides a sound indication as to the impact on the customer experience.

The ENGAGED Index is made up of four simple questions that have solid, predictive power. Here are the four ENGAGED questions that are rated on a 0-10 scale:

1. I am motivated to go "above and beyond" what is expected of me at my job.

2. I would stay with my organization if offered a similar job elsewhere for slightly higher pay.

3. Assume that a friend or family member of yours is currently looking for a job and qualifies for an open position at your company. How likely is it that you would recommend it as a place to work?

4. Assume that a friend or family member is interested in your company's products and/or services. How likely is it that you would recommend them?

Find out how ENGAGED you and your workforce are by visiting http:/engagedindex.com. It's free! ●

Principle 6: Any Monkey Can Survey, Start Building Relationships with Customers

In this day and age, you have access to a plethora of technology and tools that allow the automation needed to do amazing things with respect to connecting with customers. But that doesn't mean you should use it to annoy customers with survey requests. All surveys should be kept to three minutes or less.

Having Quality Conversations with customers enables you to learn firsthand about when your company is Living the Brand and outbehaving the competition (and when it is not). If you play your cards right, a healthy customer relationship and a well-planned conversation will enable you to get referrals that drive more sales. The two most important questions you can ask your customers are, "What else can we do for you?" and, "Who else do you know that would benefit from the experience we deliver?"

Quality Conversations Drive Results

The ultimate goal in surveying customers should be to create ENGAGED customers more than to collect data for analysis. Why? Because an ENGAGED customer rewards your company with retention and advocacy.

When you have a quality conversation with a customer, at least one of the following outcomes will occur: You can **FIX** a problem, you can **SHARE** learnings from customers with employees, or you can **RING** the cash register. All companies have a register to ring. You can ring it more if you can achieve more up-sell and cross-sell opportunities or get more referrals to new customers. This happens through conversing more with customers. ●

Principle 7: Put the Carrots Away, Rewards Don't Work the Way You Think They Do

A strategic recognition program that facilitates the capturing and sharing of successes and best practices on a daily basis is a great way to replicate what your best employees are doing. Unfortunately, a gap exists between what research has proven in regard to the science of recognition and what managers actually do when implementing recognition/reward programs. Most programs fail because of low participation, too much focus on rewards, too little focus on driving business results, and lack of leadership buy-in to recognition as a strategic management discipline.

The reality is that employees get much greater value from the power of recognition and much less from the actual rewards. Therefore, rewards and recognition do not need to go together to be optimally effective.

Manage and Measure Through Strategic Recognition

Remember, 1 percent of your company's success in Managing and Measuring the Experience will come from documenting and training it. Ninety-nine percent of your success will come from the daily, weekly and monthly reminders that are put in place and acted upon.

The Living the Brand Assessment and Customer Engagement Program are two powerful ways to REMIND others about and quantify the branded experience. Another way to reinforce what success looks like and make the branded experience part of day-to-day conversations is a Living the Brand Strategic Recognition Program.

A Living the Brand Strategic Recognition Program is usually an online or mobile device-based program where employees submit stories (captured successes) of others who they work with delivering the branded experience, going above and beyond, or demonstrating a best practice. The captured successes are then reviewed by managers and posted on a homepage dashboard. *For more information on this visit www.brandintegrity.com.*

Managers who are willing to develop their skills in recognizing others have a great opportunity to leverage it as an effective way to Manage the Experience and REMIND employees to Live the Brand.

Put the Carrots Away; Use What Really Motivates People at Work

Going back to the 1940s, studies have shown that what motivates people most at work includes understanding how they make a difference and feeling recognized and appreciated for doing a good job. If you throw "relationship with my boss" into the mix, you also have what are typically the top three reasons why someone is loyal to his or her employer.

Avoid getting tricked by vendors in the reward industry who pitch their offering as a culture-changing program. Stop thinking about your company's recognition program as a "thank-you" program, and start thinking about it as a program to replicate what the best employees do by capturing and sharing the best practices and experiences that enable positive growth.

A well-designed strategic program not only provides powerful reminders but also helps meet the growing need for immediate and consistent feedback at work. When done well, recognition enables managers to do three responsibilities extremely well: set expectations, strategically communicate, and hold themselves and others accountable. ●

Principle 8: Manage the Experience to Build Trust in You as a Leader

Are You a Trusted Leader?

To achieve a highly ENGAGED status among employees depends on your ability to earn their trust. It depends on their confidence that you as their manager (and leader) will Live the Brand, not simply try to hold them accountable for living it. Employees need to trust that you understand the branded experience, passionately deliver it each day, and ensure that others are doing the same. You'll earn more trust as a "manager of people" when you learn to effectively and consistently Manage the Experience.

Most leadership models tend to pose a common yet fundamental role of the leader: to inspire others. Inspiration enables leaders to influence others to have an impact on the way they think and act. And an employee's willingness to be influenced wholeheartedly depends on whether he or she trusts the leader.

When it comes to creating a culture that is Living the Brand — one that KNOWS the branded experience and DOES it consistently — you can try and demand compliance, but what you really must do is earn adoption and commitment through trust.

If you are an executive, you may not see it as your role to be managing the day-to-day. You may feel like the responsibility of Managing the Experience should fall solely on your team of supervisors and managers. However, your company is counting on you to lead the experience.

At a minimum, there are three habits you must develop to enable a consistent performance of the branded experience:

1. Live it: Don't for a moment think that the non-negotiable behaviors are for others and not for you.

2. Be aware of the numbers: Pay attention to the important numbers, and make sure others know them as well — Know It Score, Do It Score, ENGAGED Index, Customer Loyalty Index, strategic recognition program participation, etc.

3. Make the experience part of the conversation: Seek out and act on daily opportunities to mention the experience in group and one-on-one conversations.

Think about the number of times every day, week, month and year that you have the opportunity to REMIND others and ENGAGE them with the branded experience. You may be surprised at how frequently you can spark conversations that help reinforce the importance of Living the Brand.

Managing the Experience is Not "Another Thing"

Some people may feel as though employees in their work area are already ENGAGED and delivering a consistently awesome customer experience. Or some may feel as though all this "branded experience" stuff is simply another thing they need to focus on. This will be particularly the case if your company has been guilty in the past of flavor-of-the-month-type activities — starting and stopping initiatives with a lack of "stick-to-it-iveness." In any case, it will be critical to get the following message across:

Managing and delivering our company branded experience is not another thing to do. It's the thing we do. ●

RECOMMENDED READING LIST

If you liked *ENGAGED!*, you'll also like:

1. ***Can't Buy Me Like* by Bob Garfield, Doug Levy.** Garfield and Levy show where authentic customers relationships come from, what they look like, and how to build them.
2. ***The Thank You Economy* by Gary Vaynerchuk.** Learn how businesses can turn the changes and challenges of social media into profit and growth.
3. ***Enchantment* by Guy Kawasaki.** Kawasaki shares tactics you need to prepare and launch an enchantment campaign to enchant your customers.

· Book 36 of 106 ·

Earn It

Steve Pratt

Executive Book Summaries®

Earn It

Unconventional Strategies for Brave Marketers



by **Steve Pratt**

Contents

Chapter 1: Earn Attention. Do the Work and Reap the Rewards
Page 2

Chapter 2: Do the Opposite. The Mindset of Earning Attention
Page 3

Chapter 3: Opposite Strategy. Balance The Job and The Gift
Page 4

Chapter 4: Opposite Creation. Blow Their Minds
Page 5

Chapter 5: Opposite Marketing. Build Audiences for Your Content
Page 6

THE SUMMARY IN BRIEF

How can marketers and brands genuinely capture consumer attention in a world where audiences are constantly bombarded with content and traditional ads often repel more than they attract? The key is to move beyond the disruptive advertising model and start building real trust and connections with the audience.

In ***Earn It: Unconventional Strategies for Brave Marketers***, author Steve Pratt argues that attention must be earned, not hijacked. Drawing on his experience as co-founder of branded podcast agency Pacific Content, Pratt explains how brands can create content people want to engage with, content where value and trust are central, instead of offering only gimmicks and noise. In a marketing environment obsessed with shortcuts, Pratt challenges professionals to embrace creativity, generosity, and commitment when they engage with their audience.

Earn It is for marketers who want their work to be welcome and appreciated, not ignored or blocked. It's a guide to marketing that respects the audience, builds loyalty, and delivers long-term results.

IN THIS EXECUTIVE BOOK SUMMARY:

- Learn why unique, creative work stands out in a sea of sameness.
- Teach professionals how to stop using interruptive ads and instead start engaging through value-driven content.
- How to avoid the pitfalls of mediocrity by committing to bold, audience-first strategies.
- How brands can balance business goals with genuine audience benefits.

Chapter 1: Earn Attention. Do the Work and Reap the Rewards

This book is your guide to a better way of marketing. This is your path to getting oodles of attention from exactly the people you seek to reach. This is also a challenge: you have to earn it! Earn the attention by resisting the urge to interrupt your audience with annoyances. Earn it by instead choosing to blow their minds. Earn it by thinking differently.

A Guide to Using This Book

Almost everything in this book embraces unconventional approaches and doing the exact opposite of the status quo.

Embracing the strategies discussed here will change the way your customers see your brand and business. And applied well, these strategies will allow you and your teams to do the best, most creative, and most fulfilling marketing, communications, and creative work of your life.

THE PREMISE: The World's Most Valuable Commodity Is Attention

Everyone in content and marketing wants attention. With so many options and having been hoodwinked one too many times, consumers don't just give their attention away to anybody.

The problem is that most of us don't know how to earn it.

In the context of earning attention, the best and most desired outcome is to build trust and create relationships.

The Earning Attention Framework

Unusual, differentiated thinking and solutions are at the heart of almost all content and creativity that earns attention.

Copying what's popular is boring. Being safe, generic, or corporate is boring. Talking about yourself, your company, or your products and services is boring. And boring earns zero attention. If you want to earn attention, embrace a philosophy of Doing the Opposite.

The "Do the Opposite" Framework

There are four stages in the process of successfully earning attention:

1. Mindset: you need to approach every aspect of your work through a filter of earning attention and Doing the Opposite.
2. Strategy: you need to craft a plan that is uniquely yours, achieves a business result, and is highly valued by your audience.
3. Creation: you need to produce differentiated, memorable content.
4. Audience Development: you need to efficiently and effectively let your intended audience know about what you've created and measure how much they enjoy it.

KEY CONCEPT: There Is No Easy Way

When it comes to attention, trust, and relationships, there are no shortcuts. You have to earn it.

In his book The Puzzler, A.J. Jacobs dives into the mystery of why so many people around the world love solving puzzles. A famed puzzle maker explains the magic of puzzles in three characters:



The problem is represented by the question mark. The process of solving the problem is represented by the arrow. And the eureka moment of solving the puzzle is represented by the exclamation mark.

The arrow—the process—is where the magic happens.

KEY CONCEPT: Balancing The Job and The Gift

A Venn diagram where The Job/The Business Outcome partially overlaps with The Gift/For the Audience is an ideal visual representation of what we are hoping to create when we want to earn attention.

KEY CONCEPT: Attention Drives Results

Consider the customer journey when a marketer starts with the mentality of earning attention instead of stealing, interrupting, buying, or capturing it.

- Earning attention creates value
- Consistent value creates trust
- Trust creates relationships
- Relationships create customers and purchasing decisions

People buy from people and companies they know. People get to know and like people and companies if they trust them. And people begin to trust other people and companies when they consistently and proactively create value for others.

"Creative Bravery" is the term used to describe whether you as a brand or content creator are willing to make a real show.

KEY CONCEPT: The Graph

In the early days of Pacific Content, my cofounders—Jenny Ouano, Chris Boyce, and Rob Leadley—and I were trying to come up with an easy way to demonstrate a repeatable path to successful content from brands.

In a burst of inspiration, Rob, our CFO, drew a basic XY graph on the whiteboard and put "Creative Bravery" on the x-axis and "Commitment" on the y-axis. Instantly, we had a clear, memorable recipe for content success.

KEY CONCEPT: Creative Bravery

"Creative Bravery" is the term used to describe whether you as a brand or content creator are willing to make a real show. A show is something great and worthy of attention. A show is designed, produced, and edited. It is differentiated and intended to be magical for a very particular group of people. Shows are pieces of content that don't feel like marketing because they are phenomenal, engaging experiences.

KEY CONCEPT: Commitment

Commitment is about whether or not you are willing to tell the right people that your mind-blowing, Creatively Brave content exists.

Note that you need both elements of The Graph together: you need Creative Bravery to blow their minds, and you need serious Commitment to market it and put it in front of exactly the right people in exactly the right places in exactly the right ways at exactly the right times.

KEY CONCEPT: The Bar Is Very High

The attention you're hoping to earn comes from an audience. And if you're not spending a lot of time thinking and learning about your audience, you're not going to earn much attention.

The way to build an audience is also an unpleasant truth: you have to make something truly valuable. And too many of us are happy to sign off on "good enough." "Good enough" won't cut it if you want to earn attention. In a sea of "good enough," the few who are willing to be Creatively Brave and make something remarkable are the ones who earn attention.

KEY CONCEPT: Fun Matters

To earn attention, you most often need to tell stories. You need to be creative. You need to create a format that is differentiated from your competition. And depending on the format, you need to have fun while you're making the show, because the fun factor is tangible and transferrable for audiences. Audiences like fun.

Chapter 2: Do the Opposite. The Mindset of Earning Attention

We can't just launch into building strategy and making better marketing without getting in the right mindset. If we are going to do something different, we have to deeply understand what's wrong with the status quo and truly believe there are better options. There are better ways to impact audiences than by interrupting them with things they don't want or like.

The Better Way

There are progressive, innovative companies that have already realized the opportunity in front of them and decided to Do the Opposite. These companies are all making content that is as good as or better than anything coming out of traditional media companies.

They are earning huge amounts of time and attention by making awesome stuff. You can do the same. It's time to think differently and, instead of the status quo, Do the Opposite.

Opposite Action Marketing

In marketing, what are some of the core selfish instincts? And what would Doing the Opposite look like?

- Selfishness becomes generosity.
- Urgency becomes patience.
- Short-term ROI becomes long-term ROI .

- Putting the spotlight on ourselves becomes putting the spotlight on those we seek to impact.
- Hoarding our knowledge and insight becomes giving away all our knowledge and insight for the greater good.
- And the most important shift of all: interruption becomes earning attention.

At the core of these opposite marketing actions is the creation of value for the people we are seeking to impact.

The Audience Comes First

The business model for media is to create and distribute content to attract large audiences. The product of media isn't content, it's the audience. When we think about Do the Opposite for marketing, we can take a page from media companies: put the audience first. Get to know your audience. Create content for them that they truly value. Surprise them with your generosity. Shock them with the quality of your content. To put the audience first, you have to think like an audience member.

Like versus Love

Making something that's going to blow the minds of your audience and that they're really going to love is a lot more powerful than making a thing that people kind of like.

There's a caveat, though. You can't be unexpectedly awesome and blow their minds just once.

If you want to earn attention consistently, if you want to earn trust, and if you want to earn relationships, you have be awesome over time.

Be a Gift Giver

If there is only one question in this entire book that you answer, make it this one. This is the one to put the most thought and effort into getting right.

What is The Gift for your desired audience that only you can give? What is your Only You Gift?

Let's dissect this because it's incredibly important.

- The Gift: if you want to earn attention, you need to think about your content as a Gift that will be highly valued.
- Your desired audience: It's not a Gift for anyone. It's designed very specifically for the people you want to reach.
- Only You: when you figure out what Only You means, no one can copy you or compete with you. It's authentically you when you're the only one who can give it.

Be the Gift giver. Be generous. Be thoughtful and empathetic. Surprise your recipients with the value you offer.

Chapter 3: Opposite Strategy. Balance The Job and The Gift

You start with a content strategy that is uniquely yours. First, you need to ask some big questions.

- Why are you making content?
- What outcome are you hoping for?
- How will you know if you're successful?

Embrace the Process

There is a strategy for developing strategy:

Problem. Process. Aha!

The process takes time. But the process delivers results.

To this day, I still embrace the multi-day, in-person strategy session model. Not only do you learn a lot, get to dig into all sorts of important decision-making, and have enough time to let ideas gestate and evolve, but you also get to know, work with, and build trust with each other.

So, block off some serious time with your team before you dig into making anything. If you're taking two or three days to craft an amazing content strategy, you want the right people in the room. Who those people are depends on your organization, the scope of the project, and what outcome you're hoping to achieve.

Determining Your Content ROI

Let's start with the reason you're doing this whole thing in the first place: The Job. When customers make a purchasing decision, they are hiring a company's service or product to do a job for them. With that mindset, what is The Job you are hiring this marketing or content to do for you or your company? What is the desired result? What will success look like? A crystal-clear answer to The Job makes it much easier to design an amazing and effective Gift, which is what earns attention.

What Are You Optimizing For?

If you know the answer, you can make a lot of very smart decisions about your content strategy. You can also personalize and differentiate your content, which makes it even more valuable.

When you know what you're optimizing for, you can also

Effective marketing and brand building happens when the messages and content you put out can come from only you. When it's only you, no one can copy you.

explore how to measure the success of your content. So are your current metrics focused on your optimization goal or on common industry measurements that don't apply to your Job? What would an optimization-focused measurement look like for your content or marketing projects?

How to Make Budget Decisions

There is one other important factor to consider before we start to design the Gift to accomplish The Job—your budget. Here are some strategies for how to manage budgetary trade-offs:

- Fewer things better. When in doubt, choose fewer things better. Make less at higher quality.
- Shorter, not longer. When in doubt, make things shorter rather than longer. Leave audiences wanting more.
- Marketing is a must. If you have no money left over for building an audience and marketing your marketing, you need to scale back your content plans.
- Sustainability. Can your budget and resources sustain the production and promotion required to find success?
- The buffer strategy. The buffer strategy basically assumes that something unexpected will always happen and accounts for it by adding buffer to every aspect of production.
- Timelines. Do you have a predetermined timeline from project kickoff to public launch? In my experience, teams consistently underestimate the time required to do a proper launch.

The Gift

Creating a wonderful, magical, valuable Gift is more challenging than identifying The Job. The Gift is partly about you and partly about the audience. The part about you is figuring out who you are and what makes you special. The part about the audience is determining exactly who they are.

When you know who you are and what differentiates you from everyone else, and when you know exactly whose attention you're hoping to earn, you can figure out a Gift that your desired audience values highly and that can only come from you. This will henceforth be known as your Only You Gift.

Differentiate Your Brand and Content

What differentiates you as a company? There may be no more important question to ask and answer, not only for your business overall, but also for your strategy to earn attention. What makes you special? What separates you from your competition? Why do customers choose you instead of anyone else?

Effective marketing and brand building happens when the messages and content you put out can come from only you. When it's only you, no one can copy you. Potential customers know who you are relative to others and what makes you special and interesting.

Chapter 4: Opposite Creation. Blow Their Minds

To earn attention, you have to be worthy of attention. And as you know by now, average doesn't cut it. Mediocrity is a waste of time. Good enough is not good enough.

Social Currency and Identity Management. In Jonah Berger's book about how ideas spread, Contagious, the first principle is social currency: "People share things that make them look good to others" and "so, not surprisingly, people prefer sharing things that make them seem entertaining rather than boring, clever rather than dumb, and hip rather than dull."

Violating Expectations and Breaking Patterns. Patterns are predictable. A broken pattern is unexpected. We want more information when something doesn't fit our expectations and existing patterns. We want—even need—to know why.

Differentiation Research. You need to find out who else is in your space and what they're doing. You need to do some research before you decide what you're going to make, because part of building an audience is making something different from everyone else.

Ecosystems > Platforms. This is important: your goal is to define yourself by your differentiated content focus. You don't want to define yourself by a single platform.

Head, Heart, and Legs. Talking about designing for Head (Your content needs to be smart), Heart (Your content needs

to make your audience feel things), and Legs (Your content needs to be sustainable for the production team and to have continued value for the audience) before you start creates a clear mindset of what a successful outcome looks like.

The Power of Stories

The most important way to differentiate your content and earn attention, in any format and at any length, is this: tell great stories.

Storytelling works. Over and over again. It is the single best way to earn attention, especially when tied to The Job you have hired it to do.

So before you choose stories, remind yourself of your desired Job. What is the problem you are trying to solve for the audience? What is the idea you are trying to transmit? What are the principles or values you want to espouse or be associated with? What is The Job you are hiring this story to do?

Story Beginnings

When it comes to anything you are putting out in the world to earn attention, there is nothing more important than the beginning. The ending is a close second, but here's why beginnings matter more: people will never get to the ending if your beginning stinks. If want to earn attention, your beginnings deserve extra focus.

Magic Story Elements

The Juice is the magic ingredient in a story that makes it compelling. It can be a great character, a surprising story, an unusual point of view. The Juice can take many forms and cannot be explicitly, or categorically, defined. But in your heart, you know whether your story has The Juice or not.

Chapter 5: Opposite Marketing. Build Audiences for Your Content

Marketing content is not the same as marketing products and services. It requires different thinking and will achieve different results when done well.

Marketing content is about creating anticipation and value for the potential audience member. It's about selling the audience experience, not the company creating the experience. It's about encouraging sampling, not creating millions of impressions to make an impressive reach report.

The content and the promotion need to be from you, not about you.

Here's yet another Do the Opposite portion of your journey to earn attention. I know this is potentially confusing, and even though this section on audience development is at the end of the book, audience development actually starts on the first day of strategy. Not the last day of production. Not the first day of production. The first day of strategy.

When you determine your "who," the question you should be asking is not "How do I build an audience for my show?" but instead "How do I build a show for my audience?"

Marketing and Marketability

Marketing and marketability are very different, yet often confused with one another. Adding value to the audience's life (The Gift) is the marketability factor. Marketability is whether you have made content with loads of Creative Bravery. Without marketability, your marketing efforts will be in vain. A successful show needs both marketability and marketing. And they both start on the first day of the project.

Hard Work versus Fraudulence

Unlike for other topics in this book, there are shortcuts, hacks, and cheat codes in audience development. However, they involve buying fake downloads, clicks, and views, and to me, that's fraud. If you're in the business of looking for actual humans to connect, trust, and build relationships with your brand, you need actual humans to consume your content. And there are no shortcuts, hacks, or cheat codes for that. You have to earn it.

Beyond the Launch

There is one other big mindset shift required for effective audience growth: moving beyond a "launch mentality." Marketing beyond the launch isn't just something that should be prioritized; it needs to be resourced. Marketing your content is ongoing hard work, and to do it well, you need resources in place.

Measuring Your Marketing Effectiveness

Depending on the type of content you're producing, there are different attribution solutions for tracking marketing effectiveness. Even without attribution solutions, you can cobble together experiments to determine what works and what doesn't for driving sampling.

Overall, you want to be able to tell what's working and what isn't. What is driving sampling? What is worth the effort of repeating? What is not worth repeating? And what

is worth tweaking and experimenting with to see if you can improve the results further?

Conclusion

You have completed the hero's journey for Brave Marketers! You've questioned the status quo and decided to Do the Opposite in almost everything. You've changed your mindset. You've built a differentiated strategy rooted in who you are and why you exist. You've determined The Job for your project and your Only You Gift for your audience. You've produced Creatively Brave content. You've found The Juice, championed the weird, and bucked conventions.

Every hero's journey ends with the hero returning home, changed. I sincerely hope that you are returning to your marketing and content life, changed. And I also hope you will consider becoming a champion for other Brave Marketers. Share what you learn with others. Call out tired status quo strategies that don't work. Experiment and continue to Do the Opposite whenever you can.

Prove it works.

Stay Creatively Brave and Committed.

Tell the others.



Steve Pratt is the founder of The Creativity Business, which offers consulting, workshops, and keynotes to help companies develop differentiated content, marketing, and messaging that earns attention. Steve is also the co-founder of the world's first branded podcast agency, Pacific Content. Named one of Entrepreneur's 100 Brilliant Companies, Pacific Content worked predomi- nantly with US-based brands, including Ford Motor Company, Audible, BMW, the New York Times, and Dell Technologies.

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· Book 37 of 106 ·

Entrepreneurial Marketing

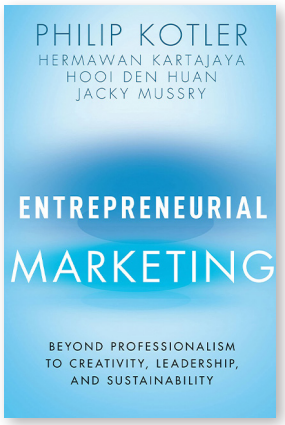
Philip Kotler

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Entrepreneurial Marketing

Beyond Professionalism to Creativity, Leadership, and Sustainability

by **Philip Kotler**



Contents

The Omnihouse Model
Page 2

The Entrepreneurship Model for Marketing
Page 2

Rethinking Competition
Page 3

Navigating Customers
Page 3

Integrating Functions
Page 4

Converging Leadership and Management
Page 6

Building Omni Capabilities
Page 6

Visioning the Next Curve
Page 7

THE SUMMARY IN BRIEF

So much has changed in the last years, from technological advances that revolutionize the way we communicate to globe-shaking events like COVID-19. Although much uncertainty surrounds these shifts, one factor remains clear. Business will never be the same. And that includes marketing. In the past, a procedural approach to marketing might have produced reliable results, time and again. That's no longer the case.

Today's fast-paced, shifting world calls for a marketing strategy that can fit in everywhere–and be agile enough to move when needed. An entrepreneurial approach may be the ticket for organizations to be interconnected, flexible, and results-driven. In ***Entrepreneurial Marketing: Beyond Professionalism to Creativity, Leadership, and Sustainability***, author Philip Kotler and his co-authors teach a more expanded, holistic version of entrepreneurial marketing. One that integrates all the other departments of a company to create paths of stronger engagement, increased customer retention, and higher levels of loyalty.

IN THIS SUMMARY, YOU WILL LEARN:

- The elements of the omnihouse model of entrepreneurial marketing
- How to rethink competition for sustainability
- How to converge departments within a company
- Building omni capabilities with a company

The Omnihouse Model: A Holistic Perspective of Entrepreneurial Marketing

The *omnihouse* model is a framework that makes it easier to understand this new genre of entrepreneurial marketing. This model demonstrates how entrepreneurial marketing should be carried out and also shows how the approach integrates an entire organization. *Omni* means "to combine" and the word *house* represents a place, facility, or business. Thus, *omnihouse* refers to an organization that combines multiple elements. Each of these components plays an individual role and also collaborates with the other parts of the business.

The core of this model is housed in two clusters. The first cluster is the *entrepreneurship* group, comprising four elements: *creativity, innovation, entrepreneurship, and leadership* (CI-EL). The second cluster is the *professionalism* group, which also comprises four components: *productivity, improvement, professionalism, and management* (PI-PM).

These clusters are surrounded by other functions and interact with them. They are affected by *dynamics*, which constitutes five drivers: *technology, political/legal, economy, social/cultural, and market*. These drivers, which collectively are called change, affect the other 4C elements: *competitor, customer, and company*.

This dynamics component serves as the foundation to develop marketing strategies and tactics related to *positioning, differentiation, and brand*. This is the anchor for the other main elements of marketing: segmentation, targeting, marketing mix, selling, service, and processes. The dynamics element is also the basis for developing ideas, which leads to creativity. These ideas can be converted into innovation in the form of tangible solutions for customers. The solutions provided to customers need to result in improvements, as reflected in the company's better profit margins.

Elements of creativity and improvement can generate competitiveness only if we involve people with solid mindsets of entrepreneurship and leadership to manage them. Value creation is the responsibility of entrepreneurs, and leaders maintain values. However, we also need to support entrepreneurship and leadership with solid professionalism and management. This condition, in turn, can propel the company forward.

As laid out in the omnihouse model, it is essential to integrate marketing with finance and also integrate technology and humanity, namely, people, customers, and society. Collectively these functions support the actions that lead to results. Finally, in the heart of the model we have operations. This function takes marketing objectives and places them into action and, at the same time, ensures financial goals can be achieved to keep a company moving forward, competitive within its industry, and enable the organization to adapt quickly to any changes in the business environment.

The Entrepreneurship Model for Marketing

There are at least three very prominent capabilities related to entrepreneurship, namely the attitude and ability to see opportunities, a mindset that dares to take risks, and the ability to cooperate with other parties. Drawing from this description of entrepreneurship, we can observe how it applies to marketing.

Marketers must be able to convert solutions into value, which can take on different forms. For the company, it will typically mean higher profits. Investors will be looking for a higher market value of the company. For customers, the value will be in our products that can solve their problems. An attitude of daring to take risks, namely, choosing a path that we or others have never tried, shows that marketers aim to be different, and not mainstream. Differentiation is essential, but it must be consistently realized in marketing campaigns and supported by sales.

The sales team needs to understand the characteristics of the targeted segment and how to position an offering, including the brand, relative to competitors. The team will want to grasp the product differentiation and support services offered. They also need to ensure efforts are made to maintain the brand's character.

Through solid collaboration, we have a better chance of overcoming challenges. From this basis we can observe that entrepreneurship in marketing has three main factors: positioning, differentiation, and brand. Individuals with entrepreneurial skills may have a specific focus. Opportunity seekers will relate to positioning, which is more broadly part of customer management. Risk-takers will be involved with differentiation and more broadly with product management. Meanwhile, network collaborators will focus on brand development, which is part of brand management.

There can be great potential when we blend entrepreneurial elements into a professional environment. If we rely solely on professionalism, we will be locked in only to productivity figures and incremental improvements. The play-safe attitude cannot support increasing the company's

As an African proverb says,
"If you want to go fast, go alone.
If you want to go far, go together."

market value in the long term because without an innovative breakthrough, the company's future will be bleak. Hence, we need to try to bring together the two extremes on the professional and entrepreneurial continuum. Further, to fully thrive in this changing world, companies need to be able to integrate these marketing approaches into other departments as well.

Rethinking Competition: Collaborating for Sustainability

The European Union has a strong electric vehicle charging infrastructure in place and interestingly, the power behind these recharging places didn't come from a single player. The project was simply too much for a single company to take on. Automakers from various parts of the world came together to collaborate on it. The BMW Group, Daimler AG, Ford, Volkswagen Group, Audi, and Porsche pooled their resources and laid out plans to build charging stations that would support their up and coming EVs.

Take note of the players involved. *Aren't they competitors?* you might ask. The answer, of course, is a resounding *yes! Are they working together to create a resource that will serve their individual purposes?* Again, the response is an overwhelming *yes!*

Welcome to the playing field of today and tomorrow. To stay alive, corporations need to look to their competitors and work together, to a certain extent. There are limitations to this strategy, of course. To fully understand the balance between cooperating and staying competitive, we will turn to our omnihouse model and dive into the "dynamics" section.

There are five factors that are affecting how companies compete. These factors are related to technology, the political and legal environment, the economy, social and cultural factors, and market conditions. These forces are stirring up change, which in turn, affects the way companies operate, compete, and interact with customers. Collaboration among competitors is one of the results.

There are three main reasons organizations are collaborating today:

- They cannot face the significant drivers individually. By uniting, they share knowledge, grow more robust, and solve problems quickly.
- A single company may not have the financial backing to overcome a challenge. When facing large issues, firms can pool their resources to share the costs involved.
- Together companies can achieve a win-win situation, as opposed to a zero-sum game. If they establish a standard or platform in their industry, they'll all strengthen their position in the market.

As an African proverb says, "If you want to go fast, go alone. If you want to go far, go together." Going alone can quickly decide things within our management ecosystem, but we need to collaborate to be sustainable in the long term.

Navigating Customers: Progressive Approach for Stronger Market Position

Today's customers have extreme bargaining power. Thus, companies generally adopt a customer-centric approach. However, customers are also increasingly stuttering with the piles of information they can get, including false information, hoaxes, and other misleading information. There is so much available that they can get caught in confusion. Companies need to supply customers with robust navigation systems so they can find solutions they need.

In line with today's digital world, customers–who have been and will be served by company's worldwide–are also more connected. This leads to a number of factors:

- **Customers are more informed.** With almost unlimited access to data and information, everyone does their research before making decisions.
- **Customers are more sophisticated.** These shoppers have higher expectations which can lead to gaps between what they want and the company's ability to meet their expectations.
- **The shift of bargaining position.** They are price savvy and aware of how to determine which offer

provides the best value.

- **More challenging to satisfy customers.** For some product categories, customers choose function over brand and in others they choose the brand with which they feel most strongly connected. In either case, there is a tendency to ditch the brand immediately if they feel neglected.
- **More challenging to have loyal customers.** Consumers are dynamic, quick to understand, and at the same time change rapidly in line with their latest insights, which in turn has sparked a wave of disloyalty to brands.
- **More difficult to get positive advocacy.** We used to get a level of retention and repurchase to indicate customer loyalty. Now we include the willingness to support our brand through advocacy, which puts customers at "social risk" if someone doesn't like a brand they recommend.

Facing this new breed of customers requires a serious overhaul of a company's management to survive and remain competitive. To do so in the future, many more businesses will become internet businesses and work across all types of channels and devices. A company must proactively act as a trusted navigator for customers by following these processes:

Provide a platform. Companies can have a physical and digital platform for customers to use as a tool to identify their problems, find solutions, and learn how to use them.

Engage partners. Companies must involve relevant partners on the platform to support the resources, activities, capabilities, and even competencies needed to serve customers' multiple needs.

Focus on the solution. Through this platform, the company must provide complete solutions that free customers from pain at each point in the customer journey.

Provide supporting service. This aims to provide assurance to customers and must be accessible anytime and anywhere.

Communicate value and values. The company's value proposition focuses on experience and even transformation.

Integrating Functions: Converging Departments Within an Organization

A company is organized in a way that is conducive to carrying out its required activities. Departments can carry out its activities independently or interdependently with other divisions. Silo mentality is counterproductive because it may originate from unhealthy competition from people who sit at the top levels in various divisions in a company.

In the omnihouse model, we can observe four distinct functions: marketing, technology, humanity, and finance. In companies, these functions are often siloed or separate. To break down the silo challenges, companies must explore ways to connect marketing and finance.

The incompatibility of finance and marketing functions is one of the classic marketing blind spots. Marketers are often only fixated on nonfinancial measurements. Financial executives usually ask what marketers want to achieve when using their budget. Marketing people will give answers such as increasing brand awareness, creating certain perceptions, and communicating value propositions.

Such answers will sometimes make financial people frown because they may not understand the value of all that the marketing team wants to achieve, especially the terminology used, which is not normative financial lingo. Finance people then sometimes jump to the further question: what will be the return from the money they give to marketing people?

Sometimes financial people place too much emphasis on cost containment alone without seeing that the money spent will accumulate nonfinancial results, which can be converted into financial ones. As such, it should not be seen as an expenditure but rather as an investment. Finance professionals must understand how various departments work. This inter-departmental collaboration will strengthen a one-firm mentality to deliver the best products and services to customers and positively affect company revenue. Coming together as a company is essential for relevancy, survival, and sustainability.

Converging Creativity and Productivity: From Idea Generation to Capital Optimization

The objective of creativity is to find a solution and then execute a plan productively. This can happen when there is a convergence of creativity with productivity. Creativity is needed for innovation but it must present various technically feasible ideas that we can materialize.

Therefore, creativity must start from a clearly defined problem with a customer-centric approach that is purpose-driv-

So much is at play when we innovate that nothing is guaranteed. It takes a lot of orchestrated effort to move the needle in improvement.

en. Identifying and defining the problem triggers creativity. The creative process should be able to utilize company assets productively that prioritizes flexibility, but is well organized in a systematic way, too.

Creativity converts to innovation. Innovation is a tangible form of ideas that is ready to enter the commercialization stage. It must be aligned with available resources, capabilities, and competencies. It should demonstrate value that is easy for customers to understand, strongly differentiate, and be difficult to imitate.

Finally, innovation leads to a solution in the form of products or services that can improve customers' lives. The solution must be a viable business for the company and be able to improve the company's performance and be evaluated objectively for continuous improvement.

We have to measure productivity in correlation to the use of capital provided by the company. However, the productivity calculation cannot be solely based on the input-output approach, especially when there are several intangible input factors. Productivity must be looked at more widely and include outcomes, as well as impact.

Output is the immediate result of a production process that we often call products (both goods and services). We can measure output immediately after the completion of a given productive process. In simple terms, an outcome is the positive effect of the output from a given production process offered and enjoyed by several stakeholders, such as people in the company, customers, the community, and the company itself. We can see an outcome in the short and medium term, whereas the impact is a result that we can see in the long term.

Companies can generate new ideas and use them to attract customers and investors through the creative process. Customers often impatiently anticipate the launch of a new product. They may be willing to preorder for an interesting new product idea, even though the physical form does not yet exist. Investors will be interested if the company has unique business ideas. These segments must be balanced in terms of the creativity and productivity elements. Managing the best aspects of creativity and productivity can help companies keep customers and attract investors.

Converging Innovation and Improvement: Solution-Centric Approach for Higher Profit Margin

When we innovate, does it always lead to improvement? Not necessarily. In fact, it's easy for things to go astray. So much is at play when we innovate that nothing is guaranteed. It takes a lot of orchestrated effort to move the needle in improvement. Innovation must focus on customer solutions to provide improvement for the company.

Its processes are based on desirability, feasibility, and viability. Consumers will want something only if it solves a problem for them. To make it feasible, the right resources, capabilities, and core competencies must be optimized.

Viable innovations lead to business growth, both in the short and the long term. In the short term, this might include customer acceptance, higher levels of satisfaction among users, and the emergence of a lock-in mechanism or loyalty. Long-term growth is reflected by improved profit margins, which increase profitability. Affecting the community at large can lead to ongoing sustainability.

Companies that connect the bridge between innovation (i.e., providing solutions to customers) and improvement (i.e., increasing the company's profit margins) build a competitive advantage. They start by doing a 4C analysis. We can test the sharpness of implementing an entrepreneurial marketing mindset by understanding three elements in the 4C model: customer, competitor, and the company itself.

Customer Analysis: We must understand the customer based on data. This might be qualitative, quantitative, primary, or secondary data, depending on the solution we would like to offer. We're looking for information on preferences, opinions, suggestions, and the problems customers face.

Competitor Analysis: We have to comprehend our competitors–direct and substitutes–to ensure the solutions

we offer have an advantage and can therefore strongly compete. The goal here is to create the highest perceived value in relation to other existing solutions.

Company Analysis: We need to know our company to determine what our resources, capabilities, and competencies can realize and to market these solutions. We'll want to make sure that the innovations we come up with do not deviate too far from the company's core competencies.

As people with an entrepreneurial mindset, we cannot be satisfied with only non financial outcomes. If the nonfinancial results that we achieve are pretty good, but the financial results are not satisfactory, then there is something wrong. We must look at the execution or operational aspects of the company. Innovative solutions must increase the company's profitability margins.

Converging Leadership and Management: Maintaining Values and Increasing Market Value

Leadership is crucial in entrepreneurial marketing and within the omnihouse model, leadership must be converged with management. Entrepreneurial leadership can have a positive influence on company performance. Strong leadership is defined as the ability to direct the management team in line with company goals and strengthen team morale and confidence, which in turn increases employee engagement and commitment. In this sense, strong entrepreneurial leadership is one of the essential factors for establishing a company's competitive advantage.

Entrepreneurial leadership also plays a vital role in the development of the people in an organization. It is positively related to employee creativity and reduction in employee turnover. In essence, leadership must be able to build competitive advantage through the development of personnel, including coaching, mentoring, learning-by-doing, and other formal courses.

Without strong leadership, marketing will only run normatively or by procedure and will not cope with the fast changes triggered by the increasing role of digital technology. We cannot implement marketing based merely on a "professional" approach.

Determining excellent leadership is vital for marketing success, especially in uniting, directing, and motivating the marketing team to move according to the predetermined strategies and tactics. Leadership also has a significant role to play in planning and executing a marketing strategy, which will show financial results and also nonfinancial ones, such as customer loyalty, product leadership, and solid brand equity.

In this new entrepreneurial marketing model, marketing strategy and tactics refers to nine elements held together by positioning, differentiation, and the brand. The nine elements–segmentation, targeting, differentiation, marketing mix, selling, brand, service, and process–can be grouped into three main marketing management capabilities: customer management, product management, and brand management. Leadership capabilities in the management of these processes are crucial.

Building Omni Capabilities: From Preparation to Execution

A company can no longer rely solely on one or two capabilities. It must build several capabilities and leverage them simultaneously for rapid expansion. Converging, balancing, and leveraging those capabilities aligns with the idea of building omni capabilities. This means an organization has all the necessary capabilities and can use them in value-creation processes to shape powerful competitiveness. Therefore, we need to include people who have these capabilities, shape them, and keep them in our organization.

A company that wants to be successful must identify what capabilities are required for its operational, managerial, or strategic positions. After that, the firm should invite talent with different capabilities and competencies to join and carry out an integrated value-creation process with maximum results.

The critical factor distinguishing between competitive and noncompetitive companies lies in how the company recruits, develops, and retains talented people. Companies especially need people who understand how to leverage various technologies and have the skills to analyze information and interpret it well to be used as a strong basis in decision-making. This situation forces companies to abandon conventional staffing approaches and shift to more sophisticated methods that focus on acquiring and developing talented people.

When finding the people they need, companies will want to build capabilities in the areas of creative, innovative, entrepreneurial, leadership, productivity, improvement, professionalism, and managerial. It's infrequent, if not impossible,

for an individual to have all capabilities at once. Having two or three of the eight is sufficient. However, one can also learn about the other capabilities to understand other partners who have strengths in different capabilities.

Companies must have a clear plan to find, unite, develop, assign, and retain people in the organization. They'll need to have talent aligned and integrated with the goals and strategies of the organization. Such an approach is the essence of strategy-driven talent management and is imperative for today's environment.

Visioning the Next Curve

On top of understanding the current conditions, companies must also be able to observe what we will likely face in the future. The implementation of entrepreneurial marketing will not be optimal and will not significantly have an impact if we are not prepared to anticipate what will happen in the future.

Regardless of how severe the impact of the COVID-19 pandemic has been, it is time for us to bounce back. The next curve is our journey from 2022 to 2030 and it is seen as full of uncertainty. However, we should remain optimistic but also realistic when facing various challenges in the future.

Don't hesitate to collaborate. Use an entrepreneurial mindset together with professionalism. Converge various dichotomies. The challenges on the next curve are not easy, but that doesn't mean we can't overcome them. If humans continually strengthen their minds, use their conscience, and use them as a marketing beacon, then the future is in hand. Welcome to the next curve!



Philip Kotler is an American marketing author, consultant, and professor emeritus; the S. C. Johnson & Son Distinguished Professor of International Marketing at the Kellogg School of Management at Northwestern University. He is known for popularizing the definition of marketing mix. Professor Kotler has consulted for such companies as IBM, General Electric, AT&T, Honeywell, Bank of America, Merck and others in the areas of marketing strategy and planning, marketing organization and international marketing. He has also advised governments on how to develop and position the skill sets and resources of their companies for global competition.

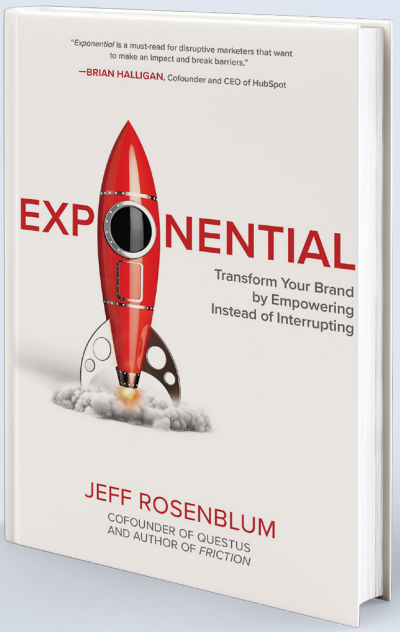
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· Book 38 of 106 ·

Exponential

Jeff Rosenblum

BOOK SNAPS™
Zooming In On Your Next Read



Exponential

Transform Your Brand by Empowering Instead of Interrupting

By Jeff Rosenblum

Jeff Rosenblum is a Cofounder of Questus, a digital advertising agency that has worked with some of the world's most influential brands, including American Express, Apple, Capital One, Disney, The NFL, Samsung, Starbucks, Universal, Wyndham and Verizon. Jeff created a documentary about the advertising revolution called The Naked Brand and the groundbreaking book Friction which explained how passion brands are built. Jeff has lectured at some of the top universities in the world, including Yale, Cornell, Columbia, and London Business School. He has won some of the ad world's most prestigious awards and presented at some of the industry's largest conferences.

Finding Talent with a Creative Spark

"The rate of change is exponential, and so are the opportunities." With those words, Jeff Rosenblum ends his book, ***Exponential: Transform Your Brand by Empowering Instead of Interrupting***. Rosenblum's main thesis, delineated in the paragraph above, is that the world of advertising has changed. Gone are the days when companies could craft brand identities through words that are independent of their culture and behavior. Gone, too, are the days when a company could rely on interruptive advertising alone to create needed growth. The companies of today need adequate transparency and authenticity in order to thrive in the marketplace of today.

Rosenblum lays out his argument by discussing the advertising revolution. He says that at its core the advertising revolution "is how brands communicate with consumers." Many falsely believed that digital advertising would simply be a replacement for the old system. Most companies continued to rely on interruptive advertising instead of coming up with new strategies that would complement the new tools. The world of today provides new challenges according to Rosenblum. These challenges involve advertising, strategy, data, culture, and leadership.

Rosenblum describes exponential growth as looking like a hockey stick. In other words, growth stays relatively static before it skyrockets. Key to this type of exponential growth are brand evangelists. These are people who actively promote brands via word of mouth. The process of creating this growth and of inspiring these evangelizers is both creative and scientific. There is a process to follow.

Success these days, according to Rosenblum, goes beyond messaging. It requires transparency. It is behavior, not advertising, that can determine success and failure. Traditional advertising is not dead, however. It is still key to generating demand and informing people about products. It is not sufficient, however, for exponential growth in the digital age.

Rosenblum goes into detail about the difference between transactional brands and emotional brands. Transactional products fill a need, and if the price is right, consumers will purchase them when they are needed. "Emotional brands, on the other hand, create irrational relationships - in the most positive sense of the word. They generate irrational enthusiasm. They charge

irrationally high prices. Their customers literally ignore the competition. Some become evangelists who promote the brand on their clothing, in online reviews, and during impassioned conversations around the dinner table."

The key to creating these relationships and these evangelists, according to Rosenblum, is by adding value in every step of the consumer's journey. The more evangelists a brand has, the less advertising the company needs to purchase because the evangelists are doing the job of the advertisers. These brands do not have to rely solely on advertising to create their brand story.

After discussing emotional brands, Rosenblum goes into a discussion of what he calls the institutional insanity of corporate advertising. He claims that the insanity he witnesses where companies rely on traditional advertising models developed around reach and frequency may have worked for a century but they are no longer sufficient. To elaborate on this, Rosenblum discusses work he did for a motorcycle company called Hayabusa. After discovering a strong link between motorcycles and hip hop culture, they created an innovating campaign to provide value to consumers. With his help, Hayabusa had some underground hip hop rappers create backing tracks with no lyrics. Fans could then record their own raps about the bike and upload them where listeners could vote. The winner was awarded a customized motorcycle. Contestants promoted their entries over their social media channels generating awareness among all of their contacts and the contacts of their contacts who shared the tracks. All of these contestants became brand evangelists, and the brand skyrocketed.

Manipulating Brains

Advertising is about creating interest and prompting people to action. Doing this effectively requires an understanding of the human brain. Rosenblum explains that in the modern age, people have five times as much information competing for their attention than they did just thirty years ago. The filters people's brains employ to block out unneeded information makes the job of advertisers more difficult. In fact, he describes these cognitive filters as being "an almost insurmountable barrier for brands." He goes on to say that "Data shows that traditional advertising techniques are becoming increasingly ineffective."

One way certain companies can break through these filters is through boring advertisements. Rosenblum details the first Apple advertisement he saw for the iPod. It was a billboard. About one third of the space was taken up by a crisp picture of the product. The other two thirds had the words, "1,000 songs in your pocket." At the time, people needed to understand what an mp3 player was and what it could do for them. It was a new product category, and people did not understand it. This simple advertisement clearly told consumers the benefit this product could provide for them. It was tremendously successful for Apple. About boring ads, Rosenblum says, they "may not win awards, but they can sell products. They can empower audiences. They can change companies. They can even change the world. Sometimes the bravest thing a brand can do is be boring." When a product is truly better than the competition, a boring advertisement can be a powerful tool.

Rosenblum then goes on to discuss oxytocin and its role in how consumers view brands. Oxytocin is otherwise known as "the trust chemical." He mentions research that shows that 85 percent of consumers say they would consider purchasing a brand if they trust it. This makes oxytocin significant for advertisers. So how do companies build trust? They do it through honesty, transparency, clear communications, and by respecting the time of their customers. These days brands are judged not just by their messaging but by their behavior. This behavior includes their core values and demonstration of empathy, and social media and videos and pictures on mobile devices can make it very easy for people to share the actions of companies.

The Importance of Brand

Rosenblum says that "brand building is a methodical process based on small, compounding steps that lead to exponential results." A brand itself can be worth billions of dollars. Rosenblum thinks of a brand as "a shortcut that helps people process and understand the meaning behind the logo." Consumers use them as a way to determine if a company's core values are in line with their own beliefs and if the company's products can meet their needs.

Rosenblum does not believe the traditional brand pyramid is sufficient in the world of today. This traditional model contains the first three layers that are internally facing and then the two top layers that are externally facing and are intended to inspire customers. Because brands are judged on how they behave rather than just how they are portrayed, companies need to go beyond merely focusing on and implementing the brand pyramid. Since customers can easily see a company's behavior, they want to support only those companies whose values align with their own. This requires companies to think differently about brand.

Instead of relying just on the brand pyramid, Rosenblum says that companies need to focus on a "brand building." He says the foundation of a brand building is empathy and empowerment. Empathy requires listening to the audience whereas empowerment turns that listening into action by creating meaningful experiences that benefit people's lives. Then Rosenblum discusses the three pillars of the building which are inspiration, aspiration, and education. Finally, "the exterior of the building is based in transparency and simplicity." Rosenblum claims that most advertising is either direct marketing or brand building.

New Considerations

Rosenblum believes that the sales funnel is still a helpful way to think about customers. The top of the tunnel is awareness of the brand, the middle is interest and consideration, and the bottom is purchase and evangelism. Most companies focus on the top and bottom of the funnel, but Rosenblum believes more attention needs to be paid to the middle where people spend most of their time and where they assess values, features, and functionality. Brands should not focus exclusively on the middle

> While brands want to grow exponentially, exponential growth is hard to manage."

of the funnel. The top and bottom are important as well. Digital tools, however, provide brands more access to consumers in the middle of the funnel than they ever had before.

Rosenblum then moves on to culture and says that "even modest mistakes in culture can devastate an organization." One of the reasons that culture is so important is because all members of organizations these days have access to social media where they can share their experiences, both good and bad. Rosenblum says that "culture is about putting people in position to do their best work." Culture involves maximizing processes, tools, and people. It requires both talent acquisition and collaboration. This requires a methodical approach. Collaboration requires that people feel psychologically safe. Because people can see through clever messages and see what a company is actually doing, advertising's role is to put "a creative lens on a brand's internal culture."

The Selling of Ideas

Brands have become good at using emotional messaging to promote their products to consumers. In this capacity, they act well as storytellers. Most brands, however, are not as good at selling their ideas to other business clients. In these environments, many brands rely on dry statistics that lose their audience from the beginning. In order for a stellar idea to be put into action, it has to be sold first to the decision makers. To better do this, people need to return to story telling when selling their ideas to business clients.

Rosenblum is interested in what he calls intentional sales. With intentional sales, big ideas are presented "using a strategy, a team, alignment, and collaboration." To do this requires four steps:

- Starting at the Finish: Here it is necessary to define "the exact environment and desired outcomes for every interaction."
- The Listening Tour: This involves conversations with key people within an organization. Ideally, the person should focus on a 62:38 speaking:listening ratio.
- The Inverted Triangle: Too often in pitches and presentations, people begin with the details and the statistics before presenting the big idea. This can lose audiences before the most important parts are even presented. Therefore, it is ideal to begin with the big idea before going into details and statistics.
- Managing the Outcome: This requires a person to know the desired outcome of every interaction and moving towards that outcome before every interaction ends. It requires a person to move towards that outcome at the end of any interaction with a timeline and the next steps.

Going Exponential

While brands want to grow exponentially, exponential growth is hard to manage. Therefore, "brands must concurrently build out processes to manage exponential growth while building the empowering content and experiences that create it." This all requires process and planning, and these processes need to be scalable. These processes need to be managed down to the smallest detail.

Rosenblum ends his book by explaining that the lessons learned about exponential growth do not only apply to business. They apply to personal life as well. He says that studies show that the better our relationships, the happier we are as people. Empowerment, which is key to successful business messaging and branding. It is also key in a person's personal life.

Rosenblum says that we have been through three industrial revolutions, and we are currently entering a fourth, "fueled by automation, big data, and artificial intelligence." He believes that the changes brought about by robotics may even rival the changes brought about by the internet. To manage in this new environment, businesses will need nurturing and empowering business models. His book helps explain how companies can achieve this.

Throughout Rosenblum's book, he intersperses anecdotes about particular business and specific accounts he personally worked on. Each of these anecdotes tell the story of how he and others have created successful brands and have used traditional advertising and a new focus on bringing value to every stage of the process in order to grow brands. A brand, he says, is a company's biggest asset. Rosenblum has a clear understanding of the entire process of building brands and successfully manages to convey those principles to his reader, leaving them with a clearer picture of what is required of brands in the new world of today and the emerging world of tomorrow.

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· Book 39 of 106 ·

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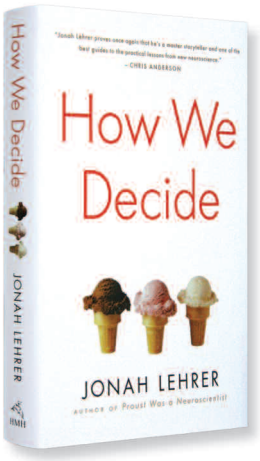
Review by Andrew B. Clancy

HOW WE DECIDE

by Jonah Lehrer

HMH ©2009
302 pages, $25.00 (ISBN 978-0-618-62011-1)

Before the reader proceeds any further with this review, he or she should take a second look (lasting only one second) at the cover of Jonah Lehrer's book *How We Decide*. Upon doing so, answer the following question: Which flavor do you prefer? The reader's answer, whether chocolate, strawberry or vanilla, is an important launching point for delving into one of the most intriguing books to come along this year.



Lehrer, a dynamic champion for the field of neuroscience, is already the author of two concurrently running blogs (*Mind Matters* and *The Frontal Cortex*) and a previous book, *Proust Was a Neuroscientist*. In his latest work, Lehrer attempts to make readers think about how they think. The ability to make decisions is on par with opposable thumbs when listing the traits that separate Homo sapiens from every other species on Earth. It's the how of decision-making that could potentially generate gains for executives who are wise enough to decide to read Lehrer's book.

There is an important distinction to make at the outset: *How We Decide* does not require a degree in neuroscience for the reader to understand it. It is also pointed out that a reader will not feel like he or she is nodding along in a lecture hall pretending to understand a professor. Lehrer, despite incredible aptitude for his subject matter, is very gentle when wielding the hammer of science. He could easily draw comparisons to theoretical physicist Michio Kaku, whose explorations into the reality of technology used in science fiction have found mass appeal. In both Kaku and Lehrer's case, there is knowledge of the audience base that helps set good parameters, and Lehrer, for his part, stays comfortably within the lines.

Passing On a Metaphor

An author's ability to connect with his or her audience is largely told by the examples he or she uses to illustrate the higher knowledge in his or her book. Lehrer comes out of the gate strong by using football to start his study of decision making. Sports metaphors are often tired and hold little water in business books. A manager in a manufacturing setting isn't interested in how one millionaire coach manages to motivate two dozen millionaire athletes. In the case of *How We Decide*, the position of the quarterback is used to demonstrate one of the book's primary points: the ability of the mind to "feel" a decision.

Lehrer would be the first to tell you that using metaphor to define a principle is a risky, albeit human, concept. The very subject matter of *How We Decide*, decision making, seemed to be redefined with every new era in human history. At one point, as the author examines, our thoughts and actions were the equivalent of a horse and a charioteer. By the time Sigmund Freud began his work, the charioteer was replaced by a rider constantly pulling at the reins of the galloping id. In the 20th century, the horse went in the stable and our brains

became hard drives running a variety of decision-making software. None of these ideas, according to Lehrer, gave enough due to the role of emotion in the process of making decisions.

Executives are likely to be intrigued by the perceived "soft" side of hard-edged decision making. Lehrer deserves a lot of respect for his willingness to brush aside human pretension. Whether due to pride or the tunnel vision that comes with being the dominant species on the planet, science has often worked to define what separates humans from everyone else. Much of the research in *How We Decide* seeks to demonstrate that when it comes to decision making, we're not too far removed from our neighbors on the evolutionary chain. Emotion plays a key role in this closeness, and readers may be shocked to find out how much of the "work" of a decision occurs before a thought is fully formed in someone's mind.

To Deal or Not to Deal

One of the most shocking aspects of *How We Decide* is the degree to which human beings play into our own behavioral tendencies. Even when relaxing, we get a kick out of pressing our own buttons. This model has its extreme dark side in the form of substance abuse and mental illness, but there's also a large portion of our entertainment that comes from the same basic building blocks.

Lehrer uses the popular game show *Deal or No Deal* to reinforce his argument about the brain's ability to fool itself when making decisions. This is a section where executives should probably sit with a highlighter while reading the book. The author digs deep to explain why, despite shouting at one's television to take the money and go home, the average contestant will press on, risking everything and, more often than not, losing it all.

Translating this idea to the workplace, Lehrer cites a study where two teams of doctors were given a hypothetical pandemic scenario. The disease was expected to kill 600 people. Without going into too much detail, the surveyor asked the first team of doctors which of two treatment programs would they follow. The first program was a "safe" plan that would save 200 people. The second program was a "risky" program that had a 30 percent chance of saving all 600 people or a 60 percent chance of saving no one. Nearly three out of every four physicians surveyed chose the safe plan.

The survey was tested on a second team of doctors. However, in this case, the questions were rephrased. Instead of dealing in who will be saved, doctors were told that if they chose the safe program, 400 people would die. If they chose the risky program, there was a 30 percent chance no one would die but a 60 percent chance that all 600 people would die. Amazingly, 78 percent of the doctors surveyed chose to risk everyone for the sake of saving everyone, rather than making a safe choice that would still leave 400 dead.

The reason for this dramatic swing is a concept called loss aversion. It's one of the most essential concepts in *How We Decide* for readers to comprehend. The human mind is set up to help itself avoid feeling bad, and unfortunately for us, its need to do so is self-perpetuating. Once a negative feeling results from a chance-based situation, the mind immediately launches itself back into the situation in the hopes of replacing the bad feeling with a good feeling. This is why it's impossible to easily pull oneself away from a slot machine or blackjack table. Due to the ever-present chance of elation, in the presence of a random reward (i.e. blackjack or jackpot!), the brain will allow the body to linger, even while the player's pile of chips gets smaller and smaller.

Major Insight for Human Resources

Lehrer's discussion of loss aversion extends to a greater psychological concept called *negativity bias*. The workplace applications of this are essential for executives to understand. When it comes to the way humans make assessments, the perception of bad far outweighs good. Human resources (HR) personnel are especially vulnerable to this common problem while performing the fundamental decision-making task of their jobs: hiring.

Suppose a highly qualified candidate's resume and application land on an HR manager's desk. She looks through the person's qualifications and sees a career that has, to this point, been nothing but bright spots. The candidate, a man in his early 40s, is applying for a sales job and has brought in several hundred thousand dollars' worth of business to each of his three previous companies. However, toward the bottom of the candidate's application, she spots something off-putting. When he was 21, the candidate served six months in jail for possession of a large quantity of an illegal substance with the intent to distribute. Suddenly, despite the crime having occurred 20 years ago, and the candidate having a spotless record ever since, she sets his resume aside. Was the aversion to the candidate's decades-old arrest worth costing her struggling company the potential revenue the applicant could have brought on board?

How We Decide will not help executives overcome these flaws in human design. Its role is merely to make readers aware that these issues are part of our biological make-up. The hope is that people who read the book will come to certain realizations about themselves and use the book as a jarring mechanism. It can be a practi-

cal starting-point to helping managers reverse repeated problems in the workplace. It's unlikely that Lehrer wrote *How We Decide* with any intention of it serving as a business book, but it works well on this level. It's especially pleasing to read because it can be applied to a variety of areas within a business.

Marketing That Grabs and Won't Let Go

Marketing, at its essence, is a two-word phrase: Pick me. However, the complexities of what lies behind a person's motivation to choose one product over another are entrenched in miles of neurological pathways. While *How We Decide* is an essential read for executives at all levels of an organization, it may be the folks in the marketing department who have the most to gain from Lehrer's work.

As noted above, the brain's addiction to its own reward function can be compounded by its inability to solve a game of chance. Marketers can take this information and use it to develop a promotional campaign that taps into the brain's own flaws. It makes one wonder whether or not the people at McDonald's and Parker Brothers had access to similar research when they debuted the McDonald's version of the world-famous *Monopoly* game. While sales numbers related to this promotion are cloudy, it appeared that for awhile, people were more than willing to risk their waistlines and cardiac function for the hope of landing on Boardwalk or Park Place.

A Problem With Focus

Another aspect to which marketers should pay attention is the details behind the research they often use to power a company's production decisions. Lehrer explains this brilliantly, using an example that many readers may have experienced at one time or another, especially if they traveled to Las Vegas or Orlando: the TV focus group. *(Editor's note: TV focus groups often take place in these locations because they offer the largest collection of people from all corners of the United States.)*

It's a proven fact that focus groups, as a predictor of success for television shows and movies, are shaky, at best. However, the entertainment industry still continues to rely on them. What they fail to realize, and *How We Decide* willingly points out, is that focus groups rely on impulsive emotions to indicate whether or not they like or dislike a program. This can be deceiving to marketers attempting to understand an audience's data.

For example, Lehrer cites a number of shows that were tested in the wake of NBC's overwhelming success with *Friends*. Each network's answer to *Friends* was built on a similar premise: A group of young Caucasians hang out in a central location and exchange witty banter. In the majority of cases, each of these programs tested very well with the audience. The shows were given the green-light and they debuted on each respective network, only to disappear within a few episodes.

What happened? Lehrer points out that test audiences based their response on an empathic reaction to the new series. In essence, each show made them feel like they were watching *Friends*, so they scored the new show as if it were *Friends*. In the ensuing fall, when Thursday night rolled around, people got their fix of these good feelings by watching, you guessed it, *Friends*.

A Good Trade-Off? Not Necessarily

What makes *How We Decide* such a profound read is the book's ability to make the reader challenge his or her own perceptions. Executives are taught to be firm decision makers. A business demands the quick examination of data to arrive at a decision with far-reaching consequences. The best executives are perceived as those who can weigh their options and know the best road to travel without lengthy debate.

The importance of speed in an executive's decision-making abilities should not be underestimated when it applies to certain situations. Lehrer explores the notion of overthinking when it comes to decisions of all sizes. This particularly applies to situations where a perceived "trade-off" is at work.

Lehrer's strongest moments come when he cites a researcher's hypothetical situation to demonstrate his point. In the case of trade-offs, the psychologist gives readers a choice between a three-bedroom condo that leads to a 10-minute commute, or a five-bedroom house with a commute nearly five times longer. Given the time to consider such an important decision as where to live, the majority of people choose the larger house.

The reasons for this relate to a phenomenon of extrapolation that researcher Ap Dijksterhuis calls a "weighting mistake." People base their decision on the idea that having a couple extra bedrooms will be great for when relatives or friends stay over. However, the infrequency of people spending the night is given more weight than the misery of a 50-minute commute that occurs five days per week for 50 weeks of the year.

It's important to note that this research may be somewhat deceiving. There may be other factors at work, such as a person's desire to have a backyard or a latent fear of living in an urban environment. Yet, the fact remains that from a purely logical standpoint, the brain does not properly weigh its options when making this critical decision. Executives are cautioned to be aware of this tendency when it comes to considering certain

aspects of their businesses, such as adding staff or considering the necessary amount of office space.

A Dollar Is (Not) Always A Dollar

It may appear that some of Lehrer's studies are directed at how consumers react in various situations, but it's important to note that many executives spend a good portion of their time (and the company's money) making purchasing decisions. As a result, it's essential to understand how the brain makes justifications to itself as it relates to spending.

How We Decide does an amazing job of detailing the brain's personal accounting system. As Lehrer points out, the human mind is incapable of making computations fast enough to make accurate decisions based on pure logic. This is why a human is still capable of beating a machine at a game such as chess, especially when placed under time constraints. The brain creates shortcuts to avoid having to do a day's worth of math, arriving at a decision in a matter of seconds.

In the purchasing realm, these shortcuts can place a value on intangibles, such as time. Here's a classic example: You are an independent retailer whose business frequently has buckets of change leftover from the day's takings. While change is still legal tender, it is also cumbersome. You have two options: put the change into rolls and receive their exact value from the bank, or dump the buckets of change into a bank's auto-counter and receive 94 cents for every dollar the machine counts. Logically, you would want to get every penny's worth out of your dollar. However, every day, banks across the U.S. see dozens of people opt to dump their change into the auto-counter.

The person's brain put the time savings on one side of the scale and the full amount of money on the other side. In this instance, time conquers cash. It's very likely that this sort of decision occurs in the workplace, as well. Executives are advised to be mindful of the brain's shortcuts when evaluating their employees' (or the leader's own) decisions. With companies struggling to account for every dollar spent during this period of economic crisis, it is essential that leaders lock-down on why money is spent. They may be surprised to learn that individuals were merely looking to avoid extra effort by spending a little extra money.

Why It's Unfair to Compare

Readers may find themselves drawing instant comparisons between *How We Decide* and Martin Lindstrom's 2008 release *Buyology: Truth and Lies About Why We Buy (Editor's Note: Summarized in the May 2009 edition of Soundview Executive Book Summaries)*. While both books use neuroscience as the basis for explaining some aspects of decision making, they should not be given apples-to-apples treatment. Lindstrom's book is primarily focused on brain function as it relates to consumerism. Lehrer's book delves into more than buying decisions. This makes it an excellent read for leaders in all levels of an organization.

Each book deserves an equal amount of attention. It's not justifiable to ask the question, "If I can only read one of these two books, which one is the best one?" They serve different purposes and both authors execute their respective missions with elegance and purpose. Do yourself a favor and check out both titles. There are great lessons to be learned from each.

How We Decide is one of the few books in recent memory that serves a multitude of organizational needs without advertising itself as specializing in any one area. What the reader learns from the book will largely be dependent on his or her ability to extract the pertinent information from Lehrer's writing, then apply it to his or her own situation.

The mind is mysterious and complex. While we may never fully discover every secret it contains, it is very rewarding to take an exploratory look. *How We Decide* is the most enjoyable attempt currently in print. Pick up a copy and see what (and how) you think. ●

The author: Jonah Lehrer is editor at large for *Seed* magazine and author of *Proust Was a Neuroscientist*. A graduate of Columbia University and a Rhodes Scholar, Lehrer has worked in the lab of the Nobel Prize-winning neuroscientist Eric Kandel and has written for *The New Yorker, The Washington Post* and *The Boston Globe*. He edits the *Mind Matters* blog for *Scientific American* and writes his own highly regarded blog, *The Frontal Cortex*.

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· Book 40 of 106 ·

Founder Brand

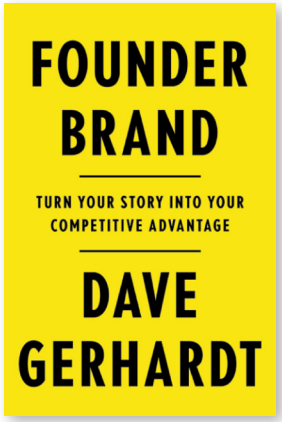
Dave Gerhardt

Marketing

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Founder Brand

Turn Your Story Into Your Competitive Advantage



by **Dave Gerhardt**

Contents

Introduction
Page 2

Level 1
Page 2

Level 2
Page 3

Level 3
Page 4

Conclusion
Page 4

THE SUMMARY IN BRIEF

There are several different avenues in which businesses can market their products, services, and talent. From social media to blogging, the options are endless on how businesses can reach clients – past, present, and future. In his book, ***Founder Brand: Turn Your Story Into Your Competitive Advantage***, Dave Gerhardt discusses the impact that founders have on their businesses and their marketing.

Through the framework he creates, founders can discover how to become a storyteller, publisher, and master of the feedback loop. The strategies held within these pages are there to help build a founder's brand, how and why they work, and how any one in a founder role can assess the impact they have on their business. Instead of simply adding chapters to his book, Gerhardt uses the importance of levels to dictate that each level is more challenging than the one that came before. While not all founders are in a position to take on additionally demanding roles within their company, Gerhard's book was written to those who are ready to ascend to the next level.

IN THIS SUMMARY, YOU WILL LEARN:

- The strategies necessary to build your founder brand and why they work.
- The secret to becoming an expert and guide in that niche.
- How to master the art of storytelling.
- How to become the publisher of your story.
- How to master the feedback loop.

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Introduction

The goal of marketing is to make sales easier. A good marketing strategy will build awareness, trust, and credibility. When you possess all three, it is easier to sell products and services to the customers looking for them. With many different methods of marketing available today, the possibilities are endless for founders.

One aspect of marketing that is often completely overlooked is the founder's branding. When the founder isn't branding it leaves a deficit within the company – but across three strategically framed levels, any founder can find their brand and begin marketing with potential. With the plans used for marketing Drift's founder, David Cancel, the overall success can be translated into any business.

Level 1

Chapter 1: Become a Storyteller

In the case of Drift, the product wasn't ready to be presented to the world and focus was shifted onto marketing branding for the founder – David Cancel. By letting him tell his story and the interest behind his brand, it sold the product itself with popularity that was unfounded.

For millennia, people have been telling story – even before written language, these stories were told word-of-mouth and passed down over thousands of years. The use of stories creates synaptic connections in our brains that bring emotion and cognition together. While stories can be fictional or factual, they have the purpose of teaching, entertaining, or inspiring us. The same can be true for brand storytelling. Think about the stories told about how Steve Jobs co-founded Apple. His story was so engaging and gripping that it was adapted into books and movies. When launching a business, there is a story to be told and should be shared in an exciting way.

The key to using storytelling in your brand is to know how to tell your story and target the delivery of the story to the correct audience, to the niche that wans the product or service that the business provides. The framework for efficient founder branding:

- What is the backstory of the founder?
- What is the problem that the founder's business exists to solve?
- Who is the villain faced by the customers?
- What is the solution that the business offers?
- What are the benefits of using the product?
- What was life like before and after using the product?

Using these simple questions, the foundation of the founder's story can be adapted so that the benefits are clear. These are the ingredients to begin creating a compelling story for the founder.

Chapter 2: Find Your Niche and Define Your Enemy

There are two key things you must do in order to get your story to cut through the noise and attract customers – first, focus on a specific niche and second, define your enemy. In terms of a niche, it is a specialized segment of the market for a particular kind of product or service. "The riches are in the niches." Meaning, that when you have a niche, you have a clear and focused intent on your target customers now. The best way to pick a niche is to look at your offering today and work backward to determine the ideal customer.

There is always a villain to every story (at least the good ones) and determining who the villain of your story is has to be in your line of sight. Although not every story has a villain, you create an advantage in your marketing when you create one. The goal is that your brand exists to free the customer from the struggle they face due to the villain. The villain serves a clear purpose in creating the founder brand and shows your customer you are on their side.

Chapter 3: Now You Need an Explainer

Now that you have decided on a niche and determined the villain of your story, you have to turn it into something you can use. In this chapter, you learn how to take all of what you learned in chapter two and boil it down into a short, memorable statement – an explainer. The explainer can be used in actual conversations, not just in a PDF that never sees the light of day. The goal of the explainer is to get the attention of the audience you are trying to reach. The "first line, second line" lesson of copywriting comes into play when drafting your explainer. The "first line, second line" rule is when you write your first line to drive someone to read your second line. Your explainer should keep your audience wanting to read on to learn more.

Chapter 4: Find Your Role Models, Mentors, and Anti-Role Models

Stealing is not about blindly copying, it is about figuring out what is worth stealing and developing it into your own

version – as it applies to your founder brand. Keep in mind that there is very little in this world that is completely original, and that history has a way of repeating itself. There are three types of role models you need to consider when building a founder brand:

- Role Model – someone you look up to professionally and has achieved what you wish to achieve
- Mentor – someone in a similar industry (or the same industry) but is a step or two ahead of where you are now
- Anti-Role Model – the person you learn about to make sure you don't replicate their process by accident

A founder must be fully committed to learning, which includes making lists of role models, mentors, and anti-role models to learn more about where you are headed and where you are not.

Level 2

Chapter 5: Become a Publisher and Get On Social Media

A founder posting on social media can now be considered a publisher. You control what, when, where, and why you publish. What you publish on social media when you focus on the niche can be powerful. Instead of just updating a website and hoping that new customers come and see what you are about, when you publish – you bring the audience to your doorstep.

Publishing on social media allows founders the ability to reach anyone globally without having to pay a cent for it (other than internet and paid ads). Now that you have your story, your explainer, and are a publisher, you can use social media to reach your dream customers online. There are three keys to being a publisher as a founder:

- Founders should be active and posting at least three to five times a week on social media platforms
- Founders should start a podcast that focuses on their niche
- Founders should make speaking in public a priority, even if they don't like it

Even though most founders (without a framework) stink at posting on social media, there is plenty to be learned by watching others to see what you can learn from how they post their brand.

Chapter 6: Twitter and Linkedin

While social media platforms are not in short supply, two of particular interest to founders should be Twitter and LinkedIn. These are two platforms that allow the highest possible opportunity to succeed with the lowest use of resources. These two platforms build audience based on the clarity of thoughts, which can be done from your laptop, tablet, or phone. Most founders have an opportunity to do well on these social networks.

In addition to the ease of posting, there is an ease to connections as well. They make it easy to listen, follow, connect, and share – providing instant feedback. These are also the two platforms that seem to have the most authority and influence in niche networks. Profiles on social media (especially Twitter and LinkedIn) need to be visually engaging, contain interesting content (including an interesting headline on LinkedIn), show accomplishments, plainly state who you are, and turn into a public curator for what you do online. To be truly effective, the use of social media rules apply – posting frequency and hashtags matter!

Chapter 7: Start a Podcast

After social media, podcasts are the single best channel to build a brand as a founder today. When you have a podcast, it is like being the producer of your own radio station in your niche – without the headaches associated with starting your own radio station. PodcastHosting.com reported that at the end of 2020, more than 50% of households in the US reported listening to podcasts. Most of these are listened to on smart phones through Apple Podcasts and Spotify.

A podcast can be used in almost unlimited ways. For example, written snippets can be used as tweets on Twitter and longer transcripts posted on LinkedIn. Each time you share things like this, the audience reacts and it builds content for the next episode. Using one podcast as material for social media has the potential to give you enough content for a week's worth of posts.

Before launching a podcast it is important to consider the format, who will be talking, how you will do it, the platform you will use, the episode length, and so on. These are all foundational and must be planned prior to your first podcast.

Chapter 8: Hit the Road

One motto that you must embody for business success is Ted Turner's "Early to bed, early to rise, work like hell, and advertise." You cannot assume that people will come to you if you want to be successful. It isn't enough to be a storytell-

er, you must be proactive about getting out there and telling the story you want the world to hear. You should start small by picking a few podcasts and a few public speaking events to start hitting the road. Even starting small can turn into more followers and larger audiences.

Level 3

Chapter 9: Become a Master of the Feedback Loop

You are the founder – your story and explainer are captivating. As your podcast gains followers and your social media accounts attract followers – you have taken your show on the road. Here is where you take level two to three – the feedback loop. The feedback loop is powerful in business, it provides your company the ability to get feedback directly from the customers without spending any money to earn their attention. When you learn how to master the feedback loop, you unlock the entire game – content, social media, and podcasting.

Also included with the feedback loop is engagement. These metrics are what you look at on your social media presence. The number of followers don't really matter if they aren't picking up what you are putting down. Although there are no simple metrics across LinkedIn and Twitter, but you can monitor the shares and number of impressions per post. Understanding your metrics can help you succeed in marketing your founder brand just as much as your story.

Conclusion

This book is not a guide to marketing or how to sell your product or service. This book is a guide on how to use what are considered to be the most effective marketing tool – the founder's brand. The ultimate goal is to advise how to become a better storyteller, start a podcast, become a publisher on social media, and use the feedback loop that building an audience can relate.

Although many founders will read this book, few will actually take the advice and put it into play. The steps are simple – develop your story, determine the niche, find the villain, clarify your explainer, and develop the one-liner that will become the catchphrase you are identified by.

Your founder brand can be an amazing tool to use to build your business. Once reading this book it is time to put plans in action and hit the road to marketing your founder brand.



One of the top marketing minds in the country, **Dave Gerhardt** helps businesses with brand building and marketing strategy. Dave is the founder of DGMG, his marketing consulting firm, and was Chief Marketing Officer at Privy and Chief Brand Officer at Drift. A guest lecturer at Harvard Business School, Dave has traveled the world speaking and coaching marketing teams and startup founders. He lives with his family in Burlington, Vermont. Learn more about working with Dave at davegerhardt.com.

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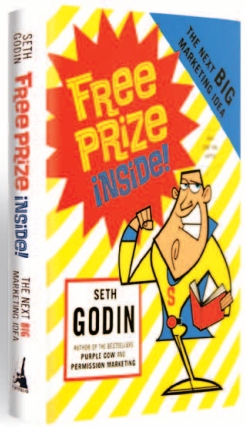
· Book 41 of 106 ·

Free Prize Inside!

Seth Godin

SOUNDVIEW Executive Book Summaries®

FILE: MARKETING



By Seth Godin

CONTENTS

Avoiding Commodity Status
Pages 2, 3

Amazon to the World: 'Advertising Is Dead!'
Page 2

What Is a Purple Cow?
Page 2

Why You Need A Free Prize Inside
Pages 3, 4

Soft Innovations And Free Prizes
Page 4

CD Baby Is a Purple Cow
Page 4

Selling the Idea
Pages 5, 6, 7

Dyson Makes A Great Idea Work
Page 6

Creating the Free Prize
Pages 7, 8

Pepsi's New Vocabulary
Page 7

The Next BIG Marketing Idea

FREE PRIZE INSIDE!

THE SUMMARY IN BRIEF

A free prize is not a gimmick. It is a game-changing soft innovation; a cool twist that doesn't cost a fortune but transforms the way people think about your product or service. In an era when the real marketing happens inside a product, not in the ad pages of a magazine, marketing guru Seth Godin encourages readers to take on the challenge of doing the essential task of creating innovation. Godin explains that one cannot create innovation by building an organization that is automatically and effortlessly innovative. Instead, companies must create innovation by creating a desire among individuals to do the difficult work that makes innovation happen. Whether you are a CEO, a mid-level manager or a mail-room clerk, you can be innovative and grow without relying on big advertisement campaigns or technological tricks — these are either too expensive or too difficult to execute. There is a third way: the leveraging of insightful, useful small ideas or soft innovations that anyone can come up with. When done right and championed properly, these ideas can make your business remarkable.

What You'll Learn In This Summary

✓ **How to avoid marketing overload.** People are inundated with so many messages in their day-to-day lives, it has become easy for them to tune out your advertisements. Having the money for big ad campaigns does not mean you are going to reach the people you want to reach.

✓ **How to turn your soft innovations into free prizes** — the little extras people want to buy without telling you they want to buy them.

✓ **How to turn your free prizes into Purple Cows** — the products or services that people want to make remarks about.

✓ **How to calculate the value of a free prize by using the Godin Curve,** which plots the costs of development, the gains of revenue and the spot in between where a different kind of innovation lives.

✓ **How to be a champion for your projects,** guiding them around the obstacles in your organization that might hold back soft innovations.

✓ **How to find a free prize that will make your product or service remarkable,** then going all the way to the edge of customer needs and perceptions to create maximum growth for your company.

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FREE PRIZE INSIDE!

by Seth Godin

— THE *COMPLETE* SUMMARY

Avoiding Commodity Status

There are two ideologies that every product struggling not to be a commodity stands on:

- **Build something no one else can build, so you can charge enough to make a profit.**
- **Advertise it like mad, to build a brand, so you can charge enough to make a profit.**

In a completely rational world, advertising would not work. Consumers would simply consider all the choices and buy the cheapest product or the one that has a technical advantage no other product can match. In such a world, one would either have a patent or process monopoly, or would be selling products at ultra-low prices. But what fun is that?

Sheer Averageness

There are plenty of products that used to be right in the middle of consumers' radar screens, products that thrived due to their sheer averageness. Mrs. Butterworth, Mr. Bubbles, Mr. Coffee: these were average products for average people, sold at commodity prices. They could do that because they had great advertising; they had successfully created a brand. Every time the brand marketers spent $100 on advertising and other forms of "interruption-based" marketing, they made $200 in profit.

Marketing Overload

Those were the days. Now, some 20 years later, one product after another is fading away, for one simple reason — advertisements cannot pay for themselves anymore. We live in an information-rich era — there's too much noise, too many choices and too much clutter. Consumers are hit with spam, pop-up ads, 500 cable channels, blinking Web banners, blue-screen ads behind home plate and dozens of other interruptions. You can-

(continued on page 3)

Amazon to the World: 'Advertising Is Dead!'

Not long ago, Amazon.com announced it was going to stop advertising altogether on television, in magazines and in other interruption media. Instead, the company announced it would funnel its ad money into free shipping. Marketers were aghast — imagine, spending ad dollars on actually making the product better! What heresy! Pundits, as they had before, predicted Amazon's imminent demise.

A year later, the results were in. Sales for the year were up 37 percent. International growth was an incredible 81 percent. Amazon reported its first quarterly nonholiday profit, attributed to growth due to the change in marketing tactics.

Amazon founder Jeff Bezos and his shareholders are thriving because the company abandoned the TV-industrial complex, rejecting the idea that they have to interrupt people with ads they don't want to receive. They reject the notion that the only way to build sustainable competitive advantage in a non-technology industry is to have ever more clever ads, reaching ever more annoyed customers.

What Is a Purple Cow?

Here's the quick definition of a Purple Cow:

A Purple Cow is a product or service that's remarkable, meaning simply that a customer is willing to make a remark about it.

If you can create remarkable products, people will talk about them. If that happens, word will spread and your sales will grow. That explains the success of almost every fast-growing company of the last 10 years.

So the question is: Are you invisible, or remarkable?

The author: Seth Godin is the bestselling author of *Permission Marketing*, *Unleashing the Ideavirus*, *Survival Is Not Enough*, and most recently *Purple Cow*. Godin is also a contributing editor for *Fast Company* magazine and a renowned public speaker.

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Avoiding Commodity Status

(continued from page 2)

not make a good living by interrupting people over and over. The TV-industrial complex is crumbling, and smart marketers are running from it and its interruption media like they were diseased. Now, they're searching for something else.

People have learned to ignore ads, and to avoid the companies that interrupt their activities to make them look at ads. The lesson for product makers is clear — just because you have money does not mean you can trade it for attention by buying advertising. And if you don't have money, don't worry — there is a better way. Marketing is no longer the sole purview of the organization's marketing department. Everyone in the company is in the marketing department. ■

For additional information on the paper clip parable, go to: http://my.summary.com

Why You Need a Free Prize

From time immemorial, kids have nagged their parents to buy the cereal with the free prize inside. Cracker Jacks tasted fine, but kids wanted them to get the goofy little prize. The cereal without the prize was just as good, but, of course, it wasn't just as good. It didn't have a prize.

Cereal makers could offer a free prize and create amazing advertising, as well. They could charge a significant premium over generic brands with the same ingredients and taste — as long as they could put a talking toucan or shouting tiger or mustachioed Cap'n on the box and in their ads. Today, of course, cereal isn't the cash machine it used to be — there are too many brands, insufficient shelf space, and consumers are too cost-sensitive to be fooled by TV advertising. All we've got left is the prize.

Innovation Is Cheaper Than Advertising

In a world of Purple Cows, when the marketing is built into the product, creating products that are innovative is actually cheaper than advertising average products. Thus, once your company recognizes that insight, it will invest the money it would have spent on advertising to create cool, innovative products, instead. Innovation is free — in fact, it is a profit center. The future belongs to companies, organizations and people who are remarkable, not boring.

The Godin Curve

To show the value of the free prize, observe the Godin curve on the right.

The right half of the curve demonstrates that, as you invest in media, you need to have an increasingly higher expected return to break even. It is a risk — the more you invest, the bigger payoff you need to make it worthwhile.

The left part of the curve shows that the same is true for technology. If you spend a fortune building a gizmo, you need to have a very high return in order to break even on your investment and have enough left over to justify the risk.

The dotted line shows how much revenue you can expect, historically, from big investments in media or technology. You generate more revenue when you get a big ad campaign right or launch a high-tech success, but the increase in revenue is not commensurate with the increase in risk. Big technology and media projects rarely generate the large returns needed to make them worth the effort. Sometimes, they fail altogether.

The curve, as a whole, subtracts the cost of development and media from the project's revenue and shows the likely profit (the dotted line). The spot between the two curves is the free-prize zone, where a different kind of innovation lives.

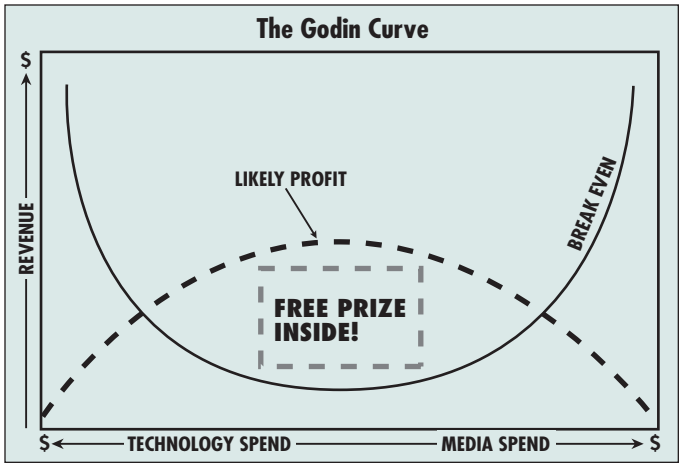
The Crumbling Pillars

It seems counterintuitive, doesn't it? Each incremental dollar of big ad spending or big R&D and technology investment doesn't contribute appropriate incremental profit in return. That is anathema to some marketers and tech geeks! But it is true — the twin pillars of patents and ads have crumbled. Something else has to work, to help you differentiate yourself from your competitors.

Indeed, there is a new way of winning, which is happening thanks to a confluence of reinforcing events:

- **Consumers (at home or at work) have always wanted more than they say they want.** Regardless of cost and regardless of the biggest ads or latest technology, they want cool stuff. Like kids and their cereal choices, they want the free prize, sometimes more than

(continued on page 4)



Why You Need a Free Prize

(continued from page 3)

they want the thing they're buying itself.

● **We now live in a world where the path from a great idea to the consumer is shorter than ever.** It once took years to build a manufacturing facility, set up distribution, do the advertising and get the product into the hands of the user. Today, the competition is building something right now.

● **The tools that are available to creators are so much better than they used to be.** We can prototype and mock up products and even model behaviors, right on our desktop computers. The bar for truly revolutionary technical innovation gets higher almost every day. The half-life of a successful product is shorter than ever, so ideas must be cheaper to build and faster to market.

The Soft Innovation

When one considers innovation, one tends to think about the big stuff — paradigm shifts, huge R&D and technical changes, major shifts in what we think is possible. Most successes, though, are the result of soft innovation — things like fast lube-job shops, cell phone pricing plans and purple ketchup. These are the commonsense, creative things that require initiative and curiosity, not an advanced degree, to do.

The reason soft innovation works is that all breakthroughs, regardless of size, require quantum leaps. It is considerably easier to take a quantum leap with style or insight than it is by toying with the rules of physics or jumping Moore's curve. If you have been told that you are not qualified, authorized or entitled to pursue breakthroughs of any kind, the idea of soft innovation should provide you with some relief — you can make a difference, and you're not alone.

Ordinary People

Ordinary people can do extraordinary things. There are many examples of ordinary people using ordinary tools to create products or services that generate both user satisfaction and profits. In any industry where people decide, style matters. Whatever you do, wherever you do it, you have the opportunity to innovate and you have the power to find and develop a free prize.

No free prize lasts forever, though. Krispy Kreme found its market niche and created a terrific product to meet the needs of that niche. However, recently, it has been reported that the guest count (a key measure of retailer health) at one large group of Krispy Kreme's stores is down by almost 20 percent. This is why it is so very essential that you keep innovating and keep making new free prizes.

You Can Do It, Too!

Anyone can create a soft innovation. It's not based on your power in an organization, or your desire to become an entrepreneur, or how creative you are. You can find a Purple Cow in your organization and a team to build it, then repeat the process again and again. Remember — inventing something and making it happen are not the same thing. You don't have to do the work to champion it. But your idea, all by itself, will fail unless you make it happen.

Creating and championing free-prize projects isn't hard, but it is difficult. Difficult work is easy to avoid, but it is also exactly what will get you promoted. ■

Soft Innovations and Free Prizes

A soft innovation is what you, the marketer, see. If it catches on and becomes something the consumer wants, it becomes a free prize.

A free prize is the essence of a Purple Cow, with two key characteristics:

1) It is the thing about your service, product or organization that is worth remarking on, something worth seeking out and buying.

2) It is not about what a person needs — it is about what a person wants. It delivers something extra.

A product or service that carries a free prize is a Purple Cow.

CD Baby Is a Purple Cow

Derek Sivers is a smart guy, but he is not a geek. He is a musician.

A few years ago, in the middle of the dot-com boom, Sivers had an idea for an online company that would sell CDs from unsigned, self-published musicians. Had he gone to venture capitalists, they would have likely required him to bring in high-priced technical minds to build a proprietary system. Then they would have piled on the marketing money, helping him build an impregnable brand footprint. And he would have likely been out of business by now.

Instead, Sivers taught himself how to use FileMaker, which he then used to build a simple system that enabled him to run his business online. He coupled that with his understanding of musicians' needs, customer needs and his considerable sense of humor, building soft innovations that have attracted artists, consumers and profits. While other dot-coms have come and gone, CD Baby is still standing, and Derek Sivers is still spending insight and creativity on the free prize.

For additional information on the Gouliard paradox, go to: http://my.summary.com

Selling the Idea

Knowing how to sell your idea — how to make it happen — is something you must do before you bother to invent your product. If you can't figure out how to implement your idea, there's no point in inventing it. Think of it this way — do you think your company will put resources or effort behind a product that it will be unable to sell? There is no correlation between how good your idea is and how likely the organization is to embrace it. None.

If it is not about good ideas, then what is it all about? The answer is selling — selling the idea and making it happen. Marketing is no longer the purview of a separate department or agency — your entire company is responsible for marketing. In order to do the remarkable, though, you need a champion. Without managing the organization, marketing doesn't get done.

Happy Customers Don't Help

People who are happy and satisfied are your company's worst enemy. They don't complain; they pay on time; they don't bother you or make a fuss about anything. They are the end result of success, and they can positively choke any kind of innovation out of your business. Satisfied customers are unlikely to radically increase your sales. They are unlikely to push your company to stay ahead of the competition. In fact, one day your competitors will pass you, and your satisfied customers will go with them.

Your growth will come instead from the dissatisfied and the unsatisfied. The dissatisfied know they want a solution, but they aren't happy with the solution they've got. The minute they find a better solution, they will buy it. The unsatisfied don't even know they've got a problem that requires a solution — they're not even looking for you. These people are the source of real growth — the customers you need when your current product line becomes obsolete.

The problem is that management really likes the satisfied customers. When an innovation arises, the first question on their lips is, "Will our satisfied customers like it?" The satisfied customers *already* like what you're offering. You want to appeal to the dissatisfied, get them to embrace your product, then get them to tell the unsatisfied all about you.

Avoiding Idea Failure

Almost all efforts at creating innovations within existing organizations fail. Innovators are too focused on what the innovation is, but not on how they will go about implementing it. The truth is, no organization innovates. *People* innovate. The innovations that actually get produced are the ones with a successful champion behind them.

These champions are the people who turn "no" into "yes." They understand that the internal sales process is at least as important as the idea itself. Champions bring together all the elements required to turn a soft innovation into a free prize, creating a Purple Cow that reaches the market with the best chance at transforming an industry.

The Cart and the Horse

Starting with the innovation and then figuring out how to sell it is the main reason innovations fail. We pick something too big or too small or launch the project incorrectly, and the whole thing is dead before we know it. Salespeople understand this. A great salesperson will not join a company if it appears that the method of selling does not match the product itself. First you figure out the how and who of selling, and then you figure out the product.

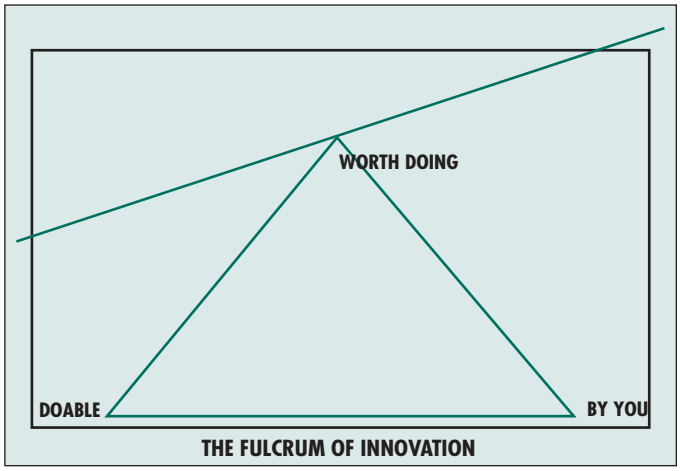
Take a look at every Purple Cow, every remarkable product, every free prize, and sooner or later, you will find a champion. Without a champion navigating through the obstacles innovations always face, most projects will slow down and eventually stop. Someone who cares too little won't put in the effort to overcome the obstacles; he or she will give up and walk away.

Worse than stopping, though, is when the forces of mediocrity band together to water down an innovation, making it "safer" or more easily understood, easier to build, easier to fit within the existing retail/factory/media business model. These people may be well-meaning, but they don't realize that by watering down an edgy idea, they make its survival riskier.

The Fulcrum of Innovation

Most people cannot create a free prize on their own — they require the help of others to realize their dreams. They need the leverage of organizations and their people, money and assets. Of course, in order to make such a lever work, you need a fulcrum.

(continued on page 6)



THE FULCRUM OF INNOVATION

Selling the Idea

(continued from page 5)

A fulcrum is a leverage point that magnifies your efforts and your ideas and turns them into reality. Building that fulcrum is a challenge that is the same across almost every organization. Regardless of what you do and who you do it with, the steps to build your fulcrum remain the same. The fulcrum results from the answers to three questions people will ask themselves when they consider your idea:

1. Is it going to be successful? Most people like to work on projects that are going to succeed. However, there is no way in the world to know if they are going to be successful in advance. In order for the fulcrum to work, you must persuade people you've got something that is a sure thing. The paradox, however, is that the more certain it appears, the less likely it is to succeed.

2. Is it worth doing? Even if it is likely to succeed, it is still going to require a lot of work, time and effort. You've got to figure out what each person you are selling to thinks is important: a cool challenge, an increase in the stock price or a more secure job. Figuring out who wants what — then playing it back to them — is an essential part of using the fulcrum properly.

3. Is this person able to champion the project? If you are the type of person who complains, "I have all these great ideas, but my boss won't let me do anything," this question describes your real problem. Chances are, your vision of the fulcrum does not match your organization's vision. Your boss might also think you can't handle it, because your audacity doesn't match your reputation for execution. Your ideas are of a scale that overwhelms your role as a champion. You can keep waiting to get plucked from obscurity, or you can learn how to champion your project, one person at a time.

If the answer to any of these questions is a resounding "no," it is unlikely your project will happen. Understanding how the three pieces fit together and what to do about them is a big part of choosing the right project and getting it done.

Are You the Person?

Since selling your idea is a process, you must approach the three points of the fulcrum in a step-by-step manner from the very first day. First, build your reputation as a champion in advance. Secondly, denigrate the status quo before you present anything. Thirdly, find the handles your audience needs to give them security to believe in your idea. These are the three gates through which you must pass in order to proceed and in order for your organization to adopt your idea, regardless of whether your idea is a good one.

Dyson Makes a Great Idea Work

In 2003, Dyson sold more than $200 million worth of vacuum cleaners around the world. Its vacuums are possibly the very best ever invented and, even though they cost twice as much as a standard model, they are the bestselling vacuum cleaners in England. Yet, the company's founder, James Dyson, did not set out to sell his own vacuum — he had initially intended to license his model to every single vacuum cleaner marketer he could find. One by one, they all — Electrolux, Hoover, Miele and more — had the chance to embrace the idea and dominate the market. All of them refused.

No one argues now that Dyson didn't have a great idea. At the time, though, the idea wasn't good enough for the major marketers. For years, Dyson's idea was inches away from never being built. A quick look at all the Dyson knockoff vacuum cleaners on the market today, though, is proof that his idea was terrific.

Idea-Selling Tactics

What matters to you doesn't matter; what matters to the organization matters. That's the one constant in selling an innovative idea to an organization. Every situation might require a different tactic, depending upon the idea or product, the people you must sell the idea or product to, and your own individual style. There is no right or wrong way to sell the idea; there are only a multitude of tactics you can employ in the situations you are given. Among those tactics are the following:

- **Ask Questions.** Don't think you've got all the answers — you don't. You need the posture of a champion and the guts to ask questions.
- **Ask Obligating Questions.** Answer an objection with a question. Make sure you understand the objection by asking questions until you get to the root of the problem. Then, ask questions that obligate the objecting people to speak up or put up, negating their efforts to stall you. Try to get them on your side.
- **Think Like an Artist.** Don't quit. Embrace your idea and share it with others (ideas die when kept secret). Avoid the myth of perfect — doing your best might be enough. Take no shortcuts. Your ideas gain power as you proceed through the process. And remember that people don't like to say no, so look them in the eye and say, "I'm going to make this happen unless you insist that I stop." More often than not, you'll get what you ask for.
- **Sell Individuals, Not the Organization.** Don't call a big meeting — that arena is terrible for pitching a new

(continued on page 7)

Selling the Idea

(continued from page 6)

idea. Have informal conversations with individuals, tailoring your message to the unique needs, requirements and interests of each.

- **Dare Them to Improve Your Idea.** As you interact with people about your idea, encourage each person to make your idea better, and get each to start thinking of it as his or her idea. Get them on your side of the table, reading off the same page.
- **Acknowledge the Status Quo.** If your idea is designed to augment or replace the status quo, you must make it very clear how much trouble the existing state of affairs is going to cost your company if action is not taken now.
- **Build a Prototype.** These days, it is so easy to make a prototype using common desktop software, it is surprising how few people actually do it. A prototype makes an idea concrete; it makes all three elements of the fulcrum more real. A prototype makes your idea possible and likely, and it reinforces your role as the champion.
- **The Gimme Cap.** Once your idea spreads through an organization, there will be only two teams: for you and against you. If you're doing your job as a champion, you need to make it easy for people to let others know they share your vision. Give them a cap or a shirt, or any other easily visible way to let the world know they're on board.
- **Invent a Vocabulary.** Championing an idea through your organization is about persuading people to see the world through a different lens, and one of the best ways to do that is to give them new words for complicated concepts.
- **Take a Little.** To make an idea more palatable, take the most practical aspects of it and present them first, even making an initial version of the product that is built around those aspects. Once you have proven yourself and the worth of the product, you can move onward and upward from there.
- **Hire a Librarian.** Moving a soft innovation through an organization involves more than getting buy-in: It involves lots of paperwork — forms, flowcharts, memos and more, all of which must be distributed to the right people. Appoint a librarian and channel all that information through him or her, with a check-in/check-out process that will enable you to track who knows what and who owes what.
- **Paint a Portrait of the Future.** Denigrating the status quo makes some people uncomfortable: It is seen as disloyal or too negative. The flip side is more exciting — you get to paint a portrait of the future. Tell a story, give a scenario and get people to share your vision through a vivid description of the ideal end state. Give people permission to get excited. ■

Pepsi's New Vocabulary

What do you call a bottle of Pepsi that a teenager can drink in less than six seconds? At a company where maximizing consumption among teens is a primary goal, having a word for this attribute is essential. At Pepsi, they actually have two words: *slam* and *gulpability*.

Now that you've got the words, it is easier to have a conversation about what you are trying to accomplish. A brand manager can pitch a 2-liter plastic bottle to management using a simple sentence: "It'll work because it doubles gulpability."

Creating the Free Prize

You've learned how to sell your idea, now you need an idea to sell. Some would suggest brainstorming as the appropriate "magical" event that enables you to calm your mind and allow your innately great ideas to surface. Brainstorming is about nonlateral thinking, about finding odd connections that help you jump from one idea to another.

Brainstorming doesn't work in all environments, though. Many companies don't need to be nonlateral. You don't need ideas that are startling in their originality. What you do need is the guts to do the things you need to do. You need an alternative to brainstorming, something that everyone responsible for creating a free prize can use, that always works, that generates ideas that can be improved upon and that is transparent, not magical.

Edgecraft Explained

Edgecraft is a methodical, measurable process that enables individuals and teams to inexorably identify the soft innovations that live on the edges of what already exists. Edgecraft is a straightforward process consisting of two essential steps:

1. **Find an edge — a free prize that has been shown to make a product or service remarkable.**
2. **Go all the way to that edge — as far from the center as the consumers you are trying to reach dare you to go.**

The edges of a problem are not always obvious. It is not always clear exactly what would make your product or service considerably more remarkable, until you embrace the fact that the problem you are trying to solve is not the problem you think you have. It is not always a top-down process.

(continued on page 8)

March of Dimes on the Edge

The March of Dimes has captured the attention of millions by tapping into the network in a new way: It fund-raises by putting community leaders in "prison." Now, these local luminaries need to call all their friends to bail them out by soliciting donations to the charity. Not surprisingly, the response rate is huge. The March of Dimes has changed its sales force from telemarketers and direct mail to influential community leaders calling their friends.

Creating the Free Prize

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Watch the Watch

Think of it this way. People don't buy a watch just to tell the time. If you spend more than $10 on a watch, you are not only buying the time — making an accurate watch is not hard at all. This means, of course, that a better watch is not a more accurate watch. Spending $100 or $1,000 for a watch that is more accurate is stupid. So, assuming that most people with expensive watches aren't stupid, what's going on?

It turns out that they also want a watch that is beautiful, slim, handsome, lightweight, Swiss, etc. It also turns out that a Franck Muller watch — like the Perpetual Calendar with Retrograde Monthly Equation, Tourbillon and Split-Sec Chronometer — could easily cost $10,000. Muller figured out what his customers want. He doesn't sell watches. He sells Tourbillons with Complications.

You must embrace the fact that people rarely buy what they say they are buying; if you do this, you'll have a chance to create a free prize. The free prize is the element that transcends the utility of the original idea and adds a special, unique element worth paying extra for, and worth commenting on. The goal of edgecraft is to find the free prize that is worth paying for.

Edge Examples

There are many examples of edgecraft. Among them are the following:

- **The network.** This is probably the most valuable edge available to most products — the goal is to build the act of communication right into the product. Putting a camera in your cell phone gives you a way to share. Making a car that people want to talk about because it looks cool is another way to share. If you go all the way to the edge and build communication into the use of your product, it instantly becomes remarkable.
- **Ergonomics.** If you can dramatically increase the performance of your product by rearranging the interface, reordering the buttons or reconfiguring the handle, your most frequent users will notice. Ergonomics that are slightly better are useless. Your product only becomes remarkable when you redefine the user's experience.
- **Packaging.** Packaging is part of the product, and the free prize can easily be the package itself. If you bought *Purple Cow* in a milk carton, you can see how easy and cheap it is to make a real impact. Rhino Records' CD box sets are amazing because they are over-the-top. You can also have zero packaging and make an impact. (Audible will sell you the digitized voice for a book on tape — no cassettes, CDs or boxes.)
- **Technology.** Moore's law says that every 18 months, the power of the computer chips you can buy for a dollar doubles. You can use this law in one of two ways — by packing more supercomputer power into your products, or by offering yesterday's top-power chips in products at a discount (a $10 digital camera, anyone?). Either way, you've opened an opportunity and taken your product to the edge.
- **Treat people unequally.** Bend over backward to treat your best customers better than everyone else — dramatically better. You might annoy some low-profit customers, but at the same time, your regular customers would see the advantage of becoming great customers.
- **Who sells it.** We associate a product with the way we buy it. We subscribe to the newspaper, for example, but not to books. You can find a terrific edge in changing the very way a product is sold. The Girl Scouts moved their cookie sales from the grocery store to your front door. If you had to rejigger the way you sell your wares, could you?
- **Convenience (or lack thereof).** Lunchables built a billion-dollar business by making lunch junk into convenient lunch junk. The marketers at Lunchables understood that people would pay a huge premium for little sealed compartments of food. Sometimes, though, convenience is not desired. Why does wine come with corks? The new artificial corks are easier, more consistent, and less fragile. However, the free prize you buy when you choose a fancy wine isn't how convenient it is to open the bottle — it's the rusticity that matters. ■

Thomas Dolby Sells Ringtones

Ringtones are one of the silliest multimillion-dollar businesses. Thomas Dolby (of "She Blinded Me With Science" fame) is poised to make a killing with his www.retroringtones.com ringtone wholesaling business. After you hear a few of his samples, you might just trade in your old cell phone for no other reason than to have Richard Nixon or Jimi Hendrix announce your calls. This is classic free-prize thinking.

· Book 42 of 106 ·

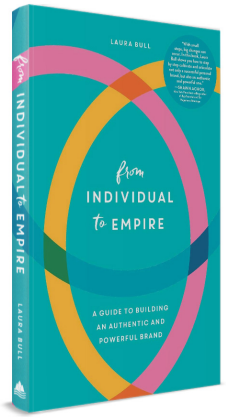
From Individual to Empire

Laura Bull

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From Individual to Empire

A Guide to Building an Authentic and Powerful Brand



by **Laura Bull**

Contents

The Influencer (You)
Page 2

The Psychology Of Influence
Page 2

The Brand Matrix
Page 3

Boosting The Brand
Page 4

Conclusion
Page 4

THE SUMMARY IN BRIEF

How do you launch a new enterprise or a successful career? Is it about the product, your message, or your marketing campaign? What works and what brings long-term success? These are the questions that entrepreneurs ask in today's marketplace.

From Individual to Empire understands that the most powerful celebrity influencers today view themselves as brands rather than just a product, actor, or musician. In fact, the evidence shows that a brand statement is more important than a marketing plan because it serves as a personalized mission statement that provides purpose and focus and tells the audience who you are and why you matter.

Author Laura Bull provides her years of experience in the music industry, launching major artists' brands to help you discover your target audience and find your unique position in the marketplace—your brand. Her brand matrix, a tool she developed through her years in the industry, will help you transform your personality and product into a successful business. Armed with your unique brand, you will be ready to take the next step and focus on marketing, advertising, and promotion.

IN THIS SUMMARY, YOU WILL LEARN:

- How to identify your brand.
- How to create your brand statement.
- How to transform your personality and product into a successful business.
- How to evolve your brand over time.

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Meghan P. Kozak, Editor-in-Chief • Kylie Waytuck, Graphic Designer

The Influencer (You)

Celebrities now are powerful influencers. The most successful celebrities think of themselves as brands. Self-awareness is the first step to discovering a strong brand identity. Branding is about presenting your unique characteristics as a commodity. Beyoncé is a powerful example of a celebrity who understands her brand and has maximized it to her advantage over many years.

Steve Jobs once said, "Your brand is the single most important investment you can make for your business." But branding is more important than a marketing strategy.

Challenges to Creating a Brand

A person presents many challenges to creating a successful brand — challenges that a product-based company simply would not face. There are psychological components that must be part of the mix. For example, there is a direct correlation between confidence levels and time and effort spent on branding. An influencer's brand is only as strong and as lasting as their grit, perseverance, and overall well-being.

There are difficulties along the way as an influencer builds a brand. Influencers may have a challenging time separating the product's creation from the business of getting that product to the consumer. They tend to make shortsighted business decisions based on emotional or personal needs, which typically leads to disaster. That's why the first thing a young influencer has to learn is how to distinguish between the self as a person and the self that is a commodity. An influencer must also find the delicate balance between consistency for brand loyalty and evolution for authenticity and sustainability.

Creating A Brand Statement

A brand statement is a personalized mission statement that provides purpose and focus. Your brand statement must be generic enough to allow for growth, but specific enough to tell the audience who you are and why you matter. It must be unique enough to separate you from the competition, and it must factor in your personality and accentuate marketable elements that will remain authentic

The brand matrix presented in this book is a tool developed to help transform peoples' personality and product into a successful business.

All Our Stories Are Connected

You must connect on a personal level with others. Oprah is a famous example of an important brand connecting with people on a personal level. Whether Oprah was having an intimate interview on a difficult topic or giving away cars, Oprah's audience connected with her story.

This process of connecting with others on a personal level involves understanding your role as an influencer. An influencer is anyone conducting business online or offline, who can manipulate their consumer base to similar viewpoints based on a perceived personal connection. There are three types of influencers—micro, expert, and macro. You begin this journey as a micro-influencer.

A micro-influencer gains power by earning trust one person at a time, which can be a long and tedious process, but necessary all the same. Taylor Swift started this way, replying to fans one at a time to help build her brand. This takes the grit and determination to share your passion with others.

The micro-influencer is propelled into the role of a subject-matter expert. You become trusted as an expert and become the go-to for the brand your provide. There are successful influencers at every level—micro, expert, and macro—and they come from all cultural life areas.

Achieving influencer status at any level means that you have earned brand loyalty. When you're building a business, brand loyalty is everything. If an influencer is dedicated to making each person feel a personal connection, the consumer will become brand loyal.

The Psychology Of Influence

To influence an audience effectively, you must understand the art of persuasion. To understand the art of persuasion, look at the basic principles of rhetoric: logos (appeal to logic), pathos (appeal to emotion), and ethos (appeal to ethics) — and how to balance each as part of your appeal. Influencers know how to give each of these effectively. Sarah McLachlan's efforts saving animals in Canada is one of the most effective campaigns that use all of these elements of rhetoric in a perfect balance.

A strong influencer must cultivate the persuasive techniques hidden within the message. Robert Cialdini wrote about seven key principles of influence in his book Influence: The Psychology of Persuasion.

1. Reciprocity: the brand must be mutually beneficial to move to action. Show your customers how your brand will benefit them.

2. Commitment and Consistency: the one thing that all successful brands have in common is that they have remained consistent. That takes a commitment to core values about your brand.
3. Social Proof: this refers to the psychological need to copy the behavior of others to feel included. You will need to show customers people they admire experiencing your brand.
4. Liking: Liking is about being drawn to those who are like-minded and creating a community.
5. Authority: An influencer with authority will command attention. A subject-matter expert will always come before a macro-influencer.
6. Scarcity: The principle of scarcity suggests that people are more valuable when they are less available. You want to be a brand that is in demand.
7. The Unity Principle: This principle states that when we identify ourselves in others, we are more influenced by them. This point was added last, but it connects with people when you are authentic and connect with them personally.

The cohesive combination of these principles will become the foundational support for any influencer and should remain at the forefront of business strategy from beginning to end. To be an influencer, you must establish a unique voice—your combination of these seven things—that will resonate with an audience.

The Label of Success

The first thing an influencer must do to help combat self-sabotage is to define success for himself or herself early on. Know your personalized definition of success. Otherwise, success will be a moving target, leading to feelings of being overwhelmed and defeated.

How can you do this? Play to your strengths. Take time to reflect and list your strengths as you set your goal for success.

The Five Ps of Successful Influencers

These five Ps are also powerful when combined.

- Passion
- Perseverance
- Positivity
- Purpose
- Power

The goal is to develop passion for a purpose because, in doing so, you instinctively develop perseverance. Once your purpose comes into focus, your goals and actions will change. Once your actions change, your brand becomes unique and authentic. Positivity can be the slight edge needed to go from average to an outlier.

The most important story you will ever tell about yourself is the story you tell to yourself. Here are some suggestions to keep your self-talk in check:

1. Recognize that negative self-talk may be based on faulty assumptions. Stop and ask yourself if your conclusions are based on facts.
2. Decipher the facts that may alter your perception of the situation. Seek out the truth of the matter.

As you self-reflect, that is where the power comes in. Self-awareness and self-efficacy lead to confidence, power, and optimism, all of which are necessary to be successful influencers.

The Brand Matrix

The brand matrix is named as such because your brand sits at a nexus of where product, image, and narrative overlap with one another.

- The product in the brand matrix is what is being sold to the consumer.
- The image in the brand matrix is the visual representation of a product.
- The narrative in the brand matrix is the message of the product and the image. The narrative incites an emotional response to the product.

The brand will naturally arise from the product, image, and narrative—and flow from them.

Beyond the It Factor

There is nothing to replace the grit, passion, and perseverance it takes to move to the top of the line. Much of that is perspective. Remember the following:

- Your peers are not the competition; the competition is the person who is already a superstar.

- Influencers don't necessarily have to fill a need, like a Shark Tank product, but they need to fill a want.
- A business needs both passion and consumers.
- Pinpointing an audience is an art form.
- Confidence in the product, and confidence in the audience results in confidence in yourself.

Leave a Lasting Impression

First impressions are essential; lasting impressions are everything! The goal is to launch your product and brand powerfully but leave room and flexibility to change and adapt for the future. This process involves tapping into an adaptable design with flexibility for the future.

The Age of the Narrative

There has never been a more important time to understand a brand's narrative and convey it with a strong and clear message. Narratives are the brand's identity and its purpose. A good product with a good narrative entices the consumer to participate in the story. Delivery and presentation are just as important as what information is shared.

Stay away from manipulating core pillars or inflating facts. For an influencer, the intersection of product and image is really where a narrative begins to tell a unique story.

Boosting the Brand

Even without a direct personal connection with a brand, there has to be complete trust. The goal is to build trust as you build your image. In the world of competitive brands, authenticity rules. Again, packaging is essential because there is a fine line between being honest and opportunistic.

The Rules of Evolution

The evolution of your brand is all about flexibility and diversity. Martha Stewart is an excellent example of adapting and changing her brand over time and point to 3 rules of brand evolution.

Rule #1: Make sure you have a solid foundation before a product-line or brand extension.

Rule #2: Anything about the influencer can change. Anything, that is, except the core pillars.

Rule #3: Major tweaks to a brand should be made slowly over a significant period.

There are attention-getting examples of brands that launch so well that it is difficult to change the brand. As a rule, the only reason to rebrand is if there are no other options.

Conclusion

In conclusion, stay true to yourself, and you will stay true to your brand. Never think that you have arrived, but treat each big break or big break along the way as just another beginning.



Laura Bull spent ten years with Sony Music Entertainment where she became one of the company's youngest executives at the age of twenty-eight. During her tenure, she spearheaded artist development and marketing for globally recognized brands including Carrie Underwood, Brad Paisley, and Johnny Cash among hundreds of other artists. She is an expert who specializes in marketing and transforming people into viable brands by offering insurmountable knowledge to teach others what it takes to become a powerful "influencer."

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· Book 43 of 106 ·

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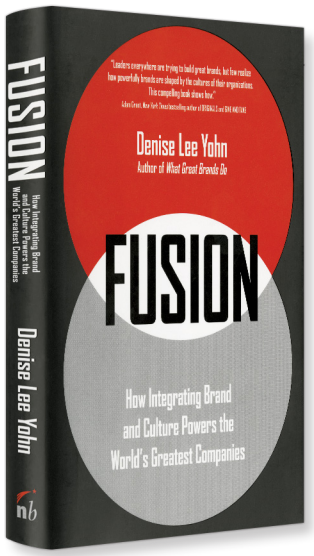
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Management

Fusion

How Integrating Brand and Culture Powers the World's Greatest Companies



by Denise Lee Yohn

THE SUMMARY IN BRIEF

Independently, brand and culture are powerful, unsung business drivers. But when you fuse the two together to create an interdependent and mutually-reinforcing relationship between them, you create organizational power that isn't possible by simply cultivating one or the other alone.

In *Fusion*, author Denise Lee Yohn describes how leaders at the best companies succeed by aligning and integrating their brands and cultures. Through detailed case studies from some of the world's greatest companies, exclusive interviews with company executives, and insights from Yohn's more than 25 years working with world-class brands, *Fusion* provides readers with a roadmap for increasing competitiveness, creating measurable value for customers and employees, and future-proofing their business.

Fusion is indispensable for readers interested in workplace culture, brand management, strategy, leadership, employee engagement, branding and organization development. Learn how to unleash the power of brand-culture fusion to achieve sustainable competitive advantage and new growth.

IN THIS SUMMARY, YOU WILL LEARN:

- Why culture and brand are the biggest drivers of great results in business.
- Brand-culture fusion and the key strategies for achieving it.
- How to identify your organization's purpose and core values.
- How to operationalize your desired culture.

CONTENTS

Part I: The Foundations of Brand-Culture Fusion
Page 2

Assess Your Brand-Culture Fusion
Page 3

Lead the Change
Page 4

Part II: Five Strategies to Achieve Brand-Culture Fusion
Page 5

Sweat the Small Stuff
Page 6

Ignite Your Transformation
Page 7

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THE COMPLETE SUMMARY: **FUSION**

by Denise Lee Yohn

The author: Denise Lee Yohn is the go-to expert on brand-building for national media outlets, an in-demand speaker and consultant, and an influential writer. She is the author of the best-selling book *What Great Brands Do: The Seven Brand-Building Principles that Separate the Best from the Rest* and the e-book *Extraordinary Experiences: What Great Retail and Restaurant Brands Do.* News media including FOX Business TV, CNBC, *The Wall Street Journal* and NPR call on Denise when they want an expert point of view on hot business issues. She is a regular contributor to *Harvard Business Review*, and her keynote presentations have inspired business leaders around the world.

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Introduction

In nuclear physics, fusion is the reaction that happens when two atomic nuclei come together. Nuclear fusion releases large amounts of energy — it's what powers the sun. When fused, the two nuclei create something entirely new.

In the same way, you can unleash great power when you fuse together your organization's two nuclei: your culture — the way the people in your organization behave and the attitudes and beliefs that inform them (i.e., "the way we do things around here") — and your brand or brand identity, how your organization is understood by customers and other stakeholders.

Until recently, culture and brand were often seen as the "soft stuff" in business, often relegated to human resources and marketing efforts, respectively. Today, many leaders are starting to recognize what astute ones have known all along: Culture and brand are the nuclei of their organizations, the biggest drivers of the hard results they must produce every day.

When Herb Kelleher, founder and former CEO of Southwest Airlines, was asked what differentiated his airline — which had posted 44 consecutive years of profits while never executing a layoff — from other companies, he pointed to Southwest's culture as its key competitive advantage. "Our competitors can get all the hardware," he said. "I mean, Boeing will sell them the planes. But it's the software, so to speak — the people — that's hard to imitate."

Fully integrating and aligning your brand and culture produces meaningful, powerful results that affect your whole business. First, brand-culture fusion aligns your workforce, increasing the efficiency of your entire organization and the quality of your outcomes. Your people are less likely to function at cross-purposes or to use conflicting standards when working toward a clear, common goal.

Second, fusing together your brand and culture improves your organization's competitive advantage because it enables you to produce intangible value that is difficult to copy. Competitors may be able to match *what* you offer to customers and employees, but it's much harder for them to embody the unique *why* and *how* of what you do.

Brand-culture fusion also ensures the authenticity of your brand. Customers are more savvy today. They want authenticity — brands that live up to their promises and stated ideals.

Finally, and perhaps most important, brand-culture fusion allows you to move your organization toward its vision more successfully, since it provides a common motivation and focus for everyone in your organization.

When you align the values and behaviors of your employees with what is expected and experienced by your customers, you attract and retain employees who feel an emotional commitment to your company *and* brand.

PART I: THE FOUNDATIONS OF BRAND-CULTURE FUSION

Just as you can't build a great building on a weak foundation, you can't build a great organization without a strong foundation that's established by setting your purpose and values, understanding the current state of brand-culture fusion in your company and taking charge.

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Set Your Sole Purpose and Core Values

To make brand-culture fusion happen, you must articulate a single overarching purpose and one set of core values to drive, align and guide everything your company does internally and externally.

Overarching Purpose: Your "Why"

A company's purpose is its why — *why* it does what it does, *why* it exists. Having a meaningful purpose or being a "purpose-driven" company has become a popular notion in business today, and with good reason.

In today's cluttered, ultracompetitive, choice-overloaded world, each company must have a clear reason for being. You need to play an invaluable, irreplaceable role in people's lives, and you must live out that purpose convincingly, or your customers can easily be lured away by any one of your more deliberate competitors.

The purpose of your business and the purpose of your brand should be seamlessly integrated, tightly aligned and articulated as a single overarching purpose.

To identify your overarching purpose, go deep and think big. What difference in the world are you being called to make? What do you want your organization's legacy to be?

Sometimes it's helpful to go back to your company's founder and revisit why he or she started it in the first place. And consider what would be missing — or how the world would be worse off — if your organization no longer existed.

To codify your company's newfound purpose, craft a purpose statement that describes the impact you want to make on others — inside and outside your company. Your overarching purpose statement should be clear, pithy and externally oriented.

The purpose statements that drive some of the world's most admired brands reveal how a short, powerful phrase can aptly convey a company's reason for existing. These companies' aspirations are bold and inspiring yet definitive.

- **Zappos:** To deliver happiness to the world.
- **Sony:** To create technologies that inspire people to dream and find joy.
- **Apple:** To make a contribution to the world by making tools for the mind that advance humankind.

Core Values: Your "How"

Core values are the essential and enduring principles and priorities that prescribe the desired mindset and behavior of everyone who works at your company.

Your values should describe the collective attitudes and beliefs that you desire all employees to hold, translate those into specific actions and decisions that they should make, and then in turn show how those behaviors produce customer experiences that define and differentiate your brand.

Once you've drafted your set of core values, here are some simple questions to ask yourself: "Do these core values capture the essence of our culture and brand?" "Do they set us apart from companies like us?" "Do they help our employees understand how they are expected to think and act?" It's critical that you establish the desired behaviors or behavioral norms associated with your values so employees know what your values look like in action.

While individually a sole overarching purpose and a set of core values can help you realize some gains at your company, together they help create a high-functioning organization that is poised to produce significantly better business outcomes.

Assess Your Brand-Culture Fusion

Leaders of great organizations have tremendous clarity about their brand identity and about how to cultivate an organizational culture that enables them to achieve it. To get that kind of clarity, you must determine the kind of core values and culture — your desired culture — you should be aiming for to successfully support your brand identity.

Determine the Values You Need

Start by identifying the brand type that your brand falls into. Although no two brands share the exact same brand identity, there are only nine general brand types, including disruptive brands, which challenge the current ways of doing things and introduce new concepts that substantively change the market, and conscious brands are on a mission to make a positive social or environmental impact or enhance people's quality of life.

Once you know the type of brand you have or desire to build, the next step is to identify the kind of culture required to deliver on it. Each brand type requires a specific organizational culture to thrive. If you want to be an innovative brand, for example, then your culture

must encourage a test-and-learn mentality among your employees. You should determine the three top core values that correspond to each brand type. Inventiveness, experimentation and continuous improvement are the key core values needed to support an innovative brand. These core values serve as a starting point for designing your desired culture. You should design the other aspects of your culture to align with, build on and reinforce them.

Assess Your Organization

Once you know the types of core values you're aiming for, it's time to examine how well your culture and brand are aligned and integrated today. When culture and brand are completely in sync, their alignment is manifested visibly in four primary areas:

1. **Purpose and values integration**. Purpose and values integration is the extent to which your overarching purpose and your core values are woven into your business and organization.
2. **Employee experience-customer experience integration**. When your culture and brand are interdependent and mutually reinforcing, there is a strong connection between how employees experience every aspect of work life during their tenure in your organization — from being hired to going through training, from working in a particular space to having tools for and information about their jobs and the company — and how customers experience your brand.
3. **Internal brand alignment**. Internal brand alignment is the extent to which your people are aligned with each other on brand strategy. For your culture to be fully aligned with your brand, everyone in your organization must share one common understanding of your brand identity.
4. **Employee brand engagement**. Employee brand engagement is the extent to which your people are aligned and engaged with your brand. General employee engagement is manifested in employees' relationships with their managers and co-workers, their view of their job responsibilities and their participation in work activities. Employee brand engagement, meanwhile, shows up in personal and emotional engagement with the brand, day-to-day engagement with the brand and engagement in your company's strategy.

Take the free online Brand-Culture Fusion Assessment (http://deniseleeyohn.com/fusion-assessment/), which takes you through the above steps and produces a personalized report to help you pinpoint the strategies in Part 2 that you should focus on.

Lead the Change

The next step is to take leadership responsibility for cultivating your desired culture. It's imperative to align what you and your top executives say and do with your desired culture. The degree of alignment of those two factors determines the viability of brand-culture fusion more powerfully than any other factor.

Communicate, communicate, communicate. Strong communication is well recognized as the key to great leadership. The keys to successful leadership communication are consistency, simplicity, storytelling and relevance.

- **Consistency.** When it comes to cultivating your desired culture and weaving it into the daily ethos at your company, you must first consistently and relentlessly communicate your company's overarching purpose and core values and why they're important.
- **Simplicity.** Keep your communication as simple and straightforward as possible — but that doesn't mean you have to "dumb it down" or make it boring.
- **Storytelling.** Illustrate your message with engaging stories. Giving examples and telling stories helps people relate to abstract ideas like culture and values.
- **Relevance.** Make your communications relevant to your organization's overarching purpose and core values. Carefully choose what to talk about because it can speak volumes about the kind of culture you're trying to cultivate.

Actions speak louder than words. What you *say* matters, but just as important, what you *do* provides models of action for your people and telegraphs how committed you are to aligning your culture with your brand. As a leader, you must be a paragon of your desired culture. Sometimes even a leader's seemingly small actions speak volumes. After Marvin Ellison took on the task of turning around JCPenney in August 2015, he chose to wear clothes bought at the company's stores, signaling to employees, customers and the public at large a strong endorsement of the brand's quality and style.

Engage every leader. Organization-wide alignment is critical to integrating your culture and brand. Executives at the top of an organization must hold accountable their direct reports for cultivating the desired culture, those

managers in turn must do the same for theirs and so on. The adage "people leave managers, not companies" speaks to the central relationship between direct managers and employees — particularly for frontline employees who rarely interact with their organization's top executives. Leaders in the middle layers of an organization's hierarchy, like department managers, store managers and program leaders, wield the most influence on an employee's daily experience and therefore are a critical group in any culture transformation effort.

Reinforce your culture with the right people decisions. People decisions — who to hire, fire and promote — are perhaps the most visible way leaders can build their culture and align it with the company's brand identity. When it comes to hiring employees, companies that are committed to cultivating and maintaining their desired culture don't simply use their core values to screen potential employees — they prioritize them.

When you rely on your core values to make people decisions, you make sure the right people are on your bus — and you send a powerful message to your organization about the importance of its values.

PART II: FIVE STRATEGIES TO ACHIEVE BRAND-CULTURE FUSION

The roadmap for your journey to brand-culture fusion comprises strategies to nurture your desired culture by infusing it with your brand, or vice versa.

Organize and Operate On-Brand

To tap the full value and growth-creating potential of your desired culture — one that is fully aligned with your brand — you must operationalize it through strategy, management, communication, employee experience, organization and operations.

Your organizational design (the units, hierarchy and roles in your organization) and your operations (the different business functions and day-to-day processes and practices at your company) are critically important because they undergird all the others. If your organizational design and your operations aren't supporting and advancing your desired culture and brand, they're probably detracting from it. You send mixed messages and dilute efforts by not aligning the two.

Your goal should be an organization that's designed specifically to cultivate your desired culture — not someone else's — so that you can ultimately achieve brand-culture fusion. With this goal in mind, consider how you might use the three primary elements of organizational design: structure, standards and roles.

Organizational structure. The structure of your organization — its hierarchy, divisions and organizing logic — determines who works together and how. The renowned Cleveland Clinic is organized into different specialty centers focused on diseases such as diabetes, cardiac care, etc. Harvard Business School professor Frances X. Frei explains that this structure fits the unique demands of the organization. Because Cleveland Clinic attracts the most severely afflicted patients, its doctors operate in challenging environments that require innovative solutions. She observes, "Organizing into disease centers rather than narrower, more traditional lines of specialization (such as kidneys or blood) sets the stage for cross-disciplinary collaboration — and thus for novel perspectives — within those centers."

Organizational standards. These are rules that are applied company-wide when forming departments, units, work groups or teams. For example, the leaders of Google implemented "the rule of seven" throughout the company. Knowing that smart creatives are oriented to getting things done and need direct access to decision-makers, former CEO Eric Schmidt and former SVP of products Jonathan Rosenberg encouraged managers to have a minimum of seven direct reports — instead of adding layers between smart creatives and decision-makers — to produce less managerial oversight and more employee freedom, the kind that allows smart creatives to thrive.

Organizational roles. When designing your organization, you should also carefully consider how creating certain roles can advance your desired culture.

Align Your "What" With Your "Why" and "How"

When it comes to fully integrating and aligning your culture and brand, how you *run* your organization is just as important as how you *design* it. If you craft them the right way, your operations can help your organization cultivate the right culture.

For example, if you want to undergird your performance brand identity with a more competitive organizational culture, give employees access to the company's key performance metrics and competitive intelligence, and enroll them in a process of regularly engaging with that information.

When assessing the alignment of your company's current operations with your desired culture, consider the following: What do your product processes convey about

your culture? That it is agile, original or predictable? How about your sales process or your annual planning and budgeting process?

Create Culture-Changing Employee Experiences

"Creating a compelling employee experience" was named by *Forbes* as the No. 1 HR trend in 2017, and 70 percent of executives around the world surveyed by Deloitte's Human Capital Group said employee experience (EX) was an important or very important trend.

You must imbue the core values of your desired culture in the daily experiences you create for your employees so that they can soak them in and reflect them back with their behaviors and attitudes. You can apply the same methods and tools that produce successful customer experience (CX) to the design of your EX. There are four main steps to follow:

Step 1: Segment your employees. Segmentation enables companies to understand and prioritize their customers. Like customers, different employees have different needs and desires and contribute different value to the organization. Identify and profile the most relevant employee segments in your organization by the role that work plays in employees' lives; by the value that employees contribute to the organization; by how aligned employees are with the company's strategy and goals; or by the degree to which employees adopt strategic change.

Step 2: Identify priority employee interactions. It's impossible to provide an excellent experience for every employee and for every interaction he or she has with the company — nor is it necessary. Instead, you should focus on designing experiences that address the needs and wants of employees who represent the most value to your organization and those interactions that have the most potential to advance your desired culture.

Step 3: Adopt an EX design model. Once you know the interactions you should prioritize, determine the categories of elements you will include in each experience. Consider this three-category design model:

- Environment — elements of the physical workplace plus everything else that employees see, hear, touch, taste or smell.
- Tools — technology and other instruments or materials that employees use.
- Intangibles — elements that impact the way employees think and feel, including communications, leadership styles and policies.

Step 4: Design experiences that support your desired culture. Now apply the design model to each priority employee segment/interaction intersection that you identified in Step 2, and determine the experience you should design and deliver. Let's say you've prioritized designing a new recruiting experience for the segment of employees who engage with customers face-to-face on a daily basis. Using the three-category design model (environment, tools and intangibles), determine the elements of the experience for each of those categories. Imbue each element with the core values and other unique aspects of your desired culture.

Sweat the Small Stuff

To nurture your desired culture, you also must focus on the smaller, tactical but equally significant aspects of your organization: (1) rituals and artifacts — things your organization regularly does or creates to commemorate or symbolize what's important to it; and (2) employee policies and procedures — the codes of conduct, rules of engagement and other instructions that set the tone and guidelines for working at the organization.

To identify appropriate rituals for your organization, start with your core values and determine which ones need to be promoted or reinforced the most. Then think about shared experiences that you could create around them, or identify special events or dates that you could turn into celebrations of those values. Consider important moments at your organization such as critical customer presentations or other high-stakes meetings. How might you use rituals to prepare your people to take on these challenges?

Chevron employees reinforce the company's core value of safety by opening each meeting with a "safety moment," whether to report on an accident that was avoided due to safety procedures or to simply encourage people to use handrails in the stairways. The key is to identify those routines and activities that interpret and reinforce the specific elements of your desired culture.

Artifacts — symbolic objects or other physical items that either make the organizational culture visible or that commemorate a milestone — can play a similar role as rituals in cultivating your desired culture. To determine how to use artifacts to solidify your employees' commitment to

your culture and guide their daily behavior, ask yourself, "What are the crucial memories or associations that we need to trigger internally?"

Then consider how to link those memories and associations to tangible objects, including elements of your physical environment, the language your organization uses, technology and tools, artistic creations, expressions of style, and communications and publications.

At Siebel Systems, the CRM software company, customer satisfaction is a core value. To subtly reinforce it, all the artwork on the walls comes from customers' annual reports, and all the conference rooms are named after customers.

Promote Your Culture Through Policies and Procedures

Follow these steps to leverage company policies and procedures to cultivate your desired culture:

Step 1: **First, establish policies and procedures that are right for your organization and that reflect the uniqueness of your culture.** Start with the overarching purpose of your organization. What strategies have you set to pursue it? And which of the company's core values would support those strategies? Once you've identified these strategies, you can create guidelines and procedures to achieve them and support your values.

Step 2: **Design a compelling employee handbook or guide**. The next step is to codify your policies and procedures into a guide or handbook that is designed as if it were a communications piece for an external audience. If your guide is high-quality and designed to engage, employees will be more likely to read and regularly refer to it. Be sure the tone and manner of the guide or handbook aligns with your brand.

Step 3: **You must then disseminate the guide and train employees on the policies and procedures in it.** Engage new employees with your guide right from the beginning during their on-boarding process. You should also engage your employees with your guide by keeping it up to date. Whenever you make policy changes, use the occasion to renew employees' attention to your guide.

Ignite Your Transformation

Employee brand engagement involves engaging employees with their emotions, actions and intellect. Even if your employees know your brand strategy, it is not enough. As Gregg Lederman explains in *Achieve Brand Integrity*, employees shouldn't just *understand* your brand and the behaviors required to deliver on it. They must be *committed* to doing them, and then they must actually *do* them.

That's where brand engagement and the following three tactics come into play:

Stage great employee brand engagement experiences. Employee brand engagement experiences are vibrant, thoughtfully designed programs and initiatives created either to launch a cultural or brand initiative or to reinvigorate it after a period of time. When launching brand-culture transformation efforts within your company, these experiences can help you explain to all employees where you're taking the organization, why and what role they play in that transformation.

When launching a cultural transformation, you should stage an employee brand-engagement experience for every single employee, either by bringing all employees together in one venue for a single event or by holding sessions for separate regions, departments or groups over a period of time. Either way, the experience should be multidimensional and experiential and include a mixture of elements, such as a presentation by company leadership, hands-on exercises, facilitated discussions, distribution of tools and instructions, and department- or role-specific content.

Carefully craft communications campaigns. The same standards you use to communicate with customers should apply to your employee communications. After all, your goals — to get people's attention, appeal to and engage them, and prompt them to action — are the same for both groups.

- Be clear. Convey the information you want employees to know and what you expect them to do as a result without any jargon or nuance, which are often confusing.
- Be explicit, even prescriptive. Don't assume people will interpret information in the same way.
- Be creative. Like customers, employees are human beings, emotional creatures, so communications must touch them emotionally. Design your communications to inspire as well as teach.

Develop toolkits for ongoing engagement. A brand-engagement toolkit is a collection of materials and tools that employees can access and that help them connect with the brand on three different levels: their heads, hearts, and hands and feet.

To engage employees' heads, for example, a toolkit might contain flash cards or quizzes employees can self-administer to test their own knowledge or use with others.

To engage employees' hearts, a toolkit might contain videos featuring customer stories or letters from customers along with corresponding worksheets for employees to note how the videos or letters inspire them to change their attitudes and behaviors to improve the customer experience.

To engage employees' hands and feet — their actions, that is — a toolkit might contain decision guides, process flowcharts, workbooks or mobile apps containing role-playing exercises or other activities that help them easily align their decisions and actions with your desired culture.

Build Your Brand From the Inside Out

In some situations, you're actually better off allowing your culture to lead your brand. If your culture is well established, you may achieve brand-culture fusion by using it to shape or reshape your brand.

Unilever, the consumer goods company behind the household brands Dove, Lipton and Surf, among others, shows how some corporations look to their core values to sharpen their corporate-wide brand identity.

Responsibility is deeply embedded in Unilever's culture. When CEO Paul Polman arrived at the company in 2009, he launched the Unilever Sustainable Living Plan (USLP). As a part of the USLP, Unilever reduced the amount of saturated fat in its Flora and Becel margarine brands and then used those brands to encourage customers to be proactive about their heart health.

It built its Lifebuoy soap brand into a platform for teaching millions of people across the globe how to stop the spread of disease simply by washing their hands effectively.

And it promotes the development of young girls' confidence through the Dove Self-Esteem Fund, reinforcing that brand's identity as an advocate for women and their individual potential for being and feeling beautiful.

Chief marketing and communications officer Keith Weed explains, "The USLP is of course a way of doing business, but it's also the reason to believe, the differentiator ultimately of the Unilever brand."

If you want to elevate your core values to drivers of your brand identity as Unilever has done, you must make them salient to customers and other stakeholders. You must focus on and perhaps increase your communications about your values. You must show customers and stakeholders clear proof that you are operating by your core values.

And you must ensure these values translate into benefits for your customers — either directly through improvements to the customer experience or more transcendentally through alignment with their personal values.

Companies in categories that are highly commoditized, like airlines and fast food chains, or where it's hard to discern the difference between products offered by different brands, such as professional service firms or banks, may find that their organizational culture is more distinct or meaningful than their brand. If that's the case at your company, you can use your culture to differentiate your brand.

REI, the outdoor retailer, provides a powerful example of how launching a campaign with a bold message rooted in your culture can bring attention to your brand and set it apart. Its decision to close its doors on Black Friday and allow its employees to enjoy the outdoors — the company's cultural tenet — became the #OptOutside brand campaign in which the company encouraged customers to do so as well. The campaign has clearly established a differentiated position for REI, not just among other retailers and sporting goods companies but also among lifestyle brands in general.

Conclusion

Whether you are starting with a thriving culture or a broken one, whether your brand is already strong or needs to become more powerful, ask yourself if you aspire to greatness. Do you want to align your organization with a single goal so that it is not just productive and efficient but operates with excellence? Do you want to future-proof your company by creating value that is sustainable and inimitable? Do you want to have a truly authentic brand? Do you want to galvanize your people and move toward your vision?

If your answer is yes, seize the opportunity to become great. Engage the power of brand-culture fusion.

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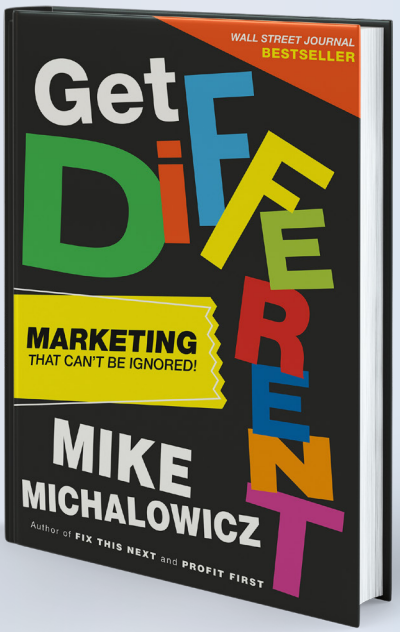
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Get Different

Mike Michalowicz

BOOK SNAPS™

Zooming In On Your Next Read



Get Different

By Mike Michalowicz

Mike Michalowicz launched and sold two multimillion-dollar companies and is the bestselling author of *Profit First, The Pumpkin Plan, Clockwork, The Toilet Paper Entrepreneur,* and *Fix This Next.* He is the host of the American Express Turning Points podcast, and he is a popular speaker who has shared his insights on business and entrepreneurship at TEDx, CreativeLive, INCmty, and others. His columns have appeared in The Wall Street Journal, Box Pro magazine, Entrepreneur, OPEN Forum, Harvard Business Review, and more.

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Marketing That Can't Be Ignored

If you ask the author of *Fix This Next* and *Profit First*, Mike Michalowicz, the number one problem for small business owners is a lack of marketing. Sure, all business owners know they need to market their products or services but the problem is that most of them don't create marketing strategies that actually work. In order to get attention in a market that is completely inundated with marketing messages, a business owner has to find a way to be different.

You may have thought up the most impressive and alluring intro offer ever conceived but it will not do you a single bit of good if nobody knows about it. If there is one thing Mike Michalowicz cannot abide, it's letting "great products and services languish in obscurity." The promise of ***Get Different: Marketing That Can't Be Ignored*** is that by the end of reading it, business owners will be ready to make sure they "get noticed and get results in a crowded market–no matter what."

Your Responsibility to Market

Internet marketing is clearly an absolute imperative for every small business. It's been around long enough for us to remember the days when placing an "under construction" banner on a new website seemed pioneering. By about 2005, internet marketing had evolved to the point of being "gross and inauthentic at best, manipulative and predatory at worst." When it comes to marketing your product, which is better for your customer than any other product, you have an absolute responsibility to ensure that your ideal customer knows about it. If your competition is offering an inferior solution to your customer's problem, it is your fault that they don't know any better. This is a mission that is much bigger. "It is about you, your family, your community, our world. If you offer something that serves, you must make everyone aware. We need you, but we don't know you exist. And that "not knowing you exist" part is your responsibility to fix. Starting immediately." The good news is that Michalowicz holds the key. All you have to do is be so different that people must take notice. In the remainder of the book, he gives concrete advice on how to do just that.

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The DAD Marketing Framework

The human brain tends to ignore what is familiar and take quick notice of the things that stand out as unordinary. This is true for predators on the hunt for their next meal and for consumers who are filtering through a constant barrage of marketing messages. To get our message across to our ideal customer, we have to not only get their attention, we have to make them take action. "This is the foundation of the three-step DAD Marketing Framework."

Step 1: Differentiate

This first step is all about finding a way to make your marketing message stand out "in a sea of sameness." So many small business owners and marketers skip this differentiation bit and just throw their best offer out there. This is a huge mistake. You may have the most enticing offer available but without communicating it in a way that actually gets noticed, no one will even know it's an option to buy. A great tip for finding how to be different is to look at what the standard is for the industry of your business. If they are all positioning themselves as apples, find a way to show them an orange. Standard practices are "massive opportunities to be different." If you hear yourself saying or thinking, "no one does that," you just may be onto something great.

Step 2: Attract

You must figure out who you want to pull in and how to avoid pushing them out. You have an ideal customer. Your marketing must be designed to turn them on. It must be attractive to the kind of client you have identified as your ideal. If your people are into the tall, dark, and handsome type don't give them short, light, and homely. A mistake that marketers frequently make is to design a message that gets attention, so they nail the aspect of it being different, but they fail to make it desirable, which is not attractive.

Step 3: Direct

The final step is to get your prospect to take a specific action that you want them to take. This needs to be simple, direct, and specific. Tell them exactly what you want to do and how they can easily and efficiently do it. A common misstep on this step is to make the directive excessive. You can't direct your customer to plop down a million bucks on a property based on a marketing message. It's far more reasonable to ask them to attend an open house or request a showing.

The Target One Hundred

You cannot design and launch a marketing campaign, even one that is perfectly different, attractive, and directed, into a vacuum. You absolutely must find ways to "track its effectiveness." Market research science, on which the book and suggested practices are based, shows that the minimum sample size you need to determine if a strategy worked or not is one hundred. On the other end of the spectrum, you want to cap your test sample to five hundred. After five hundred, analysis can become unwieldy.

With those parameters in mind, you have to identify those 100-500 people. Put some thought into considering which 100 people you want and need to target. These are people who "you are salivating to have as customers." When he asks you to consider this, he doesn't mean in an idealized sort of way. Michalowicz suggests you create "an actual list–the contact's name, the company name (if applicable), email address, physical address, all that jazz." If you cannot identify the actual people that should be on your list, Michalowicz has a newsflash for you. You cannot possibly get the marketing results you want if you do not know who you are trying to catch.

There are three "mission critical" elements to marketing to your target one hundred. Who, What, and Win should be repeated to yourself so frequently that they become absolutely engrained. Clearly identifying Who is all about knowing exactly who your ideal customer is. Your perfectly ideal off is the What. What you want to get out of your marketing efforts is your Win. "Know these three elements, and you will be able to market more effectively than ever before."

Differentiate

If you want to get attention, which is essential to gaining new customers, you have to be different. Being different makes you stand out from the rest. Your first job as a marketer is to capture that attention in the milliseconds you have to do so. Whatever differentiator you come up with has to pass the "blink test." If you land on something that does, you then design a marketing plan around that, not the other way around.

You can differentiate by choosing an out of the norm medium, so that your targets are receiving your message in a different way than normal. There are more mediums than you may realize, including "videos, signs, brochures, direct mail, influencer marketing, print, packaging, outdoor advertising, indoor advertising, phone, website, pay-per click, search engine marketing, social media, affiliate, email, television, speaking, referral networking, facilitated word of mouth, trade shows, conferences, access point marketing, PO, listings, endorsements" and more. Whatever your competition is doing, consider delivering your message in a different medium and it may be just the ticket you need to get attention.

Choosing a different medium than others is not the end all, be all. A boring, snoozefest of a message delivered by singing telegram is still boring and snooze worthy. One way to find the message that will hit for your product or service is to identify your "est." "The est is the superlative of something. Your marketing can be the craziest or weirdest or funniest. Or it can be the sincerest or deepest. It simply needs to be the most in its category. Extremes are noticeable and memorable." The key is to pick the est that perfectly amplifies you and what you're selling.

Another way to mine marketing gold is to search outside of your industry to see what is working for businesses that are nothing like yours. "What is already happening for another community has potential to be new and different for yours." Michalowicz calls this a blend technique and sites such as examples as banks

> ... show your customer that they have more to gain than to lose by doing business with you."

installing drive throughs after seeing how successful it was for fast food restaurants.

Attract

Once you have figured out a way to grab the attention of your target by differentiating yourself, you have to attract them. You've managed to get your target on the hook but you still have to reel them in. Attracting a customer is all about taking that initial awareness and changing it into "enduring attraction." To do this, you have to show your customer that they have more to gain than to lose by doing business with you. They sustain their attraction by feeling safe and secure being your customer. You have to "win them over again and again" because once they bore of what you're selling, you're done.

To do this, you have to "consider which Attraction Influencers" you can leverage to keep your customers interested. These are people whose association with you and your product helps make customers feel good about being associated with it, too. They are people who have authority because they are leaders in their own industry or category. They may be a trusted source with whom your customer has had some experience with in the past. Customers are drawn to businesses that have some sort of social significance, through giving back to particular causes or communities. There are seemingly endless categories of attraction influencers. The trick is the find the one that makes your message resonate and pull your target customer in.

Direct

If you manage to get a target reeled in through a message that is both differentiated and attractive, you have to convert to an actual sale. So many marketers make the mistake of over complicating this step or giving customers too many options. Think about street performers. They don't hang up a sign listing five different ways you can show your appreciation of their performance. If they perform an act that is different enough to get your attention and interesting enough to keep it, they want you to do one simple thing: put cash in the tip jar.

When you add multiple steps or provide a litany of options, you are setting yourself up for friction and failure. Your direction has to be super simple and one clear action. Think buy now, sign up for the newsletter, grab your samples, and similar one-step calls to action. "With every marketing offer, make sure you have one clear directive, and make it easy to do."

When designing your directive you need to keep your community in mind. Ask yourself, "what can your community see, hear, or understand that other people can't? What would they respond to that other people might not?" People respond better when they feel a sense of belonging with or connection to your directive. Using language that is familiar and on point with your targets is critical. It also needs to align with them emotionally and logically. Do they value "quick wins, easy steps, and fast rewards" or are they more concerned with long-term goals such as "permanent change, noticeable impact, and improvement."

Finally, when considering what you will direct your target customers to do, you should take a look at your relationship to them in terms of whether you and your business are "someone superior, someone equal, or someone inferior." "In other words, do they aspire to be like you, gain from you, or learn from you–a superior position where you can give advice and assistance? Or do they see you as one of them, as an equal who can commune, share, and exchange? Or do they see you as inferior, in a position where you can gain from them?" These positions are fluid and changeable based on whatever circumstances are present and as a marketer you will experience all three of them. When directing these prospects you have to take into account what that relationship position is at that moment.

In ***Get Different: Marketing That Can't Be Ignored*** Mike Michalowicz breathes new life into a marketing lesson that stands the test of time. To be effective, any marketing strategy absolutely must "Differentiate, Attract, and Direct explicitly." If you can do that, you will win your target. If you cannot or do not, then you won't. The idea is beautifully simplistic yet implementing it is more nuanced than failed marketers understand. It is easier to go with the crowd than to stand out. Being creative does not always come naturally. The fact that you have mere milliseconds in the modern market to grab a pair of eyes makes it all the more difficult.

Small business owners who find themselves afraid of marketing or feel they are spinning their wheels, investing in strategies that do not get results will find clear and effective direction in Michalowicz's latest book. Putting his strategies into practice will allow you to stretch, tone, and build your marketing muscles and as they gain strength so too will your confidence. You will start seeing the results you are seeking and your business will grow. If you listen to Michalowicz, you will refuse to succumb to the "sea of sameness, trendy thing, the best practices, the industry standards, or the "everyone else does it" justifications." If you want to see your business grow you have to own your own message, not repeat someone else's. Never give up and your wildest business dreams will come true.

· Book 45 of 106 ·

Getting to Aha!

Darshan Mehta

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Getting to Aha!

Why Today's Insights Are Tomorrow's Facts



by **Darshan Mehta**

Contents

Introduction
Page 2

Branding and Human Nature
Page 2

Insights
Page 2

Digital vs. Biz
Page 2

The Era of Blending
Page 3

The Era of Not Thinking
Page 3

Aha! Moments
Page 3

The Digital Promise
Page 4

Conclusion
Page 4

THE SUMMARY IN BRIEF

How do you acquire insights into your customers' needs, fears, desires, and problems and what they are willing to pay to fix them? The companies that chase these insights, and properly put them to use, will not only survive but thrive in a constantly evolving market.

In ***Getting to Aha!,*** Darshan Mehta looks at the underlying dynamics of consumers' decision-making habits and the overarching sociocultural and technological trends that are influencing those today. Along the way, you'll survey the modern brand landscape, including the burgeoning influence of small but highly influential industry disruptors. Above all, we will return again and again to the importance of today's insights— tomorrow's facts— and learn to leverage them for innovation and differentiation.

IN THIS SUMMARY, YOU WILL LEARN:

- How to gather meaningful insights about consumers.
- How to use those insights to drive innovation and audience engagement.
- Which trends are driving modern consumers' behaviors in today's market.
- How technology is shaping the way buyers interact with brands.
- The steps brands can take to access and leverage the knowledge gained from external and internal audiences.

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Introduction

In today's world, whether you're a fledgling startup or an established brand, you're operating in a world of hyper-competition. Whatever products or services you sell, you're up against not only the company down the street but also the one across the state, the one across the country, and the one halfway around the world. Technology gives you new opportunities to deliver products and services at scale, globalizing customer access and minimizing barriers to entry for passionate, disruptive entrepreneurs. Today, brands must carve out positions they can own and defend. They must differentiate themselves from their peers to establish strong emotional connections with their customer base.

This is a daunting proposition for young startups. But successful brands know and speak to their audiences.

Today, the critical question regarding the costs of customer conversations is this: What will it cost you not to have them, leaving insights buried? Remember, the marketplace will speak to you. You must decide whether you're going to listen sooner or later, and whether you're going to listen well. You must decide whether you're going to exercise empathy and curiosity, and whether you're willing to innovate away from what might not be working -and toward what could.

Branding and Human Nature

When businesses talk about "branding" their products or services, what they are really talking about is humanizing them— making them both accessible and desirable to their audiences. Doing this requires a deep understanding of the brand and its audience's aspirations. It also requires building relationships with trust and respect, inspiring brand loyalty and commitment.

Consider McDonald's, arguably one of the world's most successful brands. Go to any McDonald's anywhere in the world, and you'll find nearly identical menus. Whether you visit one in New York, London, or Shanghai, you know what to expect. You trust your experience will be consistent because McDonald's delivers this experience the same way, every time, everywhere around the world.

Customers take comfort in this and reward the fast food giant with their loyalty. Whether you're a fan of McDonald's or not, you can't deny that companies of all stripes try to build this kind of brand recognition and devotion. How has McDonald's come to command such global attention and allegiance? By thoroughly understanding its customers and delivering what they want and need in the way they want and need it. McDonald's empathizes with its customers and tailors its offerings to suit what they actually want. In essence, you can achieve this by gathering insights and structuring your business around those insights.

Insights

Since 1800, when the Industrial Revolution was in full swing, interest in the word insight has grown fivefold.

Why might the rise of industry correlate with increasing interest in insights? Well, in business, the key to success is differentiation. And insights into your market, your consumers, and the prevailing trends that drive the behavior of each are the keys to differentiation.Although everyone is seeking insights, few agree as to what they actually are.

What counts as a "deep intuitive understanding" in the context of modern brands? Here, it's helpful to understand what an insight is not. An insight is not a single datum, nor is it a one-dimensional observation or expression of a want or a need. Rather, an insight is a combination of data, observations, and broader knowledge of macro- and microlevel technological, economic, and cultural influences on markets and consumers' desires, expectations, and decision making. Insights are rarely about the "what"; they are almost always about the "why."

Garnering insights takes time. It requires you to go outside your comfort zone in order to discover what you don't know you don't know. It requires you to remain curious and open to whatever you might discover along the way, including what concepts challenge or even contradict your assumptions or prevailing theories.

Digital vs. Biz

The world of commerce is divided into two spheres: the physical sphere and the online sphere. These can also be called the 'biz' and 'digital' environments.

The biz sphere is the one in which we all live. It's the one where brick-and-mortar businesses provide us with a variety of products, services, and experiences. It's also the sphere with which those of us over age 40, including the majority of corporate decision makers, are most familiar and comfortable. Unlike our millennial counterparts, we did not grow up online, and we are unlikely to ever be as immersed in the digital sphere as they are. But even millennials seek

out the tangible comforts the biz world can provide, including the ability to interact directly with the products they're buying and the people who are selling those products.

Just like the biz world, the digital world is a center of modern commerce, and businesses compete with one another within and across the two worlds. While people of all ages interact with brands online, companies that prioritize the digital world tend to target millennials, who grew up in the digital age and are comfortable making major purchasing decisions online. Many digital businesses have grown up online alongside their young customers. Warby Parker, an online retailer of prescription glasses and sunglasses, and Casper, an online seller of sleep products, are two notable examples.

The Era of Blending

Just as ours is the era of experiences, it is also the era of what I call "blending." This is the combining of two or more products, services, or experiences to create an entirely new offering. Blending can be a source of innovation and differentiation for any brand. Learning to do it well can help you stand apart from your peers and extricate yourself from the inevitable race to the bottom of competing on price.

But blending requires insights: insights into what consumers are looking for as well as the prevailing technological and cultural trends that might make a blended product, service, or experience desirable. In this chapter, we take a closer look at blending, including how certain trends influence its practice and what opportunities it holds out for modern brands.

For consumers and brands alike, exposure to new ideas and ways of doing things inspires the blending of products or services. Increasingly, innovators and consumers are both asking, "Who says X and X can't be combined to create a whole new offering?" In our modern environment, blending doesn't confound consumers; it intrigues and excites them.

Take, for example, the smartphone-the ultimate blender. Smartphones blend the power of a computer, a digital camera, and a phone in one device. Just two decades ago, each of these was a distinct tool that occupied its own space and role in our lives. At that time, it was difficult to conceive of a single, pocket-sized instrument that could combine all of these functionalities. But now, smartphones are ubiquitous. We take them for granted, assuming they will do what we expect them to and what we need them to do. There's a whole world of blended products and services out there. Which will you take advantage of to win?

The Era of Not Thinking

Our brains are the seat of any rationality of which we're capable. But study after study shows that our internal supercomputers are susceptible to emotional influence, and technology has made us less reliant on them for creative problem solving. At the same time, technology has made it possible to cram more and more into our daily lives. Taken together, this is a recipe for reckless and emotion-driven decision making.

Unfortunately, as a society, we are not replacing lower-level thinking with higher-level thinking or contemplation; we're replacing it with entertainment. This lures us away from critical thought and into comfort and complacency. Complacency is dangerous for businesses as well as consumers. They may miss out on opportunities for learning and self-development, and companies may stagnate while hungrier, more creative, and more agile competitors come along and eat their lunch.

Businesses must "think" to innovate. Only by taking the time to engage and ponder with consumers, users, and followers can brands arrive at the insights that are central to the sort of aha! moments that made them strong in the first place. The same technologies that routinely preclude thinking can also facilitate insight-generating interactions between consumers and brands. Technology can help brands access the insights they need to craft and deliver the products, services, and experiences consumers are looking for.

Aha! Moments

To uncover aha! moments, you cannot rely on data alone. You must engage in conversations. Qualitative feedback from your customers, followers, or users adds context and dimension to quantitative measures, elevating these from assessments of the what to analyses of the why behind consumers' choices and purchasing patterns.

Although the most productive conversations are those that have a natural flow, it is up to you as the insight seeker to steer them in valuable directions. As we have discussed elsewhere in this book, directing conversations with your audience requires you to understand their perspectives and thought processes. You must account for emotional factors, particularly the pursuit of pleasure and the fear of pain, as well as practical concerns, including price and product utility. How these factors influence your participants' responses depends on how they perceive your

brand. And the only way to understand the role these play for your respondents is to ask them-to pose the right questions and then listen to what they say.

Equally important, you need to be clear on your objectives for any conversation before you enter into it. You can't expect participants to simply hand you the information you're seeking. At the same time, however, you need to remain flexible enough to maintain a relaxed conversation and take participants' responses in stride.

The Digital Promise

The reality of the modern age is that technology has pervaded it, changing our relationship with the most fundamental aspects of our universe: time and space. Technology has enabled us to accomplish more in less time than we ever could before and to connect with people and places around the world with a press of a button. As much as digital innovation is facilitating and expanding human connection, it's also dividing us. How often do we hear people bemoaning the end of face-to-face and phone-based conversations, claiming they could have spared themselves and others both time and anguish if they'd just spoken in real time rather than via text, email, or Facebook Messenger?

This is the promise and the challenge of the digital age: using technology to save time without giving up on the things that truly matter. Consumers know this. And as reliant on technology as they may be, they remain invested in authentic human connection and experiences that enrich their lives. This is the space in which brands have an opportunity to stand out.

Conclusion

Today's insights truly are tomorrow's facts. They hold the key to innovation, differentiation, and sustainability in our modern, technology-driven environment. Whether you're a fledgling startup or an established brand, technology has brought insights closer to your reach than ever before. An array of affordable social media and consumer-tracking tools has made it easy for you to quantitatively assess your brand's performance. A series of digital technologies, including research, have also made it cheaper and faster for you to collect vital qualitative feedback. Considered together with the backdrop of the larger, macro-level trends driving consumer behavior, all of this data can supercharge insight generation within your organization.

As you move forward, keep insights at the forefront of your strategic planning and decision making. Simply committing to this as a practice can yield significant benefits. Again, opening yourself to new possibilities for innovation and industry disruption will keep you agile and prepared to capitalize on critical, game-changing opportunities.

As important as fostering an environment in which aha! moments can occur is remembering that some of the most critical information you can collect will come from your front lines—from conversations with customers and the employees who regularly engage with them. After all, insights are ultimately about people.



In 1998, **Darshan Mehta** pioneered online focus groups and surveys and founded iResearch, an online insights platform that enables companies to quickly, easily, and affordably extract consumer and employee insights worldwide. He draws upon more than twenty years of marketing strategy experience to help business leaders understand and leverage changing consumer preferences. In addition to his role at iResearch, Mehta is an adjunct professor at universities in Thailand, Sweden, France, and the United States.

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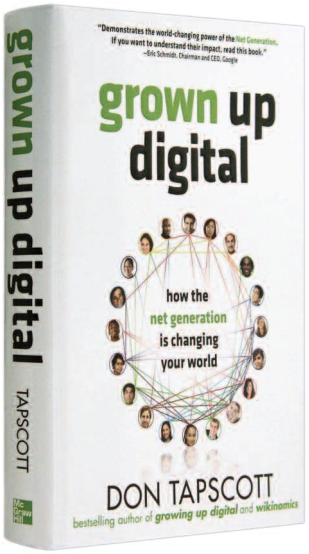
· Book 46 of 106 ·

Grown Up Digital

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Grown Up Digital

How the Net Generation Is Changing Your World



by Don Tapscott

THE SUMMARY IN BRIEF

Chances are you know a someone between the ages of 11 and 30. You've seen them doing five things at once: texting friends, downloading music, uploading videos, watching a movie on a two-inch screen and doing who knows what on Facebook or MySpace. They're the first generation to have literally grown up digital — and they're part of a global cultural phenomenon that's here to stay.

The bottom line is this: If you understand the Net Generation, you will understand the future.

If you're a baby boomer or Gen Xer: This is your field guide.

A fascinating inside look at the Net Generation, *Grown Up Digital* is the product of a $4 million private research study. Author Don Tapscott has surveyed more than 11,000 young people. Instead of a bunch of spoiled "screenagers" with short attention spans and zero social skills, he discovered a remarkably bright community that has developed revolutionary new ways of thinking, interacting, working and socializing.

The Net Generation is changing every aspect of our society — from the workplace to the marketplace, from the classroom to the living room, from the voting booth to the Oval Office.

The Digital Age is here. The Net Generation has arrived. Meet the future.

IN THIS SUMMARY, YOU WILL LEARN:

- How the brain of the Net Generation processes information.
- Seven ways to rethink your marketing plan.
- Eight distinctive attitudinal and behavioral characteristics that differentiate the Net Generation from previous generations.
- How young people and the Internet are transforming democracy.

CONTENTS

The Net Generation Comes of Age
Page 2

A Generation Bathed in Bits
Page 3

The Net Generation Brain
Page 4

The Net Generation in the Workforce
Page 5

Types of N-Fluence Networks
Page 6

Making the World a Better Place
Page 7

In Defense of the Future
Page 8

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THE COMPLETE SUMMARY: **GROWN UP DIGITAL**

by Don Tapscott

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Part One: Meet the Net Gen

Introduction

The Net Generation *has* arrived.

As the first global generation ever, Net Geners are smarter, quicker and more tolerant of diversity than their predecessors. They care strongly about justice and the problems faced by their society, and are typically engaged in some kind of civic activity at school, at work or in their communities. This generation is engaging politically and sees democracy and government as key tools for improving the world.

With their reflexes tuned to speed and freedom, these empowered young people are beginning to transform every institution of modern life. From the workplace to the marketplace, from politics to education to the basic unit of any society, the family, they are replacing a culture of control with a culture of enablement.

Eight characteristics, or norms, describe the typical Net Gener and differentiate this generation from their baby-boomer parents. They prize freedom and freedom of choice. They want to customize things, make them their own. They're natural collaborators who enjoy a conversation, not a lecture. They'll scrutinize you and your organization. They insist on integrity. They want to have fun, even at work and at school. Speed is normal. Innovation is part of life.

Learn From Them and Act

For the first time, the next generation coming of age can teach us how to ready our world for the future. The digital tools of their childhood and youth are more powerful than what exists in much of corporate America. If we listen to them and engage them, their culture of interaction, collaboration and enablement will drive economic and social development and prepare this shrinking planet for a more secure, fair and prosperous future.

Learn from them and you will see the new culture of high-performance work, the 21st-century school and college, the innovative corporation, a more open family, a democracy where citizens are engaged, and perhaps even the new, networked society. ●

The Net Generation Comes of Age

The Net Generation is a distinct generation. It is made up of the children of the post-World War II generation, called the baby boomers in the United States. The baby-boom "echo" generation, is the biggest generation in the United States. Around the world there has been an even greater demographic explosion, with 81 million members.

Technology Is Like the Air

While Net Gen children assimilated technology because they grew up with it, adults have had to accommodate it — a different and much more difficult type of learning process. With assimilation, kids came to view technology as just another part of their environment, and they soaked it up along with everything else. For many kids, using the new technology is as natural as breathing. As Andy Putschoegl is quoted as saying, "I was born using an Apple computer."

This generation is different from its parents in eight ways. These differentiating characteristics are referred to here as the Net Generation Norms. Each norm is a cluster of attitudes and behaviors that define the generation. These norms are central to understanding how this generation is changing work, markets, learning, the family and society.

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Rebecca S. Clement, Publisher; **Sarah T. Dayton**, Editor in Chief; **Andrew B. Clancy**, Senior Editor; **Edward O'Neill**, Graphic Designer; **Chris Lauer**, Contributing Editor

- **They want *freedom* in everything they do, from freedom of choice to freedom of expression.**
- **They love to *customize* and *personalize*.**
- **They are the new *scrutinizers*.**
- **They look for *corporate integrity* and *openness* when deciding what to buy and where to work.**
- **The Net Gen wants *entertainment* and *play* in their work, education and social life.**
- **They are the *collaboration* and *relationship* generation.**
- **The Net Gen has a need for *speed* — and not just in video games.**
- **They are the *innovators*.**

Creating the Future

As talent, the Net Generation is already transforming the workforce. The biggest generation ever is flooding into a talent vortex being created by the expansion of the global economy, the mobility of labor, and the fastest and biggest generational retirement ever. They are bringing new approaches to collaboration, knowledge sharing and innovation in business and governments around the world. There is strong evidence that the organizations that embrace these new ways of working experience better performance, growth and success. ●

A Generation Bathed in Bits

The Net Generation is driving the democratization of content creation as young people generate online photos, music and copy, from movie reviews to commentaries on everything from products to politicians. This is leading to a power shift from authorities to ordinary individuals. People can participate in the economy in ways that were previously unthinkable — creating television news clips that rival those seen on TV currently, writing an encyclopedia like Wikipedia or selling goods in e-markets like Craigslist. As knowledge expands, power is becoming more widely distributed as well.

The Net Generation treats technology differently than their parents do. While TV was the signature medium of the boomer generation, the Net Generation doesn't just watch TV; they listen to it while they're chatting with friends and navigating the Web.

Communication, Collaboration and Creation

They're transforming the Internet into a place where people can communicate, collaborate and create together, and soon you will be able to access it all from the palm of your hand. The social networking sites could be the new grid for the Internet. It could have a significant impact on everything the Net Generation touches, from games to music to global civic action. The Net Geners are just starting to use the tremendous power of this digital tool, and they have the power to realize the dream that many boomers had: to give power to the people. ●

Three Guidelines for a Sharper Mind

Here are three ways to sharpen your brain:

1. Work on your wiring. Play a new instrument, learn a second language or pick up a taxi route.
2. Work on your wiring the Net Gen way. Get fluent with the technology by immersing yourself. Try speed text messaging on your mobile phone (not while driving, of course), using Instant Messaging and MySpace at the same time, or playing action video games.
3. Multitask wisely. Don't answer every e-mail instantly; check it in chunks, ideally a few hours apart.

The Eight Net Gen Norms

These kids are very different than their baby-boomer parents. These differences can be referred to as "norms" — distinctive attitudinal and behavioral characteristics that differentiate this generation from their baby-boomer parents and other generations. These norms were tested in an nGenera survey of 6,000 Net Geners around the world. The list stood up pretty well.

The eight norms are rooted in the different experience of today's youth — especially with regard to their media diet. They have grown up being the actors, initiators, creators, players and collaborators. It has made them who they are — young people who are different in many ways than their parents and grandparents were at their ages. The Internet has been good for this generation. And these *Grown Up Digital* kids will be good for us.

Characteristics of a Generation

The eight norms are:

1. Freedom. Research suggests that Net Geners expect to choose where and when they work; they use technology to escape traditional office space and hours; and they integrate their home and social lives with work life. More than half of the Net Geners surveyed online

in North America say that they want to be able to work in places other than an office. This is particularly true of white- and some gray-collar workers.

2. Customization. Net Geners get something and customize it to make it theirs. This is the generation that has grown up with personalized mobile phones, TiVo, Slingbox and podcasts. They've grown up getting what they want, when they want it and where, and they make it fit their personal needs and desires.

3. Scrutiny. Given the large number of information sources on the Web — not to mention unreliable information — today's youth have the ability to distinguish between fact and fiction.

4. Integrity. The stereotype that this generation doesn't give a damn is not supported by the facts. Net Geners care about integrity — being honest, considerate, transparent and abiding by their commitments. This is also a generation with profound tolerance.

5. Collaboration. Net Geners collaborate online in chat groups, play multiuser video games, and use e-mail and share files for school, work or just for fun. They bring a culture of collaboration with them to work and the marketplace and are comfortable using new online tools to communicate.

6. Entertainment. Net Geners believe in enjoying what they do for a living. They expect their work to be intrinsically satisfying. Net Geners become bored easily, so playing with their tech devices keeps them interested.

7. Speed. They're used to instant responses, 24/7. Video games give them instant feedback; Google answers their inquiries within nanoseconds. So they assume that everyone else in their world will respond quickly too.

8. Innovation. The Net Geners live to stay current, whether it's with their cell phones, iPods or game consoles. The latest product makes their friends envious and contributes to their social status and positive self-images. ●

The Net Generation Brain

Many of the Net Geners are using technology to become smarter than their parents ever could be. Growing up digital has equipped these Net Geners with the mental skills, such as scanning and quick mental switching, that they'll need to deal with today's overflow of information. They know when they have to focus, just as the most intelligent members of earlier generations did. They may think and process information in a different way than most boomers do, but that doesn't stop them from coming up with brilliant insights or new models of doing business and winning an election.

Yet the picture is a lot more complex. The evidence suggests that the top students are reading more and performing spectacularly well in school. The bottom ones are failing and falling behind — for reasons that have little to do with the Internet and more to do with a failing education system, and problems with the family, poverty and other social causes.

They would be doing better if the education system changed to embrace the way they learn, think and process information.

If Net Geners are given the tools to handle the overflow of information available today on the Internet — as some Net Geners already are — they have the potential to be the smartest generation ever. Some are already entering adulthood with the intellectual skills to handle the demands of and opportunities provided by the Internet. ●

Part Two: Transforming Institutions

Nearly nine in 10 school districts that had ubiquitous computing environments reported a positive impact on academics.

One of the most dramatic changes occurred in Cowansville, a small city in the Eastern Townships, Quebec, a few miles north of the Vermont-Canada border. After the school board gave laptops to each kid from grade 3 to grade 6, the percentage of students reading or writing at a competent level for their age went up 12 percent! Absenteeism went down 26 percent and behavioral incidents dropped 34 percent.

The 2.0 School

Judging from the studies, computers can't live up to their potential as an educational tool if they are deployed in the old-fashioned education system that relied on teachers to deliver content.

Some 2.0 schools — the kinds of schools that have embraced the eight Net Gen norms — have emerged as startups, like Greenwood College School in Toronto. It began in 2002 with a big donation from Richard Wernham, a successful lawyer who had just cashed out on a profitable mutual-fund business.

From the outset, Greenwood was a 2.0 school in every sense. Students with a wide variety of learning skills are carefully evaluated before school begins, so each child gets an education that suits his or her learning style and interests. For example, students are given tests based on their learning style, so some get conventional tests or oral ones, while others are assigned artistic projects. Every

student has a laptop, and in class the teachers work with smart boards — big screens that function like interactive Web sites. The teachers can send whatever they put up on the smart board to the students' laptops so they won't miss anything.

The Net Generation in the Workforce

In the United States alone, there will be a shortfall of 10 million workers by the year 2010. In the next 10 years, the demand for more than 30 million U.S. college-educated workers will greatly exceed the 23 million new college graduates that are expected. A labor crunch at senior levels is imminent. America's 500 biggest companies will see half of their senior managers retire in the next few years, which leaves a lot of companies scrambling to figure out how they can accelerate the growth of Net Geners who have just entered the professional world. Ronald Logue, chief executive officer of State Street Corp., put it this way: "A central issue for our success is how fast can we get these digitalized kids into management."

New Models of High-Performance Work

Business, in other words, needs the Net Generation — in more ways than one. The Net Generation "is the foundation for the next three decades of employment and leadership," according to Randall Hansen, founder of Quintessential Careers, one of the oldest and most comprehensive career development sites on the Web. Yes, they are "the most pampered and indulged generation," he notes. But "this generation is also the most tech-savvy and wired (or perhaps wirelessly connected) cohort. Their views of life and work are different from any others' — and if employers want to recruit and retain these people, strategies and policies and procedures will have to change."

In the war for talent, employers are going to have to understand the key Net Gen norms if they want to hire them, and keep them.

- **Freedom**. Net Geners want the freedom to work when and where they want, the freedom to enjoy work and family life, and the freedom to try new jobs.
- **Customization.** Net Geners have grown up customizing everything — from their iPods to their ring tones — and as they start working they want employers to manage them as individuals, not as a big group.
- **Scrutiny.** Sixty percent of Net Geners check out a company before accepting a job offer.
- **Integrity**. When scrutiny increases, corporate integrity is essential.
- **Collaboration**. Collaboration is how Net Geners get things done.
- **Entertainment.** Two out of three Net Geners feel that "working and having fun can and should be the same thing."
- **Speed.** Net Geners become frustrated quickly if they have to wait for managers or deal with a mountain of red tape. They want to move up quickly too.
- **Innovation**. Three out of four Net Geners would like to find new ways of accomplishing their jobs.

Manifesto for Change

The Net Generation's eight norms provide a manifesto for change that will revolutionize the workplace of tomorrow. These norms will also provide competitive advantage to companies that embrace these norms today. Managing talent today is about creating new opportunities, enhancing competitiveness, reducing costs and increasing profits and success. The sheer numbers of the Net Generation, both from North America and nations with rising economies, offer an unprecedented bounty of talent. This wave of young workers will not only work for tomorrow's global corporations, but will increasingly shape and direct the most successful corporations, wherever their nominal headquarters might be.

The Net Generation as Consumers

Today, social networks, driven largely by youth, are the key arena where young people talk to each other, meet new friends and keep up with acquaintances. These social networks are not just networks like Facebook or MySpace, but also include the myriad places on the Web where people can meet and share information. They constantly swap views on movies, music, clothes and dozens of other topics in these networks. When they think about what to buy, Net Geners go to online social networks to see what their friends are buying — 32 percent of teens say they "buy things my friends have." When they lack experience with a problem, 29 percent ask their friends for advice.

Kids are influencing their friends as never before. These communication networks and the relationships they foster can be referred to as "N-Fluence networks." For the Net Generation, this is where influence really lies, in these networks of friends and acquaintances.

The Net Geners use communications networks that are orders of magnitude larger, far more complex and

much more efficient than those that were possible when their parents were young.

Types of N-Fluence Networks

Just as not all N-Fluencers have equal value, not all networks are equally valuable either. There are three different categories of N-Fluence networks. Each one functions differently, although there's plenty of overlap. A message between best friends or acquaintances can go viral quickly and spread over the world.

- **Best Friends.** Best friends are the small group of people the user knows well (on MySpace this would include your "Top 8," for instance). Despite a preference for face-to-face contact, new channels, such as cell phones, instant messaging and text messaging, provide more consistent access to peers and introduce stronger interpersonal dynamics into these relationships.
- **My Social Network.** A social network could be a group of 100 or so traditional acquaintances plus the much larger technology-enabled extended social network that may include hundreds or even thousands of "friends."
- **The World.** The "world" is the larger collective of people who the user does not know personally but with whom he or she is in contact through the network. When today's youth broadcast their opinions to friends and family on public blogs, or on sites such as Amazon, eBay, Epinions, MySpace or YouTube, they also influence the world around them.

Seven Guidelines for Marketing Professionals

Here are seven rules to guide your marketing plan:

1. Don't focus on your customers — engage them. Turn them into "prosumers" — consumers who become producers of your goods and services.

2. Don't create products and services — create consumer experiences. Add value to your offerings to make them richer experiences and use the Web to help deliver your new values.

3. Radically reduce advertising in broadcast media. Shift your marketing communications spending to digital media.

4. Develop a strategy to plug into N-Fluence networks. "Word of mouth" is the key.

5. Rethink your brand. The brand is no longer just a promise, image or badge — for many companies it should become a relationship.

6. Bake integrity into your corporate DNA and marketing campaigns. Honesty, consideration, accountability and transparency are the foundation of trust for this generation.

7. Move the Net Generation into the center of your marketing campaigns. The Four Ps — product, place, price and promotion — are an inadequate framework to deal with the consumer of the future. Replace them with the ABCDE of marketing: anyplace, brand, communication, discovery and experience. ●

The Net Generation and the Family

The Net Generation has challenged the old family setup — with father as CEO and mother as chief operating officer — on many fronts. The old hierarchy has given way to a new kind of family democracy, in which Net Geners have a voice in family affairs.

The family dinner is making a comeback now that Net Geners are becoming parents. This may be the manifestation of the open family in action. This is where they'll talk about what their children find on the Internet. They'll discuss it openly rather than installing blocking devices that they — as Net Geners — know are bogus and easy to avoid. They won't try t o spy on their kids; they value freedom too highly. So instead, they'll collaborate over dinner, and the father (or mother) will not necessarily be at the head of the table. The family dinner will be the signature of the Net Generation.

The Open Family

Net Gen parents will collaborate with their children in creating an interactive, open family that lives according to a different model of authority — one that disregards conventional family hierarchies and roles and is topical, situational and fluid. Net Geners are quick to recognize that the best way to achieve power and control is *through* people, not *over* people.

Here are four parenting guidelines from the kids who have grown up digital:

1. Have a family vision. Create an open family based on multidirectional communication, mutual trust and respect for a fluid notion of authority.

2. Interact. Get involved beyond the daily lives of your family; prioritize spending quality time with one another.

3. Customize your parenting. Differentiate the environment and the opportunities available to address individual children's needs.

4. Consciously design your family to balance work and personal lives. Recognize the trade-offs you are willing to make and attack them one by one. ●

Part Three: Transforming Society

The Net Generation and Democracy

Net Geners care about their communities. They are volunteering in record numbers to tackle some of the world's most difficult problems, such as poverty and global warming. Their civic engagement shot up after the horrific attack on the World Trade Center in 2001, and it has stayed up in the years afterward, unlike that of other age groups. Yet, while they volunteered in huge numbers after 9/11, they have steered clear of formal politics. Fewer than half of 18- to 24-year-olds voted in the 2004 presidential election — a figure far below the 64 percent of voting-age citizens who went to the polls.

They don't support the libertarian view that governments should just get out of the way and let markets rule. Nearly two-thirds of youth ages 15 to 25 believe strongly that government should do more to solve problems, according to a 2006 Civic and Political Health of the Nation survey conducted by the Center for Information and Research on Civic Learning and Engagement (CIRCLE).

Power to Change the Country

Several polls show that a huge majority of Net Geners feel that they have the power to change their country. Eighty-four percent of 18- to 26-year-olds said that it seemed that the gap between rich and poor had grown in the past 20 years, and a remarkable 94 percent thought this growing gap was a bad thing. These figures are higher than those for older generations. In a Magid Associates 2006 survey for the New Politics Institute, young adults were more likely than any other age group to favor governmental action to reduce economic differences among Americans.

The Net Gen norms have enormous implications for government leaders. Youth want governments that are customizable, fast and innovative. They want choice and the opportunity to collaborate. They will scrutinize candidates and elected officials like never before. Above all, to win their trust, politicians must behave with integrity.

Building Trust With a New Generation

To win the trust of Net Geners, governments have to be transparent. At a minimum, policymakers should publicize their overall goals and objectives and, for specific issues and decisions, the documents they relied on, the names of the participants in the decision-making process and their underlying rationales and criteria, and they should provide reasons why alternative policy options have not been pursued. True transparency must make the processes, underlying assumptions and political presuppositions (including supporting research) of policy explicit and subject to criticism.

Adopting transparency as a core value and actively encouraging and fostering its application by making information readily available will be critical in establishing trusting, long-term relationships with the generation that will dominate politics in the 21st century. ●

Making the World a Better Place

Activists are tapping into the same characteristics that describe the Net Generation, especially the following:

• **Freedom.** The Internet obviously opens up a world of possibilities both for young activists looking for a bigger audience and for young people considering which cause or causes to back. On TakingItGlobal, for example, activists can choose from 75 causes or issues being discussed and more than 10,000 nonprofit organizations. They can think about attending any one of the 10,000 events worldwide or read one of more than 250,000 blog posts.

• **Customization.** Maybe they want to be digital activists, helping out by hunting for information or spreading the word through social networks. Or maybe they want to give something up — like plastic bags. Or maybe they want to organize something or volunteer in a part of the offline world that they care deeply about. Today's top activists give Net Gen volunteers a choice.

• **Scrutiny**. Young people are watching companies' behavior. More than half of young people say they rewarded or punished companies based on their perceived social performance, according to a 2002 survey by the World Bank Institute of more than 2,000 people whose ages ranged from 15 to 30.

• **Integrity.** Honesty, transparency and authenticity are crucial if you want to get through to Net Geners.

• **Collaboration.** MTV's campaign for Darfur wouldn't have happened without the help of college students. The spark came from a senior at Georgetown with a modest proposal to give up a luxury for a day and give the money to an organization working in Darfur. The fire spread when digital activists targeted the companies that are alleged to be indirectly financing the massacre. And it turned into wildfire when an innovative Californian activist created an addictive game that made regular kids walk in the shoes of a Darfur teenager.

• **Entertainment.** You've got to be fun to engage kids these days.

• **Speed.** Activists are operating at speeds we've never seen before. They can reach millions of people in minutes.

• **Innovation**. Instead of knocking on doors to ask people to sign a petition, activists reach millions of people online in an instant.

The instant access to global information has made kids not only more knowledgeable about the big issues, but more sophisticated in their attack. They know they have this power, and they're using it. ●

In Defense of the Future

We need to remember that in this world, there appears to be more good than bad.

As we enter the new age, the future won't just happen. It will be created — and primarily by Net Geners. Whether they become entrepreneurs, raise money for mental health research, change their communities, organize youth around the world, build networks to stop global warming, fight genocide in Darfur or join political campaigns like millions of American Net Geners did in 2008, they are becoming an unprecedented force for change.

Through their massive demographic muscle and unconstrained minds, they are creating a new world. Unlike the tepid, sterilized, one-way conduit of the mass media, the place they are constructing gives any idea, no matter how threatening to the contemporary order, a voice. They are using the Web and their social networks to discover and collaborate. For better or for worse, the biggest generation in American history is beginning to use its media to discover, debate and take action.

Shattering the Old Ways

The second half of the 20th century was dominated by a generation — the baby boomers. During that period, strong models of mass media, the enterprise, work, commerce, family, play and social life were established. The new Web and the new generation are beginning to shatter these old ways — and our evidence points to a better world if we permit them to succeed. This massive wave of youth has rights, growing aspirations, truly awesome capabilities and nascent demands that are far-reaching.

This generation will change the world. They are already bringing and implementing radical views regarding the way business should be conducted and about the process of democratic governance. They are a generation that can learn together, as a unified generation, unlike any other. They are seeking to protect the planet and they find racism, sexism and other vile remnants of bygone days to be both weird and unacceptable. They will seek to share in the wealth they create. They will want power in every domain of economic and political life.

The big remaining question for older generations is whether that power will be shared with gratitude — or whether we will stall until a new generation grabs it from us. Will we have the wisdom and courage to accept them, their culture and their media? Will we be effective in offering our experience to help them manage the dark side? Will we grant them the opportunities to fulfill their destinies? This will be a better world if we do. ●

Three Tips for Managers

As the Net Generation comes into the workforce, they are changing the way we think about talent and work. Here are three tips for managers:

1. Design work systems according to the eight norms. Look to the Net Generation culture and behavior as the new culture of work and the new enterprise.
2. Rethink authority. Be a good leader, but understand that in some areas you will be the student and the Net Gen employee will be the teacher.
3. Rethink recruiting; initiate relationships. Use social networks based on trust to influence young people about your company.

RECOMMENDED READING LIST

If you liked *Grown Up Digital*, you'll also like:

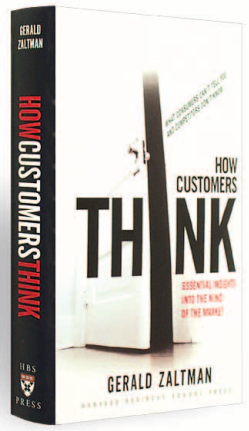
1. ***Personality Not Included*** **by Rohit Bhargava.** In this era of social media, Bhargava details the theory of personality and explains how to put it into action effectively.
2. ***Citizen Marketers*** **by Ben McConnell and Jackie Huba.** This book documents the phenomenon of enthusiasts and evangelists as marketers.
3. ***Mass Affluence*** **by Paul Nunes and Brian Johnson.** The authors explain how to capitalize on the returning movement of mass marketing.

· Book 47 of 106 ·

How Customers Think

Gerald Zaltman

SOUNDVIEW Executive Book Summaries®



By Gerald Zaltman

CONTENTS

What Marketers Need To Know
Page 2

The Brain
Page 3

Illuminating the Mind
Page 3

The Importance of Metaphor
Page 4

Consensus Maps
Page 5

The Fragile Power Of Memory
Page 6

Stories
Pages 6, 7

Stories and Brands
Page 7

Memory, Story and the Self
Pages 7, 8

Understanding Your Own Thinking
Page 8

Essential Insights Into the Mind of the Market

HOW CUSTOMERS THINK

THE SUMMARY IN BRIEF

Every marketing manager wants to understand what consumers are thinking. But between the mind of the consumer and the predispositions and biases in the mind of the manager, advertising campaigns frequently don't achieve their intended goal. In this summary, Gerald Zaltman explains how the brains, minds and memories of consumers work, and how marketers can effectively leverage that information in their strategies. He discusses the conscious and unconscious mind and how they work together to develop the metaphors and stories that drive consumer behavior. Marketers believe that they control the image of their brand, but really, it is what is in the head of the consumer that controls the individual image of the brand. Learning how customers think will allow you to affect them with messages that are relevant to their experiences and context, not just assail consumers with your perceptions of what they think.

What You'll Learn In This Summary

✓ **You do not control your brand.** The brain and mind of the consumer are the key to effective marketing.

✓ **Common marketing misconceptions.** Incorrect assumptions about how consumers make purchasing decisions could be causing you to make serious strategy mistakes.

✓ **Discover the importance of metaphors and consensus maps.** They can determine what consumers really want and help you shape the stories consumers use to make decisions.

✓ **Memory is far more fragile than you think.** By understanding how memories are made and how they change, you can ensure consumers remember your products and services.

✓ **Think more creatively.** Once you understand the mind of the consumer, you must change your behavior to capitalize on that knowledge.

✓ **Ask better market research questions.** The questions you ask inform and predict the answers you hear, so consider carefully how you conduct and interpret market research.

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What Marketers Need to Know

Effective marketing is a function of the mind, and in a world where approximately 80 percent of new products and services fail within six months, most managers do not understand their consumers' minds, their own minds, or the relationship between the two. Technology will explode in the coming years, and to exploit new opportunities, successful marketers must expand the range of disciplines that contribute to formulating strategy. Anthropology, psychology and sociology are no longer enough. Neurology, musicology, philosophy and zoology are among the new disciplines that will provide expanded insight for marketing strategy.

Current Limiting Theories of Use

Many managers handicap themselves with limiting views, such as:

- **Consumers think in a well-reasoned or rational way.** Consumers rarely assess benefits, attribute by attribute, and consciously balance the pros and cons of buying. The selection process is largely affected by emotion, the unconscious, and social and physical context.
- **Consumers can readily explain thinking and behavior.** Ninety-five percent of thinking happens in the unconscious mind. Verbal explanations after-the-fact attempt to make sense of behavior, but rarely explain what controlled it.
- **Consumers' minds, brains, bodies and surrounding culture can be studied independently of one another.** The mind, brain, body and external world all shape each other in dynamic ways, and the best information only comes from studying their interactions.
- **Consumers' memories accurately represent their experiences.** Memories are not always accurate representations of what happened, and they change over time.
- **Customers think in words.** The words expressed in surveys and focus groups only come after a person consciously chooses to represent unconscious thoughts out loud.
- **Consumers can be injected with company messages and interpret them as marketers intend.** Because consumers do not think in words, finding a clever way to express your company's message in words does not guarantee that consumers passively absorb it.

Falling prey to these misconceptions causes marketers to make predictable errors. They mistake descriptive information for insight by making assumptions about what consumers say. For example, a customer may say she prefers round containers to square ones. But unless you know why, you may not realize that round containers are still not optimal, and she would prefer something else entirely. Managers also confuse customer data with understanding by collecting huge quantities of easily accessible data, particularly demographic data. They focus on the wrong elements of the consumer experience by spending 90 percent of market research on surface-level attributes and functional features and their immediate psychological benefits. You must learn to understand the full consumer experience and the deeper emotional benefits.

Customer-Centricity

The key to understanding the full customer experience is customer-centricity, the **degree to which marketers focus on latent and obvious needs of current and potential customers.** It involves:

- The customer hearing and understanding that a product merits a purchase.
- The firm hearing and understanding what current and potential customers are saying about their deep thoughts and feelings.

Customer-centric firms understand that customers must be skillfully heard, not aggressively sold to. They know that people interpret the same data differently, so products appeal equally to people with different points of view. ■

The author: Gerald Zaltman is a professor of marketing at Harvard Business School and a fellow at Harvard University's interdisciplinary Mind, Brain Behavior Initiative. He is also cofounder of the research and consulting firm Olson Zaltman Associates.

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The Brain

Marketing is in the mind, which is in the brain. The cerebral cortex, the outer covering of the human brain, is where cognition occurs. It is made up of 30 billion neurons that form a vast network of possible connections and thoughts. The brain interacts with the mind, body and society to create the new paradigm for marketing. No part works without the others. This mutual influence structure shapes the thinking and behavior of each marketer and consumer, and that is further complicated by interactions between the conscious and unconscious processes. The unconscious level is where dynamics are most active, and marketers consistently fail to tap into it.

Marketers who ignore the importance of the unconscious level doom themselves to the old mistakes. In the new paradigm:

- **Thought is based on images, not words.** Neural images based on words or visual images make up thought, not discrete words.
- **Most communication is nonverbal.** As much as 80 percent of human communication involves gestures, body posture, eye contact and paralanguage — tone and manner of speech. Paralanguage can affect telemarketing, selling and voice-over advertising.
- **Metaphors are central to thought.** Metaphors are so prevalent that we are often unaware of them. They stimulate the mind, help us perceive the world around us, and allow us to surface unconscious feelings.
- **Emotion partners with reason.** Most marketers have a reason-centered bias in their research, but emotion should not be separated out.
- **Most thought, emotion and learning occur without awareness**. Often people do not know that they have knowledge until they synthesize it with other data to come up with information.
- **Socially shared mental models are important.** Mental models help to filter information so that it is manageable. When groups of people share important features of mental models, they are called consensus maps and they are possibly the single most important set of insights a manager can have about consumers.
- **Memory is fragile.** Memory is actually a creative product of our encounters, beliefs and plans that is developed on a subconscious level. ■

Illuminating the Mind

Ninety-five percent of the human mind is part of the cognitive unconscious, while only five percent is higher-order conscious thought. Even though most though processes, decisions and opinions happen in the unconscious, the self-awareness and self-reflection of the unconscious by the conscious mind is what makes us human. It helps us make considered choices in our complex social world.

We take in so much information; it is consciousness that allows us to filter all of that data to plan and organize choices. Managers and researchers focus on consumers' conscious thinking and apply their own conscious interpretations because it is easy. But they ignore that the *unconscious mind drives most consumer behavior*.

Many conscious actions are the result of earlier choices. Unconscious judgments happen before and guide conscious judgments.

For instance, in a study of patients who received a placebo painkiller during a typically painful dental procedure, patients only experienced a lack of pain if the dentist also believed the treatment was an authentic painkiller. Dentists who knew the placebo was fake, but consciously acted like it was a painkiller, still unconsciously communicated to patients. Tapping into the unconscious can improve a marketer's ability to mine for consumer preferences. ■

The Unconscious Mind

The following mechanisms support the work of the unconscious mind:

Priming. The mind can be prepared for information that it wouldn't normally recognize. If you converse with someone who mentions the word "doctor" several times, and then look at a nonsensical sequence of letters containing the letters "n," "u," "r," "s" and "e," you are more likely to pick out the word nurse.

Adding Information. The mind can add information to a situation to create a context it understands better. Consumers add experiences and qualities that they expect to be present, such as experiencing smooth taste and a relaxing feeling from their favorite beverage when these qualities do not exist in a blind taste test.

Subtracting Information. The mind subtracts information it does not expect or is not focused on. When asked to watch a video of a small group of people passing a basketball and count the number of passes, viewers do not recall seeing a gorilla walk past the group. When people watch the video without instruction, they see the gorilla.

For Additional Information about the unconscious mind in action, go to: http://my.summary.com

The Importance of Metaphor

Once you understand how important the mind is, you will need to elicit information from it. Marketers have several research methods at their disposal, and they should always use more than one to ensure the information they receive converges on the same insight. Traditional methods, such as surveys and quantitative analysis of scanner data, work on tactical decisions, such as packaging and attribute bundles. But to get to larger strategic issues, marketers must access information in the cognitive unconscious that consumers might not be able to articulate.

Defining Metaphor

Penetrating the mind through metaphor is an effective method of targeting the cognitive unconscious. **Metaphors — defined broadly as similes, analogies, allegories and proverbs — reveal cognitive processes and information beyond what literal language may misrepresent or miss completely.** They have a neurological basis and are a fundamental aspect of how the mind works. By using them, you can answer questions you never knew to ask. Firms such as Bank of America, Samsung Electronics, and P&G have used consumer metaphors to generate new product and service ideas. The challenge is how to make explicit the implicit thinking about the metaphors in every consumer's mind.

Humans tend to use embodied cognition — metaphors referring to physical motion, bodily sensation, or sensory experience — because metaphor is primarily a way for people to learn about and navigate through the world around them: "Those rules stink," "She's a pain," "He's falling behind." Because embodied cognition is so basic and universal, it is often overlooked as metaphor, but if recognized, it can provide keen insight into the mind.

Metaphors do not exist as words in the subject's mind but as part of *consensus maps*, or networks of abstract understandings. For instance, the consensus map below shows consumers' understanding of Chevrolet trucks in response to "Like a rock." The tagline inspires four basic associations in a consumer's mind: "Rock" is associated with "Take Abuse;" "Chevy Truck" with "Reliable, Rugged;" "Chevy Truck" with "Rock;" and "Take Abuse" with "Reliable, Rugged."

Metaphor Structure for Chevy Trucks



Using Metaphor

Metaphors are the primary means of communication between companies and consumers. Consumers' needs are metaphors that represent potential product ideas and the company's offerings are metaphors of potential solutions to problems. Effective metaphors in advertising can strongly influence customers, by allowing them to "see" information that is not actually in the text or graphics. For instance, people believe a beverage ad depicting a koala bear indicates the drink should be consumed warm. With a polar bear, the drink should be consumed cold. Each bear represents a shared metaphor for temperature. An ad with a koala bear and a cold beverage produced confusion in consumers.

It is difficult to elicit useful core metaphors, instead of cursory surface-level information, especially when the consumer may not even be aware of his or her needs or desires. Core metaphors generate positioning ideas, guide development of image and advertising strategy, represent profound needs, and signal new product opportunities. Metaphor elicitation involves one-on-one discussions about broad topics that are not necessarily related to the project at hand. For example, GM developed design ideas for cars by asking consumers to bring pictures of watches they found to be friendly and those they found to be fun. The subtle variations in design features on the watches showed them how small design differences for a car could make different statements.

> ***Penetrating the mind through metaphor is an effective method of targeting the cognitive unconscious.***

These metaphor-eliciting questions should be probing, not prompting. Probing questions allow the participants to respond in multiple, unexpected ways, while prompting or leading questions affirm the expected answer in the manager's mind.

There are other methods of discovering what lies in the unconscious mind. Response latency techniques measure how long it takes respondents to answer questions, indicating implicit hesitancy about explicit answers they give. Priming and neurological scans of the brain also work. Focus groups, however, are not useful. With six to eight people talking over an hour or two, there is not enough deep conversation to elicit any core implicit, explicit or behavioral information. ■

For Additional Information on how to probe for metaphors, go to: http://my.summary.com

Consensus Maps

Marketers know that consumers' thoughts shape their preferences and choices about products and companies. The problem is that many thoughts remain in the subconscious — influencing consumer behavior without the knowledge of that consumer.

Eliciting metaphors is one way to "access" those subconscious thoughts driving consumer behaviors. Built from metaphors, consensus is another important tool for peering into consumers' unconscious minds.

From Thought to Construct

What are consumers thinking? For many marketers, the answer to this question lies in observation. Look at what consumers are saying or how consumers are behaving, and you can deduce the thinking behind that behavior.

For example, consumers might say, "I would never switch brands," or consumers might go out of their way to buy a familiar brand. Marketers capture the thoughts behind such statements and behaviors and give them a label: "brand loyalty."

These labels are called *constructs.*

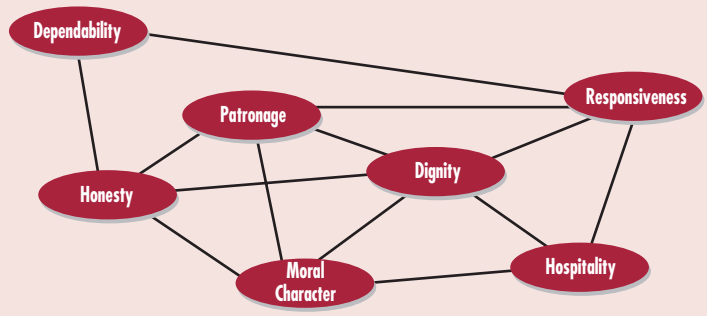
What's important to remember — and what some marketers forget — is that constructs, such as brand loyalty, are based on the marketers' *interpretation* of consumers' thoughts and behaviors; they are not the actual thoughts and behaviors. Constructs are valuable because they are means of summarizing thoughts and behaviors.

Association Between Constructs

In isolation, constructs have little meaning. The construct "escape" doesn't tell us much. The construct "escape" connected with the constructs "work" or "relief" conveys more meaning: We are talking about avoiding stress, not physical danger.

Constructs gain meaning and become more multifaceted the more they interact with other constructs. **It is the associations between constructs that drive consumer behavior.**

A Submap of Thoughts about a Company That Has Consumers' Best Interests at Heart



Source: Mind of the Market Laboratory/Harvard Business School

Using Consensus Maps

When working with consensus maps, ask these questions:

- Which constructs should we analyze further?
- What do we convey to consumers relative to each construct?
- Do we activate these constructs in negative ways?
- Do we plan the signals about each construct or leave them to chance?
- How do we score compared to competitors?
- How do we score on the quality and strength of associations between constructs?
- Who within the company is responsible for each construct and association?
- Are we doing anything with one construct that adversely affects another?

For instance, a customer entering a car showroom may activate his or her vulnerability and (lack of) expertise constructs. Primed by a friend's tale of a bad car dealership experience, the customer will seek confirming evidence, such as an aggressive salesperson, trophies in a cubicle, and a Styrofoam coffee cup with images of predator and prey. These may prime the fight-or-flight response and the potential customer spends less time in the showroom, and doesn't buy a car.

Consensus maps allow you to understand the associations between constructs. They show the thoughts and feelings a group of consumers shares about a topic that are connected in similar ways.

The figure below is a simple consensus map showing the relationship of constructs about a company that consumers believe has their best interests at heart.

Twelve to fifteen two-hour interviews using metaphor-elicitation techniques with representative consumers can yield a consensus map that represents the majority in that market segment. These consensus maps help you identify commonalities and understand how they interact. Once you understand the maps, it is possible to change them for new marketing plans or over time as strategies change. They become road maps identifying opportunities for and obstacles to a successful marketing effort.

Also note that different consensus maps can share constructs. When a button is pressed in one map, it may affect another map. Because they reflect the shared frame of reference in the target market, consensus maps also change as the consumer changes, even as consumer changes are affected by your own marketing efforts. ■

The Fragile Power of Memory

Another important part of the consumer mind is memory. Despite their importance, memories are malleable, and can fade and change every time they are tapped. Though they are often distorted, they still affect behavior. In order to influence *what* consumers remember about your product, you must understand *how* they remember.

As the brain absorbs information, electromagnetic etchings called engrams appear on the brain. They can become short-term memory and be quickly forgotten or they may become long-term memories. These engrams are activated by cues or stimuli, and **it is your job as a marketing manager to use cues to incite the memories that will cause the customer to buy your product.** The memories that become long-term are affected by the goals and purposes of the person.

The three kinds of memory are:

- **Semantic** — Memory that recalls words and symbols, such as the Nike swoosh.
- **Episodic** — Memory that involves time, space and situational aspects of events, such as a trip to Disney World.
- **Procedural** — Memory that involves learned skills, such as riding a bicycle.

Memory can be explicit and voluntarily called to mind or it can be implicit and unconscious. The most powerful memories are usually those locked in the unconscious. You must prod them out through priming and cues. For instance, a picture of someone being helped at a service counter in a setting with a wall clock is more than twice as likely to evoke the idea of speedy service as the same image without a clock.

The Importance of Forgetting

Memory works closely with forgetting. If you did not forget some things, you would be distracted and unproductive. But, in order to retrieve forgotten memories, the stimuli must be deeply encoded. *Associative retrieval* occurs when a stimulus involuntarily triggers a related memory, for example, seeing an image of a pie and remembering your aunt who baked pies on Sundays. *Strategic retrieval* is voluntary, when you are looking for a specific memory.

Context is important for both types of retrieval. The mood and situation that existed when the engram was encoded determine the likelihood of an enduring memory, and can help determine which clues will prompt the memory. The pages surrounding an ad or the environment in a store can affect mood, and thus the memory of your product. Unfortunately, the time when the engram transitions from short-term memory to more enduring long-term memory is often when it is most susceptible to distortion. The length of the transition and susceptibility to distortion is based on the complexity of the information.

Every time we remember an experience, we are responding to different cues. Negative or positive prompting cues, including mood or environment, can change memory during retrieval without us even knowing. Marketers use backward framing to refer to a previous experience. They can change the perception of what a customer recalls of a prior product or shopping experience by referring to it in positive ways. Forward framing allows marketers to influence consumers' expectations about future experience, which will affect their future experience and future memories. You should strive to design memory-shaping environments that alter how consumers recall your company's brand. ■

For Additional Information on the Encoding of Memory, go to: http://my.summary.com

Stories

While metaphors explain one thing in terms of another and memory is a window to a past experience, stories narrate a past, present or future event. All three contain truths, fiction, thoughts and emotions. By fusing them together, the consumer can find personal relevance in your company or brand.

Humans tell stories all the time. It is how they remember. Specifically, they tell stories about themselves to define their self-identity, and marketing managers provide the props. Stories draw on personal memories, which are ultimately social, because they are developed and defined by society. The stories we hear as children become important frames of reference, because they include cultural artifacts, events and rituals powered by products and brands that are part of our memories. Social memories produce personal memories using the following:

- **Norms** — Guidelines that govern aspirations or behaviors.
- **Senses** — Guides to help us understand our external world and represent it internally as memories.
- **Rituals and Rites** — National and religious holidays and personal events.
- **Icons** — Brand names, packages, logos or other symbols.

A story is a combination of episodic and semantic memory. They can become metaphors when we compare them to experiences we already understand. Marketers help consumers create stories about brands through the information and experience they provide prior to, during and after the shopping experience. Stories ultimately are based on the consumer's version

(continued on page 7)

Stories

(continued from page 6)

of the truth, not necessarily the facts. Successful brands help consumers create stories full of promise about who they are and what they believe they can become. For example, the Corvette brand/story makes drivers feel cool and sexy.

Consumers use both their unconscious and conscious minds to make decisions based on stories that incorporate their beliefs about themselves and their knowledge, even if they are not the same thing. They make decisions based on functional benefits and emotional benefits at the same time, so marketers should present drivers of each as closely together as possible. Carefully select and design cues so that consumers can construct favorable stories. What people know and remember constitutes the ingredients for storytelling, the representation of beliefs, which then become metaphors. ■

Stories and Brands

Brands are simply a form of storytelling that are co-created by managers and consumers. They are subconscious stories for a loyal buyer and conscious stories for new customers. Consensus maps are the filters that consumers use to assess marketing stimuli; stories embellish these maps. Though brands and stories cannot be the same in two different minds, they are made up of archetypes or images of essential, universal commonalities across a variety of experiences. All societies share archetypes, such as the hero or villain, and they help us make sense of life's challenges, behave properly, and understand who we are.

Since advertisers cannot be in every mind, they must use archetypes to influence stories and build them around a universal theme or core metaphor. Be careful not to use stereotypes, which are based on settings and surface ideas. For instance, a homemaker's pleasure at using a certain household product is stereotypical. A homemaker's major error and subsequent redemption by selection of your brand has a deep resonance with the archetype of the hero's journey.

Overlapping a deep metaphor from the consumer's unconscious mind and an archetype is a great way to affect the brand, since archetypes contain important cultural information that people retrieve from cultural stories already in their memories. Consumers often describe their shopping experience as an archetypal hero's journey with digressions, temptation, danger, challenge and the return of the conquering hero. ■

For Additional Information about archetypes, go to: http://my.summary.com

Memory, Story and the Self

Everyone has different selves to help them remember different things in different ways for different reasons. These selves provide opportunity for helping consumers create relevant stories:

Ecological self — The self that exists in a particular setting.

Interpersonal self — The self that interacts with others.

Extended self — The self that experiences events in the present by remembering the past and anticipating the future.

Private self — The self that responds to events in uniquely personal ways.

Conceptual self — The self that is aware of other selves.

Consumers are most likely to accept offerings consonant with their conceptual selves. This is also the self that wants other people to resemble it, so it teaches and gives advice. Together all the selves provide a container for memory. By understanding which self is likely to be involved in memories for your products and services, you can engage that self in your marketing strategy.

When the physical brain constructs stories, it interprets thought and emotions through a consensus map. As new thoughts occur, they prime additional thoughts, and the brain creates an entire story. Marketers believe that they can inject a story of a brand into consumers, but actually **consumers create their own story in response to an ad**. You should not ask what consumers like or do not like about an ad, what they remember about an ad, or their attitudes toward the brand. You should focus on how memory, cues from nonmarketing sources, and marketing efforts are presented in the consensus map that creates their story. Consider asking the following questions about the effectiveness of an advertisement using the concepts of storytelling and metaphor:

- What meanings about the brand do consumers acquire and generate?
- What meanings do consumers form about the product category?
- How much meaning results from ad content and how much comes from the consumer's own frame of reference?
- Do consumers form the same meanings specified in the marketing strategy?
- Does the ad permit different stories with the same underlying metaphor?
- Are these multiple stories consistent with the intended message?
- How much effort does it take for the consumers to form meanings and stories?

(continued on page 8)

Memory, Story and the Self

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The meaning of a brand resides in the mind of consumers, and they ultimately create brand meaning. You can influence that meaning with critical raw materials such as icons, metaphors and phrases, but you cannot control how consumers create that meaning. And that meaning exists in several forms. There is the surface meaning, including physical attributes or functional consequences of using the product, and the deeper meaning, including psychological consequences of brand. ■

Understanding Your Own Thinking

Tapping into consumers' thinking is not all you need to do. You must also understand your own unconscious thoughts about consumers and marketing. To consider new ideas and shape your own thinking, you must face these four challenges:

- **Create or identify new ideas.**
- **Understand new ideas that you encounter.**
- **Critically examine those ideas.**
- **Leverage them imaginatively in your own work.**

Think out of the box, but be prepared for what that means. Creative thinking involves many of the same processes as all thought, such as imagery and metaphor. People with diverse experiences are best at it. Also, few companies genuinely welcome creativity. It is hard to change comfortable processes. Look for ideas outside of the marketing discipline, and blend knowledge from seemingly unrelated disciplines. Finally, realize that you will inevitably jump out of one box into another. People who are creative and successful in new boxes are able to take patterns and metaphors from one set of experiences and apply them to another. ■

Thinking Creatively

Based on the observations of some of the most imaginative executives, here are 10 "crowbars" that will pry managers loose from conventional thinking:

1. Favor restlessness over contentment. Look for innovation by reexamining patterns of thought, familiar meanings and underlying assumptions.

2. Wonder about the cow's crumpled horn. In the story "This is the House that Jack Built," an entire stream of events happens because of a cow with a crumpled horn. Irregular or aberrant data can generate valuable new ideas and strategies.

3. Play with accidental data. Creative thinking requires active play to decipher useful meaning where initially you see none.

4. View conclusions as beginnings. When you think you have solved a problem, ask more questions to reveal what is still concealed.

5. Get outdated. Make what you currently know look out of date as soon as possible to make progress instead of celebrating the status quo.

6. Stop squeezing the same baby chicken. Becoming overly attached to a new idea and holding it very tightly, like children do to baby chickens, is not healthy.

7. Nurture cool passion. Passion fuels creative thinking while coolness harnesses its energy. Integrate the two without censuring the process of creative thinking.

8. Have the courage of your convictions, not someone else's. Do not be swayed by the people who say "Yeah, but …" when you have an idea. Do not let their lack of creativity prevent you from innovating.

9. Ask generic questions. What are the fundamental human or social processes you are seeking to examine when you conduct marketing research? How would other disciplines view the issues, and how can you apply knowledge from other disciplines?

10. Avoid premature dismissal. Do not dismiss ideas before asking what the consequences would be if they were true. ■

Quality Questions and Answers

The questions you ask while conducting market research shape the ultimate learning about consumers. Instead of focusing on answers and conclusions, pay equal attention to questions and beginnings, because the framing of your questions foreshadows your answers. Frame effective research questions by doing the following:

- **Determine the generic question you want to explore.**
- **Determine whether the basic question should be specific to brand, category or problem.**
- **Pose more general and specific versions of the first question that comes to mind.** Viewing this information framed at other levels may be more useful.
- **Determine whether you need to know direction, velocity or both.**
- **Allow for surprises.**
- **Convert assumptions into questions.**
- **Employ a clairvoyant.**
- **Employ a wizard.** Protect against potential knowledge deficiencies by asking what one thing would a wizard most likely fix.
- **Data are all stimuli that influence our thoughts, feelings and behavior, so you should collect multiple kinds.** ■

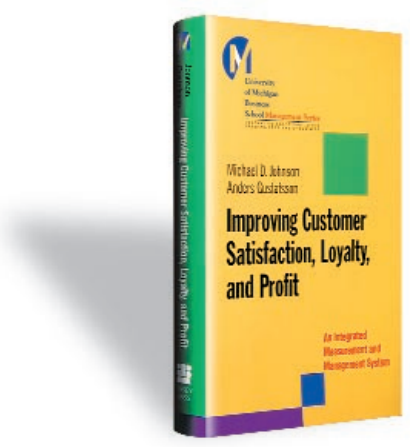
· Book 48 of 106 ·

Improving Customer Satisfaction, Loyalty, and Profit

Michael D. Johnson and Anders Gustafsson

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FILE: STRATEGIC MANAGEMENT



An Integrated Measurement and Management System

IMPROVING CUSTOMER SATISFACTION, LOYALTY, AND PROFIT

By Michael D. Johnson and Anders Gustafsson

CONTENTS

Creating a Customer Measurement and Management System
Pages 2, 3

Strategy and Planning
Pages 3, 4

Building the Lens of the Customer
Pages 4, 5

Building the Quality-Satisfaction-Loyalty Survey
Page 5

From Data to Information
Pages 6, 7, 8

From Information to Decisions
Page 8

THE SUMMARY IN BRIEF

Most companies understand that customer satisfaction and loyalty are essential to their success. But few companies know exactly how to link their customers' needs with the company's processes to create the best customer experience possible. In this summary you will learn how to create that link. You will learn how to find out exactly what your customers want and how to use that information to produce the kinds of products and services that will keep them coming back. The five-step process will let any company improve customer satisfaction, loyalty and profit.

Here is what you will learn as you develop an integrated customer measurement and management system that will help your company allocate resources and increase profits:

- **Stage 1:** You will identify your system's purpose and goals as you decide which customers to include and how to group them into natural segments.
- **Stage 2:** You will use qualitative research to build the "lens of the customer," a model of customer views of the products and services you provide, customer satisfaction, and loyalty and retention. You will no longer look at your products and services from your vantage point.
- **Stage 3:** Next, you will use the lens of the customer to build a customer survey to measure quality, satisfaction and loyalty. You will see why some survey formats work better than others and see which one is best suited for your company and your customers.
- **Stage 4:** Using advanced statistical methods, you will take the survey data and figure out what can be done to improve customer satisfaction and to assess the probable impact of each improvement on the bottom line.
- **Stage 5:** Finally, you will set priorities for quality improvement, based on the expected impact each improvement will have on the bottom line. The system you create will link quality, satisfaction, loyalty and profit. Once the system is developed, you will be able to return to it again and again as you continually assess and improve quality and enhance your bottom line.

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Creating a Customer Measurement and Management System

The key to success for your company lies in its ability to satisfy and retain customers. Providing high-quality products and services builds strong relationships with customers and ensures future revenue streams. You keep customers from straying to the competition by giving them every reason to stay and no reason to switch. This will happen if you can align your company's activities to satisfy and retain customers.

But for most companies, satisfying customer needs is easier said than done. That's because figuring out what those needs and desires **are** isn't easy. But it can be done. You must start by analyzing and understanding your company's entire system for generating profit. Using a systems approach, you must collect data and interpret it. Then you must allocate resources and change the ways things are done until customer needs and wants are satisfied.

Three Key Activities

To become customer oriented, you must continually pursue three key activities. These are:

- **Gathering customer information;**
- **Spreading that information throughout the company;**
- **Using the information gathered to maintain, improve and innovate in products and processes.**

By focusing on these three key activities, you will come to understand what your customers want and why they want it. Once you understand that, you will be able to do much more than satisfy current customer demands. You will be able to predict what your customers want next.

Lots of organizations think they already know what

(continued on page 3)

Moving From Data to Prioritized Decisions

Even the best measurement systems can't do more than provide information. What your company does with that information is up to the company. However, with the right information, people can make better decisions. If data suggests what the customer wants, it's up to you to make decisions based on that knowledge. The process of moving from information to decisions draws on **importance-performance analysis**. According to this analysis, the most cost-effective approach is to concentrate on the things that are important to customers **and** currently being performed poorly by the company.

How Sears Viewed Itself Through Its Customers' Lens

Sears has undergone a dramatic transformation in the last few years. Sears discovered that employee attitudes about their jobs and the company directly affected retention and employee behavior. Employee behavior, in turn, affected its customers' perception of the help they received at Sears as well as the value Sears merchandise represented. These customer perceptions, in turn, affect overall customer satisfaction, what customers told others about Sears, customer loyalty levels and profitability.

How did Sears get to understand the interconnection between employee attitude and its bottom line? Through the use of quantitative methods applied to data it had gathered and analyzed. For example, Sears was able to predict (correctly) that a five-point improvement in employee attitude on a scale of 1 to 100 drives a 1.3 percent improvement in customer satisfaction, which, in turn, drives a 0.5 percent improvement in revenue growth.

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Creating a Customer Measurement and Management System

(continued from page 2)

their customers want. The problem is that most of the time, they are viewing what their customers want through the lens of the organization. Their focus will be off. Instead, you must learn to see what the customer wants through the lens the customer uses. Take, for example, a chain of convenience stores. The chain manages its stores along typical business function lines that focus on providing customers with clerks to ring up sales, products like soft drinks and gasoline, and long store hours. Those are the things management thinks are important to its customers. But in reality, customers are looking for safety, convenience and cleanliness — benefits that cut across all business function lines.

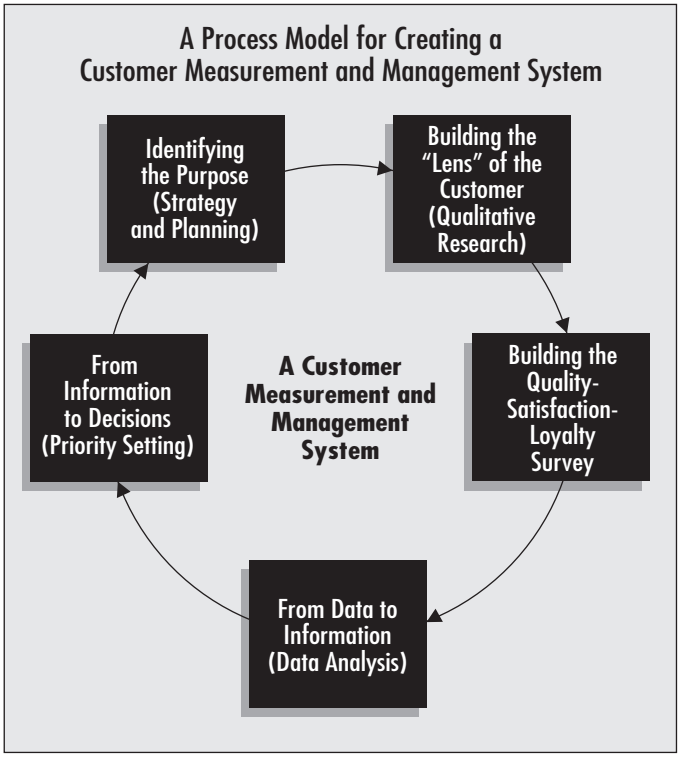
Linking Quality to Financial Performance

Companies need to understand the links from internal quality to financial performance. The framework will let companies create models that can predict customer satisfaction and loyalty. The framework includes four general areas. These are:

- **Internal quality**, including a company's production and maintenance processes. If the company is selling a service, it includes the service offer, the physical surroundings, employee satisfaction and the quality of the service provided by those employees. If the company is selling a physical product, it includes the manufacturing process and the physical characteristics and attributes of the product.
- **External quality and satisfaction** includes what customers see in the purchase, including the benefits and the cost, as well as the customer's conclusions about the company.
- **Customer loyalty and retention**, with loyalty defined as the customer's predisposition to buy, and retention defined as acting on that predisposition. A loyal customer is retained when he or she intends to come back to your restaurant and then does.
- **Financial performance** is the result of the interaction of the first three frameworks. For example, if a great product is sold by satisfied employees to customers who see the product's value, and they in turn become loyal customers who don't need special incentives to buy again, the company's financial performance will be enhanced.

A Plan for Creating a Customer Measurement and Management System

If you want to create an effective customer measurement and management system, you need a process model. In the rest of this summary, we will focus on that model. The model is really a continuous circle of planning, research, analysis, decision-making, implementation and learning. Graphically represented, it looks like the chart below, left. ■



Strategy and Planning

In the model for creating customer satisfaction, internal quality is the first in the chain of events that drives financial performance. The belief that quality is important should underlie all of your company's activities.

(continued on page 4)

Cellular Phone Battle for Customers Illustrates the Need for Customer Surveys

Ericsson was the early leader in the cellular phone market, largely because it produced a reliable phone favored by the earliest adopters of cellular phones, businesspeople. But Ericsson did not keep up with the evolution of customer needs in the market. Soon Nokia, which continued to provide more features and design improvements, took the lead. The reason was that as more people adopted cell phones, the customer changed. Today's consumers want more than a reliable cellular phone, and they overwhelmingly choose Nokia over Ericsson. Always keep tabs on who is your customer.

Strategy and Planning

(continued from page 3)

There are three basic strategies for successful quality management; using reference models or benchmarks, setting priorities for quality improvement, and focusing your resources to achieve that improvement.

One way to convert a strategy of quality management and improvement into action is "policy deployment," also known as "*hoshin* planning." As shown in the box below, Volvo is one company that uses policy deployment to focus the entire company on quality.

Early Decisions

When building a customer measurement and management system, you need to make decisions on which customers to include in the process and the level of detail of the information you want. Later in this summary, we will explain how to develop detailed measurement systems for the purpose of measuring and managing customer data for a particular product or service.

When figuring out which customers to include in the model you will construct, be sure to include customers who drive business performance. Generally, these are the customers who are both a source of future income and who could, if they chose, take their business elsewhere. These are the customers you have to satisfy and retain as you produce the high-quality products and services they want.

Not all customers are created alike. Beware the "average customer" because he or she usually doesn't exist. Instead, segment your customers into groups with specific wants and needs.

And because customer needs and wants change, whatever evaluation system you create must be updated often. For example, early on in a product's life cycle, when the market is evolving and changes to the product or service can have a great impact on a company's success, you need frequent contact with customers. Later in the cycle, when customers are harder to attract and more valuable to keep, contact is also crucial. Therefore, customer satisfaction surveys should be done at least yearly. ■

Customer Policy Deployment at Volvo

Customer policy deployment pushes the entire organization to focus more on customers, thus increasing their satisfaction and loyalty. Volvo is one company that has applied a customer policy deployment process.

Policy deployment includes four major steps. Here are the steps and Volvo's corresponding actions:

Mission and Vision: You must clearly state the company's philosophy, mission and vision. Volvo committed "to be the world's most desired and successful premium car brand."

Goals: You must understand exactly where the organization is today and where it wants to go in the short, medium and long term. Volvo's goals were to be No. 5 in customer satisfaction in 1995 and No. 3 in 1997.

Communication Strategy: You must communicate the mission, vision and goals throughout the company. Volvo gave all employees access to information about customer complaints and praise throughout the customer's relationship with Volvo.

Priority Setting and Implementation: You must set priorities, align incentives and implement quality improvement projects. Volvo used quality teams to focus on the 200 highest priority areas (out of 2000) and rewarded team members based on company and team performance.

Building the Lens of the Customer

To link internal quality to profitability, you must find out how customers see the products and services they buy and consume. Your first step will be to develop a model of how customers view your firm's products, services and activities, which will be "the lens of the customer" that will guide the rest of your efforts.

When you begin to survey customers, forget about your own perspective and how you think customers view your products and services. Instead, you need in-depth, qualitative research that shows you the issues from the customer's perspective. The goal is to generate a comprehensive list of issues that potentially drive satisfaction, loyalty and profitability. At this stage of the game the research should represent a good cross-section of customers and potential customers. The information will serve as the foundation for more systematic survey research later.

Critical Incident Technique

Critical Incident Technique, or CIT, can be used to identify what drives satisfaction for customers. The process calls for customers to list things they like and dislike about your company's products and services. A trained interviewer then asks those customers questions designed to determine what the consequences of each like or dislike has for the company. For example, a convenience store customer who identifies good coffee as a "like" might be asked whether the availability of good coffee is important when he or she makes a con-

(continued on page 5)

Building the Lens of the Customer

(continued from page 4)

venience store stop.

The lists of likes and dislikes generated by customers are much more likely to give you an idea of what the customer really wants than a guess list generated by company insiders. If you design customer surveys based on the lists generated using CIT, you will be seeing the company and its products through the customer's lens rather than your own. If you don't create surveys based on the customer's view, you are likely to fall into the "garbage in, garbage out" trap. ■

Building the Quality-Satisfaction-Loyalty Survey

You'll usually need several sources of data to establish all the links from quality to profits. In this section, we focus on ways to administer a survey to measure customer perceptions of quality, satisfaction and loyalty. The lens of the customer that was built from the CIT research will be the blueprint for your survey, identifying the attributes to include and the order they should appear.

The Preliminaries

Before you develop the survey, you need to figure out what information you need, what you plan to do with it, how to segment your customer base, what survey method to use and how to sample the population.

Start by stating in simple terms what you want the survey to tell you. For example, use the lists you identified as likes and dislikes earlier to identify attributes and benefits that seem to have the potential to drive satisfaction and loyalty. Make sure the issues you ask about are ones over which you have some control, though, or the results will be useless.

Then figure out which market segments to include in the survey. For example, if you are interested in convenience store customers, you may want to include your past, present and potential customers in the survey. If you only include current customers, you may miss out on information that would tell you why some aren't your customers anymore and what it would take to make others into customers.

To classify survey respondents into the market segments you chose, you can use an indirect or direct approach, or a combination of the two. The direct approach is to use characteristics you have previously identified as belonging to a market segment, and then ask participants to pick the category to which they belong. The indirect approach is to ask a broad range of questions, then look for patterns in the responses to develop market segment characteristics.

You now have to decide which survey method to use. Your choices include one-on-one interviews, telephone surveys, Web-based surveys and written surveys. There are advantages and disadvantages to all the methods. For example, one-on-one interviews are best if the number you need to survey is small, while the telephone survey is the best for yielding representative samples of the population when randomization techniques are used.

The next step is to sample the population — that is, to select which customers or respondents will be contacted. Alternatives include surveying every member of the segment you are studying, using your judgement to select a sample, or using statistical sampling methods.

When you are ready to design the actual questions, you will need to decide how to measure the responses. Since you will be measuring satisfaction levels, your best bet may be to provide a scale (such as a 1-10 scale) for each response.

Constructing the Survey

Your survey should start with a compelling opening statement designed to persuade your targeted respondents to take part in the survey. There are three main messages you want to convey: that the survey's topic is important, that the primary purpose of the research is to understand the topic of the survey better, and that the survey will be used to improve the product or service.

The next step is to explain the ratings scales. For example, tell participants that a "1" means poor and a "10" means excellent.

Questions on the survey will include the attribute questions based on the CIT survey, satisfaction questions, loyalty questions and descriptive questions.

Attribute questions should be clustered by *benefit*. For a convenience store, for example, one benefit might be "convenience." A CIT survey might show that the attributes related to convenience include "convenience of the location," "hours of operation," "speed and efficiency of employees" and "availability of parking." Survey your customers on these attributes.

Then follow up with general satisfaction questions (for example, "How would you evaluate the performance of the store vs. your expectations?") and loyalty questions ("Do you intend to buy another car from us in the future?") Descriptive questions such as the age and sex of the customer being surveyed can be added toward the end of the survey.

Before you conduct a large survey, test it on a small sample. This lets you refine it and fix any problems. Once you work out any problems, you are ready to conduct the survey. ■

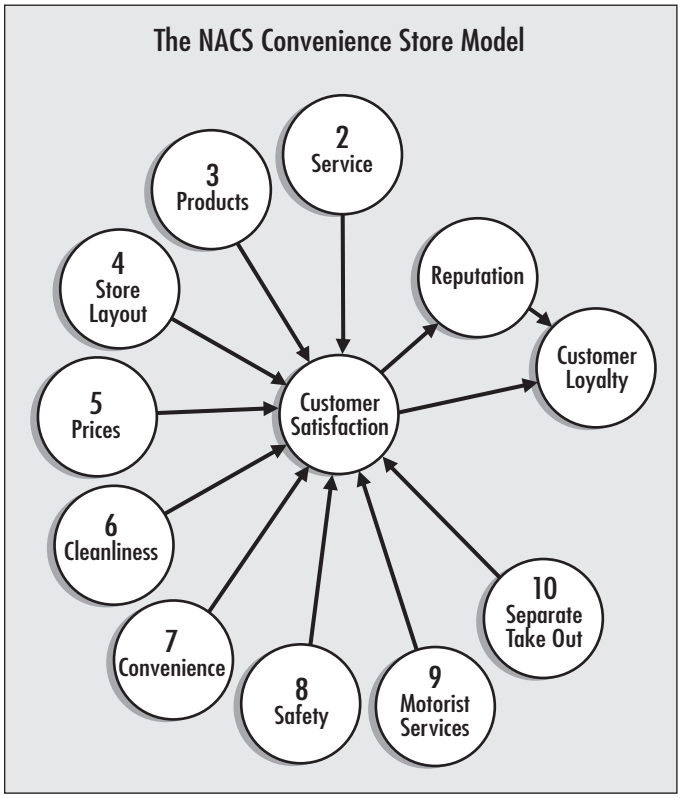
From Data to Information

Once you have completed your customer survey, it is time to put the data to use. There are many statistical methods you can use, but one of the best is the principal-components regression method (PCR) because it is relatively easy to use and provides the kind of detailed information you need to make quality improvement decisions. The technique allows you to see what any group of survey measures have in common, and how each impacts on satisfaction and loyalty. This data analysis answers two simple questions: where does your company need to improve quality to increase satisfaction and what are the financial payoffs of making those changes?

This article offers an overview of the step-by-step procedure involved in PCR analyses. While some of the terminology may be technical, it should give even those not responsible for statistical analysis an idea of how powerful, reliable and valuable the techniques are.

To help illustrate the process, we will use a customer satisfaction survey conducted by the National Association of Convenience Stores (NACS). The questions were based on the model below. (For example, attribute questions 2.1 to 2.4 in the survey were related to the benefit "service.")

Step 1. Code the Data. The first step to the analysis is to get the data into a computer data file, or "code" it. Coding means creating and consistently applying rules for transferring information from one format (the questionnaire) into another (an Excel worksheet or a file for a statistical software package like SPSS.) Numbers are assigned to each of the answers. Since you have used interval scales such as a 1 to 10 scale, this is easy.



Step 2. Calculate the Descriptive Statistics. Now that you have the data in an electronic medium, the real analysis begins. Get to know the data. Use simple tools like frequency tables, scatter plots, cross tabs, mean values and standard deviations. This will begin to give you a feel for the customers as you see where answers cluster and where they don't.

Step 3. Deal with Missing Values. Generally, statistical analyses such as multivariate regression ignore customers for whom data is missing on any one variable in the analysis. The result is that customer's survey is ignored. Therefore, you should fill in or provide estimates for the missing data before analyzing the entire data set. The easiest and most common approach is to substitute the mean value for the missing data from all valid responses. For example, if you are surveying convenience store customers, and a customer did not fill in a rating for "availability of parking," supply the answer by taking the mean of those customers who did respond.

Step 4. Creating Latent Variables such as Benefits, Satisfaction and Loyalty. The next step is to create ways to measure the latent variables. A latent or abstract variable is a variable that cannot be measured or observed with a single survey item or scale. "Convenience" or "service quality" are latent variables. To measure convenience or service quality, you need a number of other survey measures (called proxies). A latent variable can be measured using a weighted average or index of these proxies.

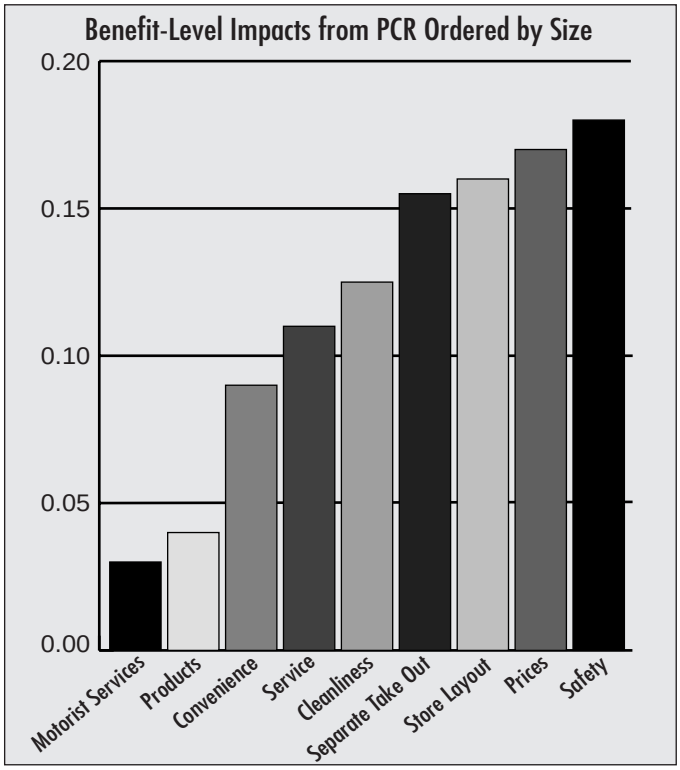
For example, the convenience index of a convenience store would be the weighted average of a customer's ratings of store location, hours of operation, speed and efficiency of employees and the availability of parking.

At this step in the process, what you produce are standardized indices for use in your regression models. To create the latent variables, run as many principal-components analyses as there are latent variables in your model. In general terms, a principal-components analysis identifies the measure that has the greatest impact on the ratings of that latent variable.

For example, a questionnaire might ask customers to rate the quality of convenience on a 1-10 scale for four measures (convenience of the location, hours of operation, speed and efficiency of employees and availability of parking). A principal-components analysis would reveal that one factor, such as location, will have been selected as close to the top of the 1-10 scale by many survey respondents.

Step 5. Run the Regression Models. You now have

(continued on page 7)



From Data to Information

(continued from page 6)

the necessary input to run a series of regression models and identify the critical links in your quality-satisfaction-loyalty model. If you have access to a statistical software package, running PCR is relatively straightforward. Use the individual measures as *independent* variables and the characteristic "satisfaction" as the *dependent* variable. This will tell you which independent variable had the highest impact on satisfaction. The result can be charted as shown above.

For a more complete picture of the link between customer satisfaction and customer loyalty, do a series of regression models. For the NACS survey, for example, three regression models are recommended. The first is the one described in the previous paragraph. In the second, satisfaction is the independent variable and reputation is the dependent variable, Finally, in a third model, satisfaction and reputation are the independent variables and loyalty is the dependent variable. This series of regression models shows how each part of the model influences customer loyalty.

Step 6. Determine Attribute-Level Impact. The PCR models helped you measure the impact of benefits (such as safety) on customer satisfaction. The next step is to dig down to the level of attributes (for safety, these might be the lighting of the premises or the ability to see inside the store).

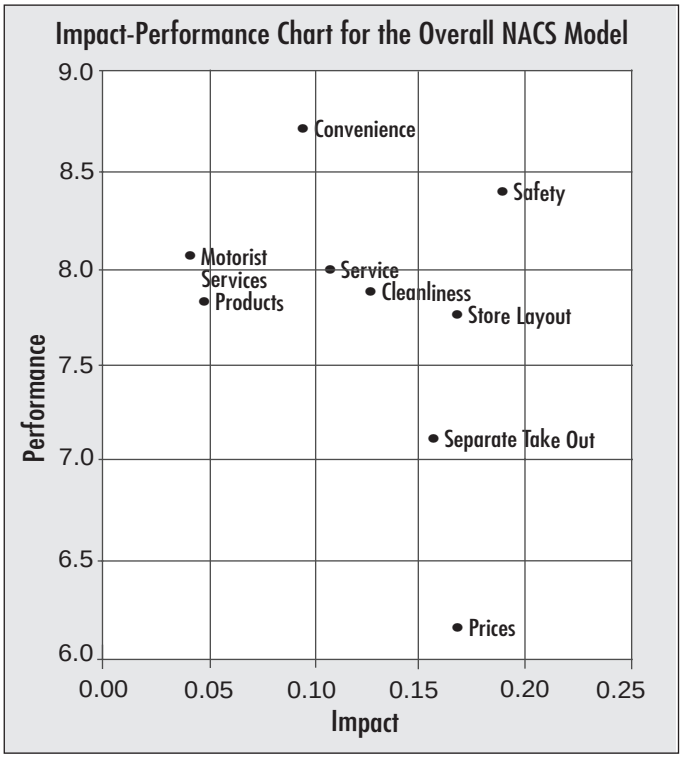
The attribute-level impact is calculated by taking the attribute-level weights generated by the principal component analysis and dividing them by the standard deviation. The reason you can't use the attribute-level weights is that they were standardized (mean = 0, standard deviation = 1). Dividing by the standard deviation allows you to "undo" the standardization and give you a measure that more accurately reflects the actual impact of the question on the factor you are looking at.

Step 7. Establish Values for the Benefit, Satisfaction and Loyalty Indices. To establish benchmark values for the benefit, satisfaction and loyalty indices, you will need the attribute-level impacts calculated in step 6 and the attribute means. The idea is to have the attributes that contribute most to the principal component have more weight when establishing the performance levels. Each performance value is multiplied by its impact; the products summed; and the sum of the products is divided by the sum of the impacts. This last step transforms the weighted averages back to the original scale values (i.e., 1-10).

Step 8. Create the Impact-Performance Charts. You now need a convenient way to show the results. Plot on a chart the impact of each benefit against its performance (see example below). This will graphically show you what factors have the greatest impact as well as which factors would have an impact if your company's performance on those areas were improved.

For example, using the convenience store survey chart as an example, it is easy to see that safety is an important factor where convenience stores are performing

(continued on page 8)



From Data to Information

(continued from page 7)

well. On the other hand, having a separate food take out section is an area identified as important by customers, and an area where improvement would likely yield increased satisfaction. It scored high on the impact scale but low on the performance scale.

Steps to Financial Performance

The next step is to link the responses on the questionnaire to some desired outcome, such as financial returns. This requires data beyond the questionnaire, ideally specific to each customers behavior and profitability. You need to link the responses on the questionnaire to some level of desired outcome, such as actual customer behavior or financial returns. This requires additional data, such as individual customer repurchase data.

The statistical tools available to estimate links between improved quality and financial performance include PCR, described earlier, and PLS, or partial least squares. For example, assume that your projection says that a 1-unit change in an attribute improves performance of that attribute from an 8 to a 9 on a 10-point scale. You can then calculate what the impact would be on increased profitability. ■

From Information to Decisions

The next phase in the process is to use the information you have gleaned from customer surveys and set priorities for improving quality. Get top management involved. The managers in charge of implementing company strategy now need to act on the information.

First, managers need to set priorities by categorizing, based on the results of your survey analysis, the various benefit and attribute drivers of satisfaction into one of four cells of a strategic satisfaction matrix (shown at right). Using the results shown in the chart on the previous page, for example, one sees that "safety" would be categorized as high impact/strong performance, while "motorist services" would be categorized as high impact/weak performance.

The measures that indicated a high impact, but on which the company is reported as performing weakly, should be the focus of improvement. This is where the company is most vulnerable to competition and where the greatest benefits from improvement will come. Don't waste resources on measures deemed of low importance, or invest much in the areas where impact is low but performance is high. In the upper right hand quadrant, which represents high impact and high performance, maintain or improve your performance. This is the area where you are at a competitive advantage.

Financial Links for Volvo

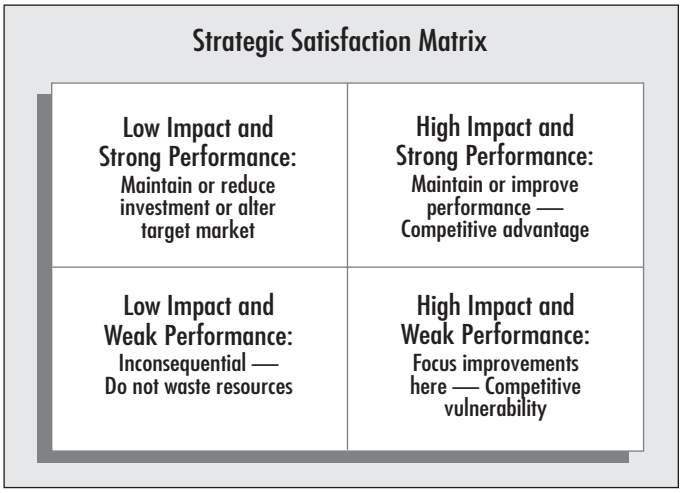
After years of creating and sustaining a commitment to increasing quality and satisfaction, Volvo executives began to look for proof their efforts had a bottom-line impact. They wanted to see exactly how much money they were making by improving their quality.

Volvo uses three different satisfaction studies for Swedish customers. These measure customer satisfaction with the dealer, the vehicle after two months of ownership and the repair and maintenance shop. The database includes information on 25,000 customers who bought a Volvo in 1994 and again in 1997.

Using the information, Volvo looked at a sample of those who bought another Volvo and for whom profit data was available. When their satisfaction index was calculated, it was higher than that of the total population of original Volvo buyers in the database (8.73 on 10-point scale vs. 8.56). Analysis showed that vehicle performance measured shortly after purchase had the highest impact on performance, followed by how well Volvo employees performed their jobs and how the vehicle was delivered. Clearly, customer experience early after the first purchase had an influence on later repurchase.

Next, Volvo connected improvements in the quality of the products and services that predicted greater likelihood of a future purchase. The question asked was, "What happens if the customer's perception of the sales process improves by one point?" The answer was that a one-point improvement in the quality of the sales process would yield a 4 percent increase in profit on the next purchase.

Of course, you should not stop here. Assessing and responding to customers needs and wants is a continuous process. Keep at it. ■



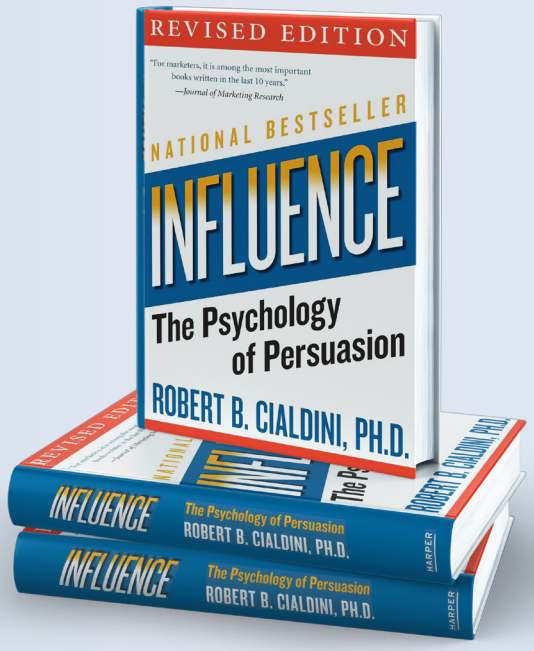
· Book 49 of 106 ·

Influence

Robert B. Cialdini

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Influence

By Robert B. Cialdini

Dr. Robert Cialdini has spent his entire career researching the science of influence earning him an international reputation as an expert in the fields of persuasion, compliance, and negotiation. *Influence* has sold over 3 million copies in over 40 languages and is a New York Times Bestseller. Because of the world-wide recognition of Dr. Cialdini's cutting edge scientific research and his ethical business and policy applications, he is frequently regarded as the "Godfather of influence."

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The Psychology of Why People Say "Yes"

Robert Cialdini is a self-described "patsy" who has always been an "easy mark" for anyone selling anything. His entire life he has found himself as the not-so-proud owner of unwanted tickets, subscriptions, and more. As a regretful "sucker," he began to ponder what factors make one person say yes while another may say no under the same conditions. He wanted to uncover the techniques involved in bringing about compliance so that he could arm himself and others with techniques to avoid falling prey to persuasion.

He became an "experimental social psychologist" and started to research "the psychology of compliance" with students and university researchers. Over time, this work moved out of his academic environment and into a "broader scope of investigation." He looked to the group of people he calls "compliance professionals" whose very livelihood depends on their ability to get someone to agree with their mission. These "sales operators, fund-raisers, recruiters, and advertisers" offered a well spring of techniques and strategies that get results. It is this work that led to the first edition of ***Influence: The Psychology of Persuasion***. In it, he "explains the psychology of why people say yes and how to apply these insights ethically in business and everyday settings." In the wake of the book's success, Cialdini became recognized as "the seminal expert in the fields of influence and persuasion." Progress has been made in the field of persuasion and influence in the years that have passed since the original release of the book, which is reflected in this updated edition.

Weapons of Influence

People are vulnerable to what Cialdini calls "automatic behavior patterns." These are mechanisms by which we make decisions based on quick assumptions that tend to work in our favor. For example, if presented with a coupon, many buyers will purchase the apparently discounted product because they assume they are getting a good deal. They will make this decision without doing any research or due diligence. They will buy the product featured in the advertisement even when, in reality, the coupon does not actually offer a discounted price or a good deal based on market competitors. The forces of influence are strong and our desire to act without thinking is even stronger. The realities of modern life encourage our reliance on it.

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We are bombarded with a constant stream of information that is increasingly "intricate and variable." Our dependence on these automatic thinking shortcuts is growing in response. The problem is that most of us are not even aware that we are relying on these behavior patterns nor do we understand how they work. And that "makes us terribly vulnerable to anyone who does." They can use this knowledge against.

Cialdini writes, "There is a group of people who know very well where the weapons of automatic influence lie and who employ them regularly to get what they want." Understanding that these influential strategies exist is the first step. Cialdini continues the book by sharing specific principles of influence that allow people to wield weapons of automatic influence over us to get what they want along with corresponding techniques that help us overcome their power.

Reciprocation

"We should try to repay, in kind, what another person has provided us." When we receive a holiday card from someone, we feel the need to add them to our holiday card distribution list. When someone invites our child to their kid's birthday party, we make a note to invite their kid to our child's party in turn. Humans feel an absolute obligation "to the future repayment of favors, gifts, invitations, and the like." This rule of reciprocation is the first principle of persuasion. Reciprocation is so common that the terms "thank you" and "much obliged" are treated as synonyms even though one implies an "indebtedness." And the burden on indebtedness is great. We find it unbearably disagreeable and will do anything to find it removed.

The rule for reciprocation is pervasive across the human species, in all parts of the world and in all cultures. Sociologist Alvin Gouldner reported that "there is no human society that does not subscribe to the rule." It stems from the ancestral need to share resources including food and skills. This "adaptive mechanism" is unique to human beings and made our evolution into organized society possible.

People began specializing in particular types of work, goods started being exchanged, and we started depending on that diversity for the betterment of us all. We have benefited so greatly from this highly ingrained rule that we ensure it is passed on to all members of the society. Our competitive advantage relies on it's belief. Those who do not conform to the rule are held in the highest negative regard. We call them "moochers" or worse and most of us "will go to great lengths to avoid being considered one of their number."

So, how is this rule exploited by those who "recognize it as the source of influence that it is?" This rule has significant power and thus, we are powerless in avoiding it. If a person can make us feel like we owe them something in return, even by giving us the most simple or inexpensive gift, for example, we find it almost impossible to refuse when they ask us to comply. They simply have to do us the smallest favor before their request. When a nonprofit group sends you a sheet of personalized address labels along with a request for a donation, the rule of reciprocation is being wielded.

How can we resist falling prey to this tactic, which is significant in strength? Cialdini says we have to "defuse its energy" by determining if we are entering into a favorable situation or trickery where we will be asked to give back in greater proportion than the original favor would require. It comes down to motivation. We must recognize when someone is motivated to exploit our reciprocity.

Social Proof

"One means we use to determine what is correct is to find out what other people think is correct." When we make decisions, we often look to others to help us decide the best answer. We will throw out our own personal metrics of what is appropriate and what is not if we see social proof that a certain behavior is acceptable. Cialdini says that we have to look no further than a movie theater littered with empty popcorn boxes or a highway with all drivers exceeding the speed limit together to see evidence of this principle of persuasion.

This often works in our favor as a societal whole. Normally, people will behave in a way that is good and right and acceptable and those around them will follow suit. However, this "feature of the principle of social proof is simultaneously its major strength and its major weakness." Similar to other weapons of influence, social proof is essentially a behavioral shortcut adopted by the masses. It is the use of the shortcut so blindingly that makes us "vulnerable to attacks of profiteers" who understand the mechanism involved.

It is common practice for bartenders to start their shift by placing a few of their own dollar bills into the tip jar or for church ushers to do the same before passing the collection basket around the congregation. Doing so yields larger contributions. If other people are throwing money into the pot, it must be the right thing to do. Advertisers leverage the same thinking. Simply stating that something is "fastest-growing" or "best-selling" is enough to convince people to choose that product over another one.

The autoresponse of social proof is activated even more strongly when we find ourselves in a state of uncertainty. Cialdini writes, "In general, when we are unsure of ourselves, when the situation is unclear or ambiguous, when uncertainty reigns we are most likely to look and accept the actions of others as correct." There's an inherent problem to that decision-making solution. It is quite likely that others in the social group are also looking for direction on how to behave. This can lead to a "fascinating phenomenon called pluralistic ignorance." This is most clearly illustrated in looking at the countless cases of bystanders who do nothing when they bear witness to a heinous crime being committed against someone.

When an emergency situation is happening in front of a group of people, individuals will look to others for confirmation that there is, in fact, an emergency occurring. If everyone else appears unruffled and unconcerned, other individuals are likely to come to the same conclusion. The end result is that everyone in the group carries on as if nothing bad is happening and help is

In order to face a scarcity tactic and not be persuaded, we have to get out of the 'cognitive processes' and get to the heart of the matter.

not given to the person in real need. These individuals are not unkind, they are unsure.

How does one protect themselves from falling victim to social proofing gone wrong? The challenge lies in the fact that social proof so often equips us to make decisions on autopilot "without personally having to investigate the detailed pros and cons" of each choice. The outcomes are by and large positive when we do this. However, that is not always the case and that is the dilemma that needs solving. "Our best defense against these disadvantages is to recognize when the data are in error." We need to become more "sensitive to situations where social proofing is working with inaccurate information" so that we can turn the autopilot off and make decisions intentionally and thoughtfully.

Scarcity

"Opportunities seem more valuable to us when their availability is limited." Humans are incentivized to act when they believe that not acting will result in a potential loss. This principle is applied liberally in the advertisement and promotion of products. The more rare an item, the higher value it is assigned. The sooner the product will become unavailable, the faster a consumer will press the purchase button. We see this play out in the wild world of online beauty products that sell out within minutes of being released.

Another facet of scarcity is the fact that "people seem to be more motivated by the thought of losing something than by the thought of gaining something of equal value." Marketers who understand this principle use it to their advantage. Instead of telling homeowners how much money they could save on their energy costs by insulating their attic, for example, they focus on how much money homeowners will lose by not insulating their attic. It is a subtle, but important distinction.

Salespeople employ the principle of scarcity in an arguably unethical way. Cialdini shares an example from an appliance store as an illustration. A salesperson sees a couple lingering near a particular model of a discounted appliance. They are giving behavioral indications that they are interested and might be tipped into purchasing the appliance. The salesperson approaches them and tells them they seem interested in that model but the salesperson has to share the unfortunate news that the very last supply of that model was just sold a short time ago. Immediately, the buyers' interest in the appliance skyrockets. People want what they cannot have!

The salesperson promises to check if any additional supply can be located for the couple, assuming they would buy it if one could be found. The couple agrees emphatically and the salesperson disappears for a while only to have magically located another unit of the product. The couple buys it, of course, even if they start having second thoughts because they have already committed to doing so.

Knowing that scarcity tactics exist is not sufficient to defend oneself against them. In order to face a scarcity tactic and not be persuaded, we have to get out of the "cognitive processes" and get to the heart of the matter. We react emotionally to scarcity, which removes our ability to take a logical, cognitive approach to the decision. Cialdini says we must "use the arousal itself as our prime cue." We can take the strength of the strategy back into our own control and use it to our advantage. "By learning to flag the experience of heightening arousal" as a warning sign that we are being actively swept up in a scarcity tactic, we can exercise caution and make a more calculated decision.

Throughout Cialdini's book he continually circles back to a central theme. People have a tendency to make decisions based on a very limited snippet of all available data. Relying on "an isolated piece of information, even though it normally counsels us correctly, can lead us to clearly stupid mistakes–mistakes that, when exploited by clever others, leave us looking silly or worse." We are rendered even less resistant to these traps by the fast-paced nature of modern life. We are "rushed, stressed, uncertain, indifferent, distracted, or fatigued" on a regular basis and this inclines us to taking the easy way out, saying yes or no based on the prompts that so often steer us in the right direction.

Cialdini asserts that our ability to recognize a profiteer's motivation in exploiting these shortcuts is important, but it is not "the real treachery." The "thing we cannot tolerate" is such widespread abuse of the shortcuts. Society relies on these rules and must continue having access to them for the good they provide, particularly in light of the increasing demands of daily life. Readers would benefit from a more comprehensive update that includes examples from present day profit centers. Modern readers would find a more relatable and applicable example of the social proof rule in social media influencers rather than the currently referenced canned laughter in sitcoms, for example. Nonetheless, the main ideas presented in Influence certainly hold relevance, even after more than thirty five years since its original release.

· Book 50 of 106 ·

Irrational Loyalty

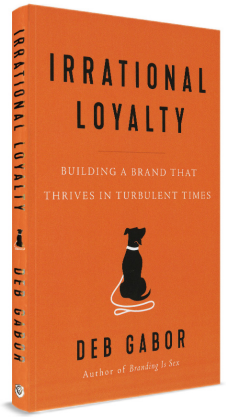
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Irrational Loyalty

Building a Brand That Thrives in Turbulent Times



by **Deb Gabor**

Contents

Brands Are Like People
Page 2

Three "Brand Questions"
Page 2

Brand-New World
Page 2

Crisis Of Leadership Or Culture
Page 3

Surviving Brand Disasters
Page 3

Build A Brand That Thrives
Page 4

THE SUMMARY IN BRIEF

In ***Irrational Loyalty: Building a Brand That Thrives in Turbulent Times***, author Deb Gabor shows CEOs, VPs, and marketing and branding professionals how to build a brand with customers that are so dedicated that their loyalty is irrational.

Irrational loyalty exists when customers are so dedicated to a certain brand that their lives would be diminished if that product disappeared. Customers with irrational loyalty wouldn't even consider using an alternative brand because they would feel like they were cheating. The way brands build irrational loyalty among their customers is by bonding emotionally. Brands thrive when they have committed relationships with their customers for the long term.

IN THIS SUMMARY, YOU WILL LEARN:

- Why brands are like people and need a solid emotional foundation with their customers.
- Three "brand questions" that must be asked and answered to create your brand promise.
- How today's world affects brand image and can lead to a branding crisis.
- What a crisis of leadership or a crisis of culture can do to a brand image.
- How to survive a branding disaster by making an artful apology.
- Why you should build a brand designed to be used, not sold.

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Brands Are Like People

The brand-customer relationship is analogous to a romantic relationship between two people. First, they meet; they become interested in one another and there is a courtship. Then they begin to date each other exclusively, and eventually, they fall into a well-worn routine of contentment and comfort being together. Slowly, the values and belief system of the other person comes into focus, and their actions and behaviors make sense. That is, until one of them cheats or screws up in some major way.

The relationship between brands and customers is very similar. The way people behave, what they say, what they do, how they act, how they engage with other people—in all of those things, you see evidence of values and beliefs. The same is true of a brand. The values and beliefs of a brand drive their actions. If your brand isn't living, breathing, and acting according to your values and beliefs, your brand is broken.

In any good relationship, you want to build equity in the emotional bank account. This happens when you clearly express your values and beliefs, and then consistently behave in a way that's aligned with those stated values and beliefs. You are confident that they have your back and that they won't let you down. As a result, they become an important, indispensable part of your life. Brands also build loyalty this way. They are clear about what they stand for. They are consistent in their actions. And eventually, they become meaningful and indispensable to their customers. Brands really are like people. Humans have compassion, feelings, values, and beliefs. So do great brands.

Three "Brand Questions"

There are three "brand questions" that must be asked and answered in order to build the foundation of a great brand. These questions are designed to get at the emotional core of your brand. Asking these three questions will help you identify the brand values and beliefs which will then guide all future actions. The clearer your get with your answers to the three questions, the stronger your brand promise will be.

1. **What does it say about a person that uses this brand?** The functional features and benefits of two similar products from different brands might be exactly the same. But the customer chooses one brand over another because it helps him communicate something not only to the rest of the world but also to himself about himself through its use.
2. **What is the singular thing customers get from this brand that they cannot get elsewhere?** Customers choose great brands because those brands are singular in delivering on a very specific promise for the customer. This question gets to the essence of your brand; it's the part of the brand that makes you, you.
3. **How does the brand make the customer the hero in their own story?** People choose products that help them tell the story of their own life. If you can make your customers feel like the hero in their own movie, you have a customer for life.

Brand-New World

A brand construct is made of two parts: brand identity and brand image. Brand identity is the part that you, the brand, owns. Brand image, on the other hand, is the part your customer owns. For the past twenty-five years, companies put way more emphasis on brand identity, which includes the brand strategy process, brand creation, and brand management. In recent years, the emphasis has shifted dramatically toward an equal focus on brand image, which includes what everybody else in the world thinks of your brand. Brand image is based on not just what people experience in using a brand but also the impact of what people see online, in the news, in reviews, on social media, in apps, and on video. Brand image can surge or plummet based on a single video clip, a tweet from a social media influencer, or any communication that drives public opinion. Brands have to worry about external drivers now more than ever before. This has completely changed the way brands operate.

With today's always-on social media channels and instantaneous news cycle, when something happens involving your brand, millions of people could be reading about your brand crisis before your CEO gets a morning coffee. Your strongest defense—your only defense—is to strengthen your brand so you can survive any disaster. A brand can proactively prevent a brand crisis from spiraling into a disaster by making sure every single person in your organization understands your values, beliefs, and promises to your customers and knows how they can deliver on that promise without hesitation. Inevitably, something bad will happen, so you'd better build a brand that has a strong enough foundation to endure, not just in good times but in bad times, too.

There are companies blending the lines between social media and consumerism, and there are new ways to market, shop, and purchase goods we haven't even seen yet.

> Everyone in the company needs to know what the brand promise is...and needs to behave in accordance with that promise.

This means that brands need to be vigilant about creating the emotional connections that transcend politics, social changes, and the addition and deletion of marketing and sales channels. Brands need to be thoughtful and deliberate about building brand relationships, which requires them to get to the gooey emotional core and focus on building a brand that can withstand all this tumult.

Crisis Of Leadership Or Culture

When a company has a bigger-than-life founder and CEO who behaves in a certain way, it doesn't matter what the brand promotes in its marketing materials or its advertising because the CEO is setting the tone and the direction of the organization. On the positive side, founder-led cultures can be very strong because they're driven by the passion and vision of the founder. But the downside is that a founder/CEO can lead a company into a toxic culture. That founder is often seen by the employees as the human embodiment of the company's brand in human form.

When brands put their corporate leaders on display as the face of their brand, they're at especially high risk for a branding disaster due to a crisis of leadership. When customers see that person behaving in a way that is inconsistent with their ideal of the brand, it brings the entire relationship with the brand into question. A company leader's public face and image must match the values of the company.

Corporate culture is the sum total of the behaviors, attitudes, values, and beliefs of everyone inside the organization. If that's out of whack with your expected and stated brand promise, then you have a crisis of culture. The company culture must live up to the brand promise. This means that culturally you need to drive those values through every single role within the company. A healthy corporate culture has to come from the top down. Everyone in the company needs to know what the brand promise is, and every single person in the company needs to behave in accordance with that promise. When the leaders at the top lose their way, the rest of the company will follow.

Surviving Brand Disasters

The strongest brands are clear on their values and live those values. They hire, train, and incentivize their employees based on those values. They maintain customer relationships according to those values. They make sure there is alignment with those values at every level of the organization. Their marketing promotes and is consistent with those values. Brands that do this can withstand any crisis. Having a foundation of strong brand values does not, however, negate the need to a proper apology when a brand screws up. Both are required. It is the combination of strong brand values plus an artful apology that prevails after a brand disaster.

If you are not sure how to master the art of the apology, follow these steps:

- First, take action right away to acknowledge that damage was done to another person or group. Do not wait. Get out in front of any potential social media or public backlash.
- Second, the top leader of the organization must accept full, unconditional, personal responsibility for what happened.
- Third, own the offense, admit fault and be sincere. Speak or write in the first person, avoid passive voice, don't offer excuses, never blame the victim, and own it.
- Fourth, acknowledge the impact your actions had on the other person or persons. Never try to minimize what the people affected by your actions felt, because you don't know.
- Fifth, don't offer too much explanation. Keep explanations short and relevant and don't use them to justify your actions.
- Sixth, explain what you're going to do about it. If you promise to make changes in the organization, follow through on those promises.

- Finally, clearly state the bedrock values and beliefs of the brand. Acknowledge that you missed the mark this time, then recommit to living up to those values in the future.

Build A Brand That Thrives

It's easy to build a brand that looks good on paper and shows up smartly dressed on a first date. It is much better to create a brand that connects on a deeper level. The goal is to build a brand that customers are going to fall in love with, stay in love with, and grow deeper in love with as time goes on. Brands that can do that will be able to survive any crisis. Put another way, some organizations build a brand to sell; others build a brand to bond. You should always strive to build brands that bond with customers. When your brand bonds emotionally with customers, you create irrational loyalty.

Making a brand look good in superficial marketing and flashy commercials doesn't cut it. You have to build a brand that becomes part of someone's self-concept. The goal is to have customers that want to use the brand. Always build a brand to use, not to sell. When you build a brand that's designed to be used, they will experience the benefit of it. It will elevate their self-concept and turn them into brand advocates. Pretty soon, they will be recommending the brand to all their friends.

When we look at some of the strongest brands in the world—Coca-Cola, Pepsi, Google, Amazon, Apple, Oracle, SAP—they all have one thing in common. They built really strong brands by aiming at an ideal customer. These brands elevate their users' self-concept through the use of those brands. They make each of their customers a hero in their own story, and those customers broadcast that to the world. When you create irrational loyalty, your brand will thrive just like those marquee brands.

The goal of ***Irrational Loyalty*** is to inspire people to build a brand that doesn't just attract customers in the short term but keeps them in a long-term, constructive, value-added relationship. It is not easy. The process of branding is hard. As the leader of a company, the president of an organization, the head of marketing, a solopreneur, or the founder of a nonprofit who is trying to make an impact on the world, you have to be willing to do the hard work of branding. Your business can be transformed through the process of branding. At the end, when you emerge with a reignited strategic brand strongly aligned with the values and beliefs of your ideal customer, you're going to have a brand that can withstand crisis.



Deb Gabor is the founder of Sol Marketing, a consultancy that has led successful strategy engagements since 2003 for global brands like Dell, Microsoft, and NBCUniversal, and for numerous digital brands, including Allrecipes, Cheezburger, HomeAway, and many more. As a leading expert on brand disasters, she has been featured in USA Today and other major publications.

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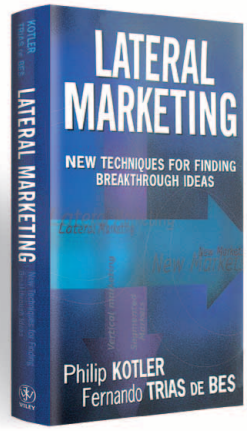
· Book 51 of 106 ·

Lateral Marketing

Philip Kotler and Fernando Trias de Bes

SOUNDVIEW Executive Book Summaries®

FILE: MARKETING



By Philip Kotler and Fernando Trias de Bes

CONTENTS

The Evolution of Markets and The Dynamics of Competition
Pages 2, 3, 4

Lateral Marketing as Complement to Vertical Marketing
Pages 4, 5

The Lateral Marketing Process
Pages 5, 6

Lateral Marketing at the Market Level
Pages 6, 7

Lateral Marketing at the Product Level
Pages 7

Lateral Marketing at the Marketing Mix Level
Pages 7, 8

Implementing Lateral Marketing
Page 8

New Techniques for Finding Breakthrough Ideas

LATERAL MARKETING

THE SUMMARY IN BRIEF

In a consumer economy saturated with homogenous products and inhabited by customers who are more and more immune to advertising messages, traditional vertical marketing — with its emphasis on market segmentation and brand proliferation — is failing us. But there is a better way to reach consumers, to create innovative products and markets that don't yet exist and to gain a real competitive advantage. This way is through an entirely different way of thinking — through lateral marketing. Lateral marketing complements traditional marketing by providing an alternative route to generating fresh new ideas. Whereas vertical marketing helps us find increasingly smaller subgroups for which a product might be developed, lateral marketing lets marketers develop an entirely new product that finds a much wider audience. Instead of accepting that your product or service will have a small share of a saturated market, you will find yourself the leader in new markets.

What You'll Learn In This Summary

✓ Why so many new products fail to gain significant market share in a fragmented and over-saturated marketplace and why vertical marketing with its emphasis on further segmentation and fracturing isn't the answer.

✓ How you can apply a new form of marketing, lateral marketing, to conceive entirely new products and markets and gain the competitive advantage you need in the 21st century.

✓ How you go about the lateral marketing process, from selecting a product or service you want to innovate to getting the innovation on the market.

✓ How to radically change the way you look at a product or service to open up the possibility that it can become a different product or be sold in a different market entirely.

✓ How to create the atmosphere most conducive to innovation, from encouraging individual and team lateral thinking to budgeting for new product and service development to launching new products into new markets.

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LATERAL MARKETING

by Philip Kotler and Fernando Trias de Bes

— THE *COMPLETE* SUMMARY

The Evolution of Markets and The Dynamics of Competition

The last decades of the twentieth century were prosperous for most companies in the developed world. Population growth and longer life expectancy meant greater purchasing power. Increasingly sophisticated marketing efforts resulted in greater product trials, repeat purchases and brand loyalty. But you can't expect to use 20th century marketing tactics in the 21st century to get the same result.

Nowadays, a strikingly high percentage of new products are doomed to fail. Only 20 years ago, the proportion of failures to successes was much lower. Why is it so difficult to succeed now? Because of the breadth of what's available and what it means. Take the cereal category, which features dozens of subcategories and varieties, each addressed to a very specific target market: those who watch their weight, who need fiber, who prefer cereal with fruit, who prefer cereal with chocolate and so on. In milk-based products there are over 50 yogurts competing for shelf space. In any developed country there are several dozen TV channels, leaving little room for one more.

Marketing today is not the same as it was in the 1960s and 1970s. Today there are products to satisfy almost every need. Customers' needs are more than satisfied: They are hypersatisfied.

Companies can continue to segment the market more finely, but the end result is markets too small to serve profitably.

Further complicating the picture is the fact that:

- **Distribution of packaged goods is now largely in the hands of giant corporations and multinationals, such as Wal-Mart and Ikea.** Distributors own shelf space and decide who gets it.
- **There are more brands but fewer producers.** Each segment and niche of the market got its own brand as producers discovered that by creating more brands it became more difficult for a competitor's attacks to make headway.
- **Product life cycles have been dramatically shortened.** A brand arms race has developed in which competitors quickly launch new brands, competitors respond with their own new brands and the cycle repeats.
- **It's cheaper to replace than repair.** It's faster, easier and cheaper to buy new, and people have accepted that products are disposable, encouraging more new product launches.
- **Digital technology has led to a new range of products and services, including the Internet, global positioning systems and computer and consumer products.**
- **Trademark and Patent registrations are increasing.**
- **The number of varieties of products has increased radically.**
- **Markets are hyperfragmented.** Companies, in their search for differentiation, have identified and created more and more segments and niches, resulting in highly fragmented markets.
- **Advertising saturation is increasing and a fragmented media is complicating product launches, making it harder to reach consumers.**
- **Claiming consumer mind space is harder.** Consumers have become selective, ignoring commercial communications. Novelty might be the only way to catch their attention.

The challenge in marking today is to fight against fragmentation, saturation and the storm of novelties that appear duly in the market. But recently new business

(continued on page 3)

The authors: Philip Kotler of Northwestern University's Kellogg School of Management is considered the father of modern marketing. Fernando Trias de Bes is founder and Partner of Salvettit & Llombart, an international marketing consultancy.

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The Evolution of Markets and the Dynamics of Competition

(continued from page 2)

concepts have appeared that are the result of a different creative process than the endless vertical segmentation of yesterday. This process is responsible for cereal bars that can be eaten as a snack or in the morning instead of with milk, grocery stores at gas stations, refrigerated pizza, and yogurt for busy women that can be carried in a purse.

The new priority must be to find ways to create and launch more successful products. This is the main objective of lateral marketing.

Traditional Marketing Thinking

To understand how lateral marketing will transform how you market, you must first understand the strength and weaknesses of the traditional approach to marketing. Marketing starts by studying consumer needs and figuring out how to satisfy them. Yet many manufacturers forget to focus on needs and instead focus only on selling their products.

Once needs have been identified, the next step is determining who is the market. The market is defined as the persons or companies who buy or might buy the product or services you produce in a given situation to cover a given need. For example, the market for yogurt might be any person older than one who is in a breakfast, dessert or snacking occasion.

In turn, every product and service is included in a category and a subcategory. For example, the product "yogurt" belongs in the milk-based foods market and has subcategories such as fruit yogurt. Defining a category for your product is necessary if you want to develop a marketing strategy because you need to know where and against whom you are competing.

Defining needs and categories are important but can also cause problems. By defining needs and categories for your products, you necessarily exclude from consideration those you think don't need your product or service.

Imagine that we are in the first years when yogurts started to be commercially produced. Normally, markets are born with a first brand that creates the category. There is a current and potential market for the category. Competitors will appear if they sense an opportunity. The first two in the category typically capture 75 percent of the market, leaving just 25 percent for later arrivals.

If you are third or later, you typically choose a subgroup or persons/situations in the market and address your product directly to them. You usually do this by highlighting a concrete characteristic of the product to emphasize — this is your positioning. It allows you to divide and conquer. Instead of attacking the whole market and getting a tiny share, you segment the market and obtain a major share of that segment. And there is another benefit. By targeting specific needs, you fill the needs of a group of customers better and they may increase their consumption — they may eat more yogurt. Segmentation provokes a double effect: it fragments the market and at the same time makes it bigger.

Of course, as companies continue to segment the market, it becomes fragmented and saturated. Market fragmentation leaves little room for new products — which are the key components for companies that want to grow.

Another tactic you can use is "positioning." Positioning is linked to segmenting. In the case of yogurt, there are brands positioned as healthier or cheaper or fresher or more natural. Choosing a charac-

(continued on page 4)

Slide Rule Marketing

A classic example of focusing on selling the product and forgetting about need is the slide rule. The slide rule was a wood or plastic devise on which many numbers were printed. By gliding the parts of the ruler, a user could carry out most arithmetic operations. In its heyday, every engineer and math student had one and used it to make calculations faster than the old paper and pencil process. But sales started to decline when the electronic calculator arrived on the scene. The calculator was easier, faster and more accurate even if at first it was much more expensive.

Could its manufacturers have saved the slide rule by using traditional strategies for segmentation, targeting and positioning? Would it have helped to make separate slide rules for different groups in different colors and advertising how they feel good to hold and use? Was there any way to segment the market to make room for newer and better slide rules? No!

Could the slide rule makers have thought of a new product such as electronic calculators to substitute for slide rules? Probably not since segmentation thinking and positioning would not lead to imagining an electronic calculator. They were stuck looking at what they already has and not able to imagine something entirely different. The problem was a lateral one. Someone had to think of the idea of slide rule + technology + a need to calculate to create a product that was more efficient than the slide rule.

Current marketing theories tend to work from the top down, They are not very effective in creating alternative or substitute products.

The Evolution of Markets and the Dynamics of Competition

(continued from page 3)

teristic and accentuating it gives personality to your brand and makes it more noticeable. It helps you stand out in a crowded field. On the other hand, it may also blind you to innovative new concepts.

Innovations Originated From Inside a Given Market

Another way you can innovate is through modulation. Modulation-based innovations consist of variations in any basic characteristic of a given product or service by increasing or decreasing that characteristic. Examples include:

- **Juices:** with low sugar content, with more juice, not from concentrate, with vitamins.
- **Detergents:** with more bleach, with more soap concentration, fragrance free, with less foam, with more foam.
- **Banking:** with monthly interest payment, without usage charges, with more offices, with better trained staff.
- **Couriers:** faster delivery, higher maximum weight, better guarantee.

You can also innovate by size — such as selling in large packs and individual serving size. In this case, you never change the product or service, just the volume, intensity or frequency of the offer. Another possible innovation is through packaging such as chocolates marketed in an array of boxes from simple to extravagant.

Another variation is design-based. The product, container or package and size sold are the same, but the design or look is modified. A car company may launch the same product with a different exterior design or a ski maker may change the color of the skis. The changes keep the product fresh and appealing. There are also innovations based in complements such as adding complementary ingredients. Cookies can be sprinkled with sugar or chocolate or cinnamon, for example.

All these innovations have a common factor. They consist of continued variations on what the product or service is, but do not intend to modify its essence. The innovations occur within the category in which they compete, since the methodologies for creating them assume a fixed market. **These innovations do not create new categories or new markets. The innovation always occurs within the category where the idea originated. The end result is still fragmentation and a small share of the total market.** ■

Lateral Marketing As Complement To Vertical Marketing

Lateral marketing involves taking a product and sufficiently transforming it in order to make it appropriate for satisfying new needs or new persons and situations not considered before. The big advantage is that instead of capturing part of a market, it creates an entirely new one.

Vertical marketing and lateral marketing work side by side — both are necessary and complementary. In fact, lateral marketing cannot be fully developed without vertical marketing since the latter will produce more variations after a new category is discovered.

The vertical marketing process obliges you to first define the market. Vertical marketing uses the definition of the market to create competitive advantages. The innovation is done inside the definition. Lateral marketing is based on seeking an expansion by approaching one or more needs, uses, targets or situation that we discarded earlier when we defined the market.

Lateral marketing requires you make an important transformation to your product. When you engage in lateral marketing, you restructure the product by adding needs, uses, situations or targets unreachable without the change. Put simply, lateral marketing uses a process

(continued on page 5)

The Case of Cereal Bars

Cereals have many advantages. They are nourishing, rich in nutrients and healthy. Hero, a European company selling food sector products but with a low market share in the breakfast cereal category, needed to gain more market share. Since the cereal segment was highly fragmented and saturated with cereal choices, it didn't make much headway there. The solution was to redefine the utility of cereals. They decided to market them as a healthy snack at any time of day.

Hero adopted the form of another product — the candy bar. By combining cereal with chocolate and caramel, they created a cereal bar that could be carried and eaten any time. Today Hero is one of the European leaders in the cereal bar category. The innovation wasn't within the market "breakfast cereals." Instead, Hero used the positive attributes of cereal but embedded them in another concept, a candy bar, and created a new convenience and a new category. This lateral marketing process expanded the market for cereals into new occasions.

Lateral Marketing as Complement To Vertical Marketing

(continued from page 4)

that creates by opening up new directions, being provocative and making leaps.

The innovations that come from lateral marketing create new categories or subcategories. It does this in one of four ways:

1. A lateral product can restructure markets by creating new categories or subcategories. For example, the launch of Walkman by Sony radically restructured the market for electronic goods since it converted millions of young potential customers into personal audio products consumers.

2. It can reduce the volume of other products within the given market. For example, a lateral product like Barbie dolls has taken a huge percentage of the doll market. When Barbie was introduced, the doll market consisted of baby dolls, but a lateral thinker saw the potential for adult dolls to be played with by children. The result — an entirely new category — the fashion doll. Barbie remains the leader in the category.

3. A lateral product can sometimes generate volume without hurting other volume. For example, cereal bars have not slowed the consumption of cereal but have instead expanded the occasions cereal is consumed.

4. A lateral product may take volume from several categories. The cereal bar has affected the chocolate, salty snacks and other snack categories by adding another alternative. ■

For Additional Information on examples of lateral marketing innovations, go to: http://my.summary.com

When Each Type of Marketing Is Appropriate

Both lateral and vertical marketing are important. In understanding which is most appropriate in a given circumstance, remember that innovations that come from vertical marketing are easier for customers to assimilate and understand while lateral marketing innovations need more time for assimilation.

Vertical marketing:

- ✓ works best in new markets
- ✓ works best to convert potential customers and for developing the market
- ✓ is less risky
- ✓ requires fewer resources
- ✓ doesn't depend on high volume
- ✓ fragments markets
- ✓ maintains business focus

Lateral marketing:

- ✓ works best for mature markets with no growth
- ✓ creates markets from scratch
- ✓ is riskier
- ✓ requires greater resources
- ✓ anticipates high volume
- ✓ may redefine mission and business focus

The Lateral Marketing Process

Lateral marketing is a work process which, when applied to existing products or services, produces innovative new products and services that cover needs, uses, situations or targets not currently covered. As a result, lateral marketing leads to new categories or markets.

The lateral marketing process is a creative one. Creative thinking follows three simple steps:

- **Select a focus.** This will be a product or service.
- **Make a lateral displacement for generating a stimulus.** A lateral displacement is an interruption in the middle of a logical thought sequence.
- **Make a connection.**

Here is an example. Let's take "flowers" as our product focus. A logical thought sequence about flowers is the fact that "flowers die." A lateral displacement of that sequence is "flowers that never die." Then we make connections between the new concept and the original focus. In this case, that would involve asking ourselves under what circumstances will a flower never die? If a flower is made of cloth, silk or plastic, then it would never die. We have found a new concept — "artificial flower." This is creativity. Innovations are a result of connecting two ideas which have no apparent or immediate connection.

How to Apply the Process

If you want to apply lateral marketing, it is essential you understand each step. If you are thinking about the focus, you must be prepared to generate a displacement. If you are thinking about a possible displacement, you have to be aware you are generating a stimulus for later use. And if you are working on a movement for making a connection, you have to be aware that you are working on changing your stimulus to make it logical.

Applying the process to real life, here is how it would work. First, choose a product or service you market. Creative thinking works from the bottom up, from the concrete to the general. It is inductive, not deductive.

(continued on page 6)

The Lateral Marketing Process

(continued from page 5)

Make sure it is one where you have difficulty competing.

Once you have chosen a product or service, break it into pieces using the scheme of vertical marketing. You will then be able to see the whole picture.

The basis of lateral marketing is creating a gap. If there is no gap, there is no lateral marketing. A gap exists only if it requires you to jump. But this is hard to do, because we have been trained to think logically. You are thinking laterally if you are thinking about substituting, inverting, combining, exaggerating, eliminating or reordering your product or service.

Take, for example the practice of sending roses to the beloved on Valentine's Day. Here are some possible lateral marketing ideas:

- **Substitute it:** send lemons instead.
- **Invert it:** Send roses all the rest of the days of the year, but not on Valentine's Day.
- **Combine it:** Send roses and something else on Valentine's Day.
- **Exaggerate it:** Send either dozens of roses or one rose on Valentine's day (upward and downward exaggeration.)
- **Eliminate it:** Don't send roses on Valentine's Day.
- **Reorder it:** The beloved sends the roses on Valentine's Day

Similarities Between Humor and Creative Thinking

The logic of creativity is very similar to humor. A funny story consists of someone describing an initial situation (focus) and a displacement in order to generate a gap (change of perspective at the middle of the funny story). The listeners have to search for logic and will make a movement in order to connect both ideas. When connected, the result is laughter. Take as an example the famous remark by Groucho Marx: "I don't care to belong to any club that will accept me as a member." The first part of the sentence is the focus (we think he is going to specify a certain type of club composed of people he does not like.) The lateral displacement is to talk of himself being accepted by the club. The gap is that Groucho would never accept membership in any club that would accept him. The sentence makes no sense at all until we force it to by seeing another perspective. Groucho is telling us that he realizes his personality is unacceptable to anyone, even himself.

Making Connections

The object of creating the gap is to find a way to fill it. Let's use an example. Someone has proposed you sell popcorn in discos. When you consider a couple ordering popcorn in a disco, you realize it will be hard to see. You get the idea you might sprinkle fluorescent salt on it. You imagine them eating popcorn and getting thirsty. They order drinks. Now we have solved the gap. There is an opportunity for popcorn companies to convince discos to offer free popcorn, The profit margin of an additional drink compensates for nearly four and a half pounds of popcorn.

Of course, not every gap can be connected and not every idea will be a winner. But every idea doesn't have to be — just a few winners is all you need. ■

Lateral Marketing at the Market Level

It's time to apply what you have learned at the market level by using one simple technique: change one of the dimensions. The easiest and most efficient is substitution. A market level contains several dimensions where a product or service competes. These dimensions are need, target and occasion. The last one is a combination of place, time, situation and experience.

Substituting one dimension for another is easy. What you are doing is substituting one of the dimensions of the market for another that was discarded. Here are some examples:

- Red Bull opened the category today called energy drinks — soft drinks that stimulate one's energy. This serves the new need besides the normal one of quenching thirst and a new market — those interested in sports and energy replenishment.
- Bayer aspirin, seeing that there were lots of competitors for treating aches, began recommending an aspirin a day to recent heart attacks sufferers after scientific evidence emerged that aspirin might prevent heart attacks.

You can also change the target of your product. These should be non-potential targets of your current product — not those who have a need for the present product but who could buy it at any moment. Examples of products that have been altered in order to reach non-potential targets are:

- Gillette's sale of razors to women by introducing pink and feminine Venus razors.
- Amusement parks and colleges who offer their locations off season for business conferences. Idle facilities remain in use.

(continued on page 7)

Lateral Marketing at the Market Level

(continued from page 6)

● Classical music for babies has led to the recent success of Baby Mozart and Baby Beethoven videos in which the music is played with colorful images.

Other ideas include changing the time your product is used and moving your product to a new setting. Occasions and events are often linked to specific products. Champagne is for Christmas, end of year parties and celebrations while white wine is for special dinners; candy is for Halloween while cake is for birthdays. You can also choose activities or experiences where other products are strongly positioned and move in. For example, an important radio station created a new program of 30 minutes of news designed for commuters who might otherwise listen to music. Others who have moved into the commuting experience are books and language courses on tape.

In most cases, you will have to refine some characteristic of the product. You will identify elements to be removed, generally those elements that are anchoring the product to its natural dimension. Do this by eliminating it or changing it. For example, a French company that produced cheese wanted to get kids to eat more of it. The anchor was that kids did not find cheese sweet or fun to eat. The cheese producer sweetened the cheese and put it on a stick, which kids loved. ■

For Additional Information on an example of creating an entirely new product, go to: http://my.summary.com

Lateral Marketing At the Product Level

To apply lateral marketing at the product level, you must use one of six techniques for making lateral displacements. This is how each could be applied:

● **Substitution.** Substitution consists of removing one or several elements of the product and changing it. For example, you could substitute "students teach students" for "professors teach students." Students, one by one, prepare a class. Every day, one explains a lesson to the rest while the professors act as moderators. Or consider what happened when someone added batteries to watches or hard candies were put on a stick to make lollipops.

● **Combination.** Combination consists of adding one or several elements to the product or service, maintaining the rest. For example, a "Pedelec" was the result of the idea of powering a bicycle with electric batteries that are recharged when it is ridden. Result — one million units already sold in China. Or consider what happened when someone added the attribute "funny" to ties — the subcategory of funny ties with Disney and Looney Tunes characters was born.

● **Inversion.** Inversion consists of saying the contrary or adding "no" to an element of the product or service. For example, just-cooked pizza inverted into non-cooked pizza, a staple now in freezers and refrigerators around the world.

● **Elimination.** Elimination consists of removing an element of the product or service. For example, a telephone without a wire led to wireless phones and perfume without a bottle led home fragrances in wax. In some parts of the world, the idea of a motorbike that couldn't be parked led to folding bikes that can be stored in apartments. And the idea of not waiting for film to be processed led to Polaroid prints and now digital cameras.

● **Exaggeration.** Exaggeration consists of exaggerating upward or downward one or more elements of a product or service or imagining a perfect product or service. Tandem bikes are one example as are tiny cars for congested areas. Disposable contact lenses were made possible from the idea that contacts could be discarded every day.

● **Reordering.** Reordering consists of changing the order or sequence of one or more product or service elements. For example, the idea that people could request ads be sent to them led to permission marketing. Other examples include popcorn packaged before being cooked led to microwave popcorn and soap foam dispensers in restrooms. (Ordinarily people have to handle the soap first to create foam.)

Each of these examples involves finding a new possible setting (a small car for an congested, urban area) or extracting a positive thing (disposable lenses eliminates the old fear of losing a contact). ■

Lateral Marketing At the Marketing Mix Level

Making a lateral displacement using as a focus the rest of the marketing mix elements (price, place and promotion) implies moving away from the current way of presenting the product or service to the customer. But here you are not modifying the essence of the product or service, not the need, target or situation that the product or service covers.

In most cases, the lateral marketing displacement made at the mix level will result in a subcategory or an innovative commercial formula for the product or service, rather than a completely new business or category.

You can use lateral marketing to diversify your marketing mix by applying existing pricing, distribution or

(continued on page 8)

Lateral Marketing at the Marketing Mix Level

(continued from page 7)

communications formulas that correspond to other existing products or services and which are not naturally associated with the category you compete in.

For example, coffee vending machines have applied the credit card concept to selling coffee. You can "charge up" a coffee card in a machine by depositing money and then use the card as cash in the machines. Toll roads allow you to use an electronic device to pass through toll gates without having to fumble for change — your account is simply charged for the amount of the toll. Note that in each case, the payment system isn't new, nor is the product. What's new is using the existing method to pay for an existing product that was paid for differently before.

Examples of changes to distribution are all around too. For example, real estate companies have started to sell houses and apartments in shops located in malls or other urban shopping areas and booksellers such as Amazon.com are selling books on the Internet. Finally, companies are using communication to sell existing products. Telecom giants are advertising on television to reach more small business prospects, for example. ■

Implementing Lateral Marketing

To successfully implement lateral marketing, you must understand the underlying principles, summarized here:

- Companies need to innovate if they are to grow and prosper.
- An excessively high percentage of new products fail (80 percent of consumer goods and 40 percent of business goods) in spite of careful market research and planning. The reasons for the innovation crisis lie in the traditional innovation process.
- Most new products offer just a specialized version of something already on the market, such as a new flavor, size or package. This is segmentation or vertical thinking.
- Repeated application of vertical thinking results in a hyperfragmented market so that few niches remain that are big enough to yield profit.
- Marketers need a complementary way of thinking up new products or services that will lead to new categories or markets. This strategy is lateral thinking, and although it carries greater risks, the rewards are also greater.
- Lateral marketing thinking uses a distinct framework and processes that can be taught to anyone and can become a part of an innovative company's culture used in conjunction with vertical marketing.
- Lateral marketing thinking might occur spontaneously or consciously. It requires putting together ideas such as food + fast or cellular phone + camera. If you can get everyone to think laterally, you will create a company full of innovative market creators. Innovative companies like Sony and 3M have created a corporate culture that allows lateral thinkers to flourish. Yours can, too.

An innovative company does not have a few wildly creative individuals who spontaneously think up new ideas. Rather it is characterized by several systems — an idea market, a capital market and a talent market.

Companies have an idea market if they have a system for actively soliciting, collecting and evaluating new ideas. Such a company appoints a high-level executive to manage an idea committee made up of high-level representatives from different departments. The committee meets regularly and evaluates ideas that have flowed in from employees, suppliers, dealers and distributors. They arrange funding for evaluating the most attractive ideas.

To make lateral marketing rally work, you need to have a system in place that takes ideas and puts them through the lateral marketing process. For example, if a brainstorming session nets ideas, the next step is to connect proposals through concrete and shared displacement techniques like those presented earlier in this summary. Using this lateral marketing framework will make idea generation a normal activity. Funding must be set aside to support idea evaluation as well as to train employees in thinking laterally. And the company will have to hire people with the talent to develop the best ideas.

The first part of the lateral marketing process, "doing a lateral displacement," can be done individually. Pick one of the three levels and apply any or several of the six techniques to it.

Next, a lateral marketing meeting should be dedicated to listening to displacements and thinking about possible ways to connect them. This is a working session where a group applies analytical and vertical thinking. After the session, you should have some discarded ideas and some valid ones. Discarded ones should be stored away as they may prove valuable in the future. The ideas should be readily available for recycling and to avoid wasted effort considering an idea already discarded.

Take the valid ideas and put them through the normal product development process — from initial idea to concept testing to prototype testing to market testing and finally to market launch. By doing so, you position yourself as the leader in a new category or market rather than a bit player in an already saturated one. ■

· Book 52 of 106 ·

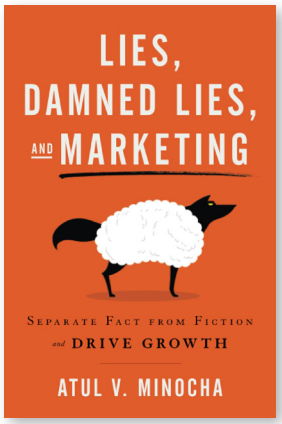
Lies, Damned Lied, and Marketing

Atun V. Minocha

soundview
Executive Book Summaries®

Lies, Damned Lies, and Marketing

Separate Fact from Fiction and Drive Growth



by **Atul V. Minocha**

Contents

Introduction
Page 2

Part One: What is Marketing?
Page 2

Part Two: Big-M Marketing
Page 2

Part Three: Small-m Marketing
Page 3

Part Four: Big-M + Small m Marketing
Page 3

Conclusion
Page 4

THE SUMMARY IN BRIEF

In this summary of ***Lies, Damned Lies, and Marketing,*** with illustrative examples and reasoning, you will find the insight you need to spot the "leaky holes" draining your marketing dollars. You'll understand what marketing is, what it can do for you and, just as important, what it can't do. You will also examine some specific ways it is often misused and abused, leading to the frustrations you are likely familiar with. Second, after you have spotted these holes, you'll discover what you can do to plug them using more effective marketing that delivers the results you have been seeking.

Based on years of research, experience, and battle scars obtained in a cross section of industries, you'll learn best practices from author Atul V. Minocha for making marketing effective for you, your team, and your business. In short, you will learn how to separate "lies and damned lies," from real and effective marketing.

IN THIS SUMMARY, YOU WILL LEARN:

- The root causes of frustration and marketing and how you can fix them.
- The difference between big-M and small-m marketing, and why that difference matters.
- How to attain the right blend of hard data and softer creativity to persuade your audience.
- How to make marketing work for you and your business, and finally achieve the results you've been waiting for.

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Introduction

What we need in business more than anything is a big and comprehensive picture of marketing, so we can make decisions from a position of clarity and completeness. Before we dive into the specific tactics you can use to get the most out of your marketing dollar, I want to provide you with that big-picture understanding of the way marketing works. First, we'll look at the difference between sales and marketing, and then, for easier understanding, we will examine different types of marketing. This will provide a solid foundation upon which you can begin to build.

Part One: What is Marketing?

Let's Define Marketing

But first, an answer to the most basic question of all: what is marketing? There are many ways to answer this question, but I believe it is most helpful to describe marketing as a bridge that connects a business with its customers and potential customers.

Ideally, it's a two-way bridge: customers acquire knowledge about a company and its products while, at the same time, the company acquires knowledge about customers and the marketplace. But to really invest in marketing, you must get both a long and wide view of your potential customers and the marketplace with 'Big-M' marketing and 'small-m' marketing.

Big-M marketing refers to foundational aspects of marketing that help define your business strategy. Small-m marketing refers to the tactics you can implement to move the needle— the most visible parts of your marketing, such as your website, logo, brochures, tagline, color scheme, content generation, SEO, advertisements, and so on.

Part Two: Big-M Marketing

Left Brain or Right Brain

The real power of marketing comes from synergy of both the left brain and right brain— data and emotion. Here's a simple process for doing just that.

- Step One: make an emotional appeal. In all of your marketing efforts, start by first relating with your audience and their likely pain points and desires.
- Step Two: provide a short, simple list of benefits of your product or service. It might be tempting to overload your audience with every bit of data you have, but you will be better served by being selective. Get to know your target audience, and give them just the high points of how your product or service will solve their pain points or serve their desires.
- Step Three: prove it. Once your audience is attracted to the benefits you've claimed, they will certainly be looking for proof points. This could take the form of testimonials, demos, datasheets, or facts and figures. The more personal you can make these, the better the response you are likely to get.
- Step Four: track & measure. It will be useful for you to track and measure key metrics of how your target audience is responding. Keep in mind, however, that some of the most important things- like the emotional connection your message is making-can't be measured easily.

Being Rational About Irrationality

You've probably already witnessed the human tendency toward irrational decision-making in your own business. Have you ever presented all of the facts to a prospective customer, proving, with hard data, that your product or service is the best for meeting their needs, only to have the customer end up choosing someone else's product or service? It's frustrating, and you might wonder, "How can a rational person choose the competitor when they know that we offer a better product in every way?"

The answer, of course, is that people aren't always rational. Let's be clear; irrational behavior is not the same as random behavior. In his book Predictably Irrational, Dan Ariely, a professor of psychology and behavioral economics at Duke University, makes a strong case that human irrationality is highly predictable.

Riches Are In Niches, But Not in Trenches

Focus is great, and the old saying is true: riches are indeed found in niches. However, too many businesses use verticals as their focus and, in so doing, limit their future growth unnecessarily by leaving their own real points of differentiation muddled up and hidden.

If you specialize too narrowly-and, by that, I mean in one or two verticals you may soon discover the problems that come with putting all of your eggs in one or two baskets. All businesses experience some level of cyclicality. Having a diverse portfolio of clients from different industries and verticals is a good way to reduce our own business cyclicality.

It's All Digital Now

How can you tell when it's more effective to use traditional marketing rather than digital marketing? To do that, you need to take into account the entire customer journey. At each step of the customer journey, consider how your target audience is consuming information. What channels are they using, and what medium will be the most accessible to them?

Yes, Our CFO Manages Pricing

The price of your product matters and has a more significant impact on the health and wellbeing of your company--for good or ill-than just about anything else. Setting or changing prices demands careful consideration and should not be done lightly. But who should be making these decisions?

The truth is that, in most organizations, pricing decisions are made by the chief financial officer (CFO). Very few companies have a dedicated pricing function or person managing pricing. In my own research, I've found that less than 10 percent of business schools offer a course dedicated to pricing. Typically, the subject is folded into one or two other marketing classes as a single chapter. What is the impact of this? Simply put, most businesses are missing out on the most significant lever in improving their profitability.

Speed (Alone) Kills

You like to move fast, and you want things done yesterday. The business world is full of leaders rushing as fast as they can to meet deadlines, hit milestones, and beat the competition to the punch.

The problem is that speed can be deceptively lethal. It's a lot worse to move fast, in the wrong direction, than it is to move slowly in the right direction.

This can be illustrated with a modified version of Aesop's classic fable, "The Tortoise and the Hare." In the original story, the hare loses the race because his overconfidence causes him to rest, while the determined tortoise slowly but surely walks past him and crosses the finish line.

Quantity Over Quality in Research

When it comes to customer insight, the quality of conversation and dialogue matters far more than quantity. Getting a handful of customers to speak, deeply and honestly, is far more helpful than simply accumulating hundreds or thousands of shallow survey answers. You will recall, this is exactly how I learned about Indian truck drivers' perception of seat belts back in the 1980s. This valuable insight came from a single face-to-face conversation.

Focus on having a few rich, engaging conversations with individuals in your target audience. This will provide more meaningful and actionable insights. And quite likely, it will cost you much less than the hundreds of surveys you were considering.

Part Three: Small-m Marketing

Social Distancing in Social Media

Flooding social media with information about your product is not good marketing, though it is an all-too-common approach that companies take. So many business leaders think that if they post something about their product on Facebook, Instagram, and Twitter, every single day, eventually they'll gain traction. That becomes the core and extent of their marketing plan.

Social media platforms are nothing more than channels you can use to get your message out. Figuring out which channels you're going to use in your marketing only answers about 5 percent of the questions you need to ask. Indeed, without the right positioning and messaging, it might be a complete waste of time and money.

More Tools, Less Mastery

If you're failing to get the most out of your current MarTech tools, then the latest, shiniest tool probably won't work for you, either. Too many CEOs hop from one tool to the next, spending a whole lot of money along the way, in hopes that one of them will eventually perform magic.

Here's the truth, plain and simple: you probably don't need another tool. All you need to do is learn how to use the ones you've already got.

Part Four: Big-M + Small m Marketing

Fake ROI

We are all obsessed with ROI. That's no secret. We want to make the best use of our dollars, and we believe ROI is a simple but effective way to make good business decisions. As Peter Drucker once said, "What gets measured, gets managed."

Unfortunately, we have somehow extended Peter Ducker's pithy wisdom to a false corollary of "what can't be measured is not worth managing or doing." Remember that

not everything that is good for your company and/or your customers is easily measured.

Ready, Fire, Aim

Business leaders, and especially CEOs, are keen to execute. As the oft-heard expression goes, "It's all about execution." They want to hit the market fast, beat the competition onto the shelves, and get the word out before people even know what hit them. This puts pressure on the rest of the company to rush products, services, advertisements, and just about everything else.

We all want to beat the competition to the market, and that temptation makes it very hard not to pull the trigger. But this mindset of needing something yesterday only encourages fast actions--not necessarily well-aimed ones.

Cracking the Google Code

Want to rise higher in Google search rankings? It's no secret— Google tells you exactly how to do it.

- Make pages for people, not search engines.
- Don't deceive users.
- Think about what makes your website unique, valuable, or engaging, and focus on those things to make your website stand out.

Anything other than this is mainly trickery that, if it works at all, won't result in lasting stability for your search rankings.

Let's Automate

One of the most common mistakes in sales and marketing is to automate processes without first fixing them. If you automate a garbage process, you will only get automated garbage faster! This is a particular problem with customer relationship management (CRM) software.

A wide range of vendors offer CM platforms with various capabilities and price points, but in general, they come in three flavors:

1. CM platforms focused on sales, which include sales force automation tools
2. CRM platforms focused on marketing, which include marketing automation tools
3. CM platforms focused on both sales and marketing

For most companies, the best choice comes from the third category.

Conclusion

Remember, marketing is about the future and making tactical decisions to reach potential customers down the road. Start with your Big-M marketing, the foundational elements that help define your business strategy— a foundation based on rich insights from your customers and a solid understanding of the competitive landscape, as well as your own company, team, and capabilities. Once you've laid a strong foundation, you can begin implementing your small-m marketing tactics in order to move the needle and deliver business growth.



Atul V. Minocha is a partner at Chief Outsiders, a marketing consulting firm that helps CEOs accelerate growth through strategic planning, customer insight, and disciplined execution of well-crafted marketing plans. With experience in startups and Fortune 500 companies like Honeywell, Kodak, and Toyota, Atul works in a wide range of industries, from automotive and healthcare to industrial goods and technology. Atul has a degree in mechanical engineering from the Indian Institute of Technology Delhi and an MBA from Yale University. He is a professor at the Hult International Business School, a mentor and an angel investor with Sierra Angels, a Vistage speaker, and a Forbes contributor.

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· Book 53 of 106 ·

Likable Social Media

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Likeable Social Media

How to Delight Your Customers, Create an Irresistible Brand, and Be Generally Amazing on Facebook (and Other Social Networks)



by Dave Kerpen

THE SUMMARY IN BRIEF

The secret to successful word-of-mouth marketing on the social Web is easy: Be likeable.

A friend's recommendation is more powerful than any advertisement. In the world of Facebook, Twitter and beyond, that recommendation can travel farther — and faster — than ever before.

Likeable Social Media helps you harness the power of word-of-mouth marketing to transform your business. Listen to your customers and prospects. Deliver value, excitement and surprise. And, most important, learn how to truly engage your customers and help them spread the word.

As co-founder and CEO of Likeable Media, author Dave Kerpen shares secrets from his company's work with thousands of top-level clients to give your organization the best method to be noticed and *liked* by your customers.

IN THIS SUMMARY, YOU WILL LEARN:

- Why your priority with social media is to listen first and never stop listening.
- How to think and act like your consumer.
- How to develop your social media value proposition and get the *like*.
- Why you should invite your customers to be your first fans.
- How to create true dialogue with and between your customers.
- The best methods to positively respond to bad comments and criticism.
- How to make social media a part of every customer's experience with your company.

CONTENTS

Listen First and Never Stop Listening
Page 2

Think — and Act — Like Your Customer
Page 3

Engage: Create True Dialogue with and Between Your Customers
Page 4

Respond Quickly to All Bad Comments
Page 5

Provide Value (Yes, for Free!)
Page 6

Admit When You Screw Up, Then Leverage Your Mistakes
Page 7

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THE COMPLETE SUMMARY: **LIKEABLE SOCIAL MEDIA**

by Dave Kerpen

The author: Dave Kerpen is co-founder and CEO of Likeable Media, an award-winning social media and word-of-mouth marketing firm with offices in New York, Boston and Chicago.

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Introduction

The social media revolution has given consumers around the world the most powerful voice they've ever had. It's also forced companies to think about how they can be more transparent and responsive. Social media, along with a global recession, has led companies organizations and governments to figure out how to accomplish more with less money — to get their messages out there and talked about without spending as many dollars on declining media like television, radio and print.

Facebook's Like button, introduced in April 2010, has already been added by more than 2 million distinct websites. The Like button allows Facebook's more than 600 million users, with one click, to express approval of companies, organizations, articles or ideas. The Like button gets more than 1 billion clicks per day.

Yet, as astounding as these numbers are, it's the new personalization of the Web that matters most in the social media revolution, both to companies and consumers. It's Facebook's ability to show you exactly what your friends and friends of friends *like* that makes the *like* function such a powerful tool. ●

Listen First and Never Stop Listening

You have a front seat to spontaneous chatter of interest to your business. You have the ability to check in on prospective customers discussing problems your company solves or listen to existing customers talk about unrelated issues just to get to know them better. Checking in on your vendors, partners or even your competitors' customers has never been easier. The amount of data you can gather and the number of conversations you can tap into through social media is nothing short of mind-boggling.

The Cost of Not Listening

At best, by not listening, you're not leveraging potential opportunities for growth, damage control or both. At worst, you're causing your customers and prospects to turn to your competitors, those who are listening and will respond to customer needs. You're also allowing your brand reputation to be significantly hurt because by the time you get around to learning what people are saying, it's too late to respond efficiently and make necessary changes to keep your company growing. Even if you're in a highly regulated industry and you're unable to fully join the conversation, it simply doesn't make sense not to leverage the resources available to find out what your customers and prospects are saying and to use that information to create better products, services and processes.

How Well Do You Know Your Target Audience?

The last few decades have brought numerous improvements in marketing intelligence and research. But until you had the ability to target specific groups of people as you can today, you may have had no need to identify your target audience so narrowly. For example, you might know your audience loves playing sports, but perhaps they prefer one sport to another. Or maybe young women love your product, but you didn't know that 21- and 22-year-olds are far more likely to buy it than 23- and 24-year-olds until you did the appropriate Facebook or Twitter searches. Now that you can target so precisely, you can always survey and research to learn exactly who the audience for your product and service actually is.

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While some businesses have narrower and more well-defined target audiences than others, you can always refine the notion of who is part of your ideal audience. You will likely find that there is more than one group of people looking for your goods or services. Huge, global brands, for example, have certain categories of customers that are more common than others. Perhaps female lawyers spend more on your product than stay-at-home moms, for instance. If you don't know specifics, you can always ask: If you have 1,000 Facebook fans, ask what their favorite sport is. If you find out that 9 out of 10 of them prefer baseball, you might consider sponsoring a local Little League team. Social media will help you find your target audience and provide you with further insight about this group or groups. ●

Think — and Act — Like Your Consumer

Advertisements and marketing ploys are found just about everywhere we go. Nowhere is safe from ads! And while some ads are funny, interesting and even compelling — if you consider the consumer's viewpoint, you'll agree that most are simply disruptive and unwanted.

So what's a marketer to do? How can you possibly avoid joining the endless parade of marketing and advertising disruptions in the quest to find your consumers?

All you have to do is stop thinking like a marketer and start thinking like your consumer.

Rule of Thumb: What Do Your Customers Really Want?

With every Facebook message you send out, with every tweet you post, even with every e-mail or radio and television advertisement you write, ask yourself the following:

- Will the recipients of this message truly find it of value, or will they find it annoying and disruptive?
- Would I want to receive this message as a consumer?

If you respond that yes, *as a consumer*, this message is of value and you would indeed want to receive it, then it is worth communicating to your customers and the world. On the other hand, if you cannot see any *true* value to the consumer or you believe the message will only be an annoyance, then it's simply not worth sending. Why spend money, time and effort only to contribute to mass advertising, marketing and information noise that the consumer does not want or need in the first place?

What Do Your Consumers Like?

The important question is, what do your consumers truly like? Consider what they care about. What do they value? What content will get them to authentically click Like and increase your visibility among users? Keep in mind that you can't just keep sharing updates asking people to like the content, as that would quickly get as annoying and disruptive as many of the traditional marketing tactics you've grown to know and hate.

For the answers, look to what you already know about your consumers and if you don't know something, ask!

For instance, say you have a male-focused customer base. You suspect these consumers are big sports fans, but you're not sure what sports or teams they are most interested in. You could simply ask on Facebook, "What's your favorite major sporting event of the year? Who did you root for this past season?" If your fans overwhelmingly say the Super Bowl and provide their favorite football teams, you'll want to share content about the sport in the future, even if your product has nothing to do with football.

If *you* were your consumer, what would make *you* click Like or leave a comment? An appetizing photo? A funny video? A fact nobody knew about you? One thing users are sure *not* to respond to positively is a press release about your latest earnings statement, new hire or new product. There may be an audience who cares enough about this information to warrant sharing it elsewhere, but that audience is not the group to target on Facebook. The Facebook audience doesn't care. Facebook, Twitter and all social networks are not broadcast media. This can't be stressed enough. Engage, don't broadcast! ●

Invite Your Customers to Be Your First Fans

Ten years ago, if you built a website for your company, you didn't expect thousands of strangers to just visit it, did you? Instead you used other marketing initiatives and assets to direct people to your website and spread the URL or link wherever you could. Sometimes people checked it out and, if they were interested in your content and trusted you enough, maybe they even stayed awhile or purchased your products and services. Or, if other related companies found your content useful, it was possible they linked their website to yours in exchange for you linking back to them. This linking takes place in the hope of creating more "link value,"

greater search engine optimization and more website traffic. Today, the *like* is more important than the "link." Getting people to your website may help them learn about your company and maybe even get them to buy something, but getting them to *like* you on Facebook does two essential things that will contribute to long-term success.

First, when people use the like function, they subscribe to your updates, allowing you to have a conversation with them on Facebook forever, unless you erode their trust and they unsubscribe. Second, it introduces and endorses you to every one of the user's friends. The average person on Facebook has 130 friends, so with every like, you're exposing your brand to another 130 potential customers or more.

Simply put, the more *likes* content receives, the more often it will be viewed, and the number of people seeing and accessing the content will grow over time. There are long-lasting effects of the *like* in Facebook search optimization: once you acquire a *like* on your page, any of that person's friends will see this during future searches. So if you're an attorney and one of your clients has *liked* you on Facebook, any time one of his or her friends searches for an attorney in the future and finds you, your client's testimonial ("Your friend John *likes* Bob the attorney") will be right there waiting.

How to Get the *Like*: Develop Your Value Proposition

Before you started reading this summary, you may have already understood the capabilities and importance of Facebook's like function. The question you might have now, however, is how do you get people to actually like you on Facebook? No matter how well-known your brand is, you'll need to provide a value proposition to your customers, staff, vendors and partners; some sort of benefit they will receive from becoming your fans. In other words, don't just tell them to *like* you, tell them what's in it for them and tell them in a way that's about them, not you.

By giving people a value proposition for joining you and then surrounding your customers with that value proposition at every opportunity, you'll convert customers into fans, and that's where things begin to get interesting.

Why should people *like* you on Facebook or follow you on Twitter? What's in it for them that's of value? How can you summarize that in a short, easy-to-understand call to action? The answer is, it depends on your business or organization. Here are several real calls to action from clients to help you think about why people should *like* you:

Where Should You Tell Customers to *Like* You?

Here are a number of places to consider integrating the call to action to your customers:

1. On your website
2. On every e-mail you send out as a company
3. On every staff person's e-mail signature
4. On every business card handed out
5. On every brochure you print
6. On every receipt you hand out
7. On every piece of "snail mail" you send out
8. On every inbound phone call to your company
9. On every outbound phone call from your company
10. On packaging
11. On in-location signage

- Share your feedback with us at Facebook.com/VerizonFiOS
- Win prizes and join the conversation at Facebook.com/1800Flowers
- Free support quitting smoking at Facebook.com/NYCquits
- Connect with other moms like you at Facebook.com/striderite

It's not about you, it's about your customers, and just like the Web quickly became too big to tell people to visit your website without telling them why, Facebook is too big to tell people to *like* you without telling them why. It's essential to develop that value proposition and then integrate it into your communications with customers and prospects. ●

Engage: Create True Dialogue with and Between Your Customers

So what does "being engaged" really mean?

To be engaged means to be genuinely interested in what your customers have to say. You have to want, even crave, feedback of all kinds because you know it gives you important data to build a better organization. Each individual at your company has to provide his or her full attention, mind and energy with the customer or task at hand while maintaining the mission and core val-

ues of the organization. Anyone can send out an e-mail or Facebook or Twitter message, but it takes commitment and focus to actually connect with people.

Customers Solving Customer Service Issues

One example of the benefits of building an engaged community is that customers will help one another out. If you create a place on Facebook or Twitter for people to ask questions, share feedback and interact with not only you but one another, you will engender trust and loyalty and help the community grow. Customers or prospects will take notice and appreciate when you answer questions on a timely basis and in an authentic way.

If you provide a place for consumers to connect, gripe, share information, learn and grow, people will realize you are committed to them and the community you are fostering, and they will return that commitment to you. So when someone unfamiliar with your company comes to the community, a potentially huge new prospect, and posts a question, another member of the community might answer the prospect's question before you have time to. ●

Respond Quickly to All Bad Comments

There are still plenty of companies that refuse to accept the fact that people are talking negatively about them. But the truth is, there's no way to entirely stop people from making negative posts about your company, whether you have an official Facebook page or not. So, why not prepare yourself and, instead of avoiding it, embrace negative feedback, comments and criticism? This idea might sound like a radical and potentially damaging one — take a deep breath and brace yourself.

The Do-Not-Delete Rule

The do-not-delete rule states that unless a comment is obscene, profane, bigoted, or contains someone's personal and private information, never delete it from a social network.

Is it really worth taking the risk? The point is, when you delete someone's comment, it is the ultimate "Screw you." It's like collecting someone's comment card, reading it in front of them and then ripping it up in his or her face. You wouldn't do that, would you? Plus, the Internet is infinite. Anyone who feels wronged or not heard can turn elsewhere to gripe, finding more energy (and maybe more sympathizers) to vent than he or she had before.

Not Responding at All is a Response

The second gut reaction of some executives after wanting to delete the negative comment is to ignore it. If deleting a comment is the equivalent of ripping up a comment card in someone's face, ignoring a negative comment is the equivalent of putting a caller on hold and never getting back on the line. No, it's not as bad as hanging up, but he or she will still get the impression that you don't care. You don't want to make matters worse so what's a company to do?

By responding quickly and publicly, you not only respond to someone's complaint or concern, but you also send the message to the world at large that you're the kind of company that listens to its customers and fixes problems promptly. By taking an individual matter private, you avoid a public back-and-forth between company and customer, which doesn't help anyone involved and only prolongs the negative situation. Refer to people by name, too, when you're apologizing; it goes a long way toward helping someone feel heard and understood. ●

Respond to the Good Comments, Too

You likely embrace your happiest customers — they remind you of what you're doing well and what your organization is all about. They're also the best unplanned part of your marketing agenda. Word-of-mouth endorsements and conversation from satisfied customers remains the most potentially powerful marketing tool you have.

Yet each day, millions of positive comments to and about brands on social networks go unnoticed or are given no response. Visit the Facebook pages of most big organizations and you'll find people sharing stories, asking questions, and praising products or services — almost always without a response. Do companies not have enough resources to address these posts? Are they too focused on maintaining a defensive posture in regard to all of the negative comments and therefore decide not to reply to any comments at all? Do companies not see value in responding to positive posts?

Whatever the reason, they are making a mistake, possibly to your company's advantage. If *your* organization begins to follow not only negative posts and comments, but positive ones and takes action in responding, you are ahead of the game. In fact, if other companies aren't doing a good job interacting with their customers or prospects through online social networking, your com-

pany looks even better to consumers when you take the initiative. ●

Be Honest and Transparent

Traditional marketers have worked for years at shaping people's opinions about brands and organizations using advertising and other linear marketing tactics. While marketers may be tempted to stretch the truth on social networks in order to achieve similar objectives, this point can't be stressed enough: *You must be as honest and transparent as possible when using social media. Honesty and transparency build a direct relationship between you and the customer. Any deviation from these values can erode brand trust forever.*

In an age when it's virtually impossible to hide the truth, don't bother trying. If you're not ready to face the facts about your products or organization, and share them with consumers, don't join the conversation yet. Once you're committed to creating a presence in social media outlets, there's no going back and you really have no choice but to embrace transparency. If it seems intuitive to you to be honest, that's terrific. But too many marketers have employed dishonest tactics in trying to reach the consumer, losing sight of the simple importance of telling the truth. With the advent of social media, consumers expect transparency from companies and organizations more than ever before.

Disclosure and the WOMMA Ethics Code

The Word of Mouth Marketing Association (WOMMA) is the leading trade organization for word-of-mouth marketing and social media. WOMMA has established an ethics code around what language and behavior is appropriate and inappropriate from organizations on social networks. The code is centered around honesty. From WOMMA's website:

It's all about the Honesty R.O.I. — Ethical word of mouth marketers always strive for transparency and honesty in all communications with consumers, with advocates and with those people who advocates speak to on behalf of a product.

- Honesty of Relationship — you say who you're speaking for
- Honesty of Opinion — you say what you truly believe; you never shill
- Honesty of Identity — you say who you are; you never falsify your identity.

The Golden Rule

This concept is simple and intuitive (as are many areas of social media marketing): put on your consumer hat and do unto others, as a marketer, as you would want done unto you as a consumer.

Consider these four guidelines to maintain transparency and avoid potential ethical issues:

1. If you are being paid in product or other material value by a company or client, make a note of it in your Facebook messages or tweets when writing about or supporting the company.
2. It's OK to ask customers to spread the word about your company, but if you're offering them free products in exchange for their support, you must insist they disclose what they received in any reviews or other material they post about you.
3. If your company or organization is doing something you don't want people to know about, don't think you can cover it up on social networks. Instead, fix the problem.
4. When in doubt, disclose.

Remember, the world is so transparent now that you have to be honest and open from the very start of building your social media platform. ●

Provide Value (Yes, for Free!)

The more valuable content you can share with your fans and followers, the greater the trust and reputation you'll build with them. Share your expertise without expectation or marketing-speak and you'll create an even better name for yourself.

For example, if you represent an accounting firm, write a blog article, such as "Top 10 Tax-Saving Strategies for the Year Ahead" and share it on Facebook and Twitter. While it might be tempting to end the article by saying, "For more tax-saving help, call us," it's better to showcase your expertise without asking for anything in return. If a prospect wants more help, he or she can quickly figure out how to contact you from your website. If you're worried about not having enough to write about, you can always write shorter, more pointed articles instead. A "top 10" post could just as easily be a 10-part series in which you dive a little deeper into each of the top-10 strategies, examples or reasons.

Companies have always sought to provide value for their customers and prospects. They just wanted an immediate return in the form of sales. The challenge on the social Web is to figure out how you can provide valuable content — information, entertainment, and/or applications — without expecting anything back right

away. When you give content away for free, there will invariably be people who don't become your customers anyway. Other prospects will appreciate what you have to offer, share it with their friends and become customers themselves.

Integrate Social Media into the Entire Customer Experience

Social media leveraging is not just marketing or public relations. There is no way to successfully use social media as an organization if you simply silo it to marketing or advertising. In order to optimize the results from your social-media use, you have to integrate understanding and practice across a diverse group of functions and departments in your organization.

If you have a very small operation, you're used to handling many tasks on your own. But assuming you're part of a larger organization, let's review various departments and consider how each one might integrate and encourage social media in order to optimize the customer experience at every corner:

Advertising: Include social media links and value proposition(s) to all customers in all paid linear media.

Marketing: Determine, create, execute and measure promotions, contests, giveaways, other marketing programs and content to be run on Facebook and other social networks.

Public Relations: Listen to customer comments on social networks and blogs and respond in a swift manner. Determine the most influential bloggers and other key customers online and reach out to them to pitch them on participating in programs.

Customer service: Listen to customer complaints and requests across social networks and respond. Encourage customers who reach out via traditional channels to share their feedback publicly on social networks.

Operations: Create and implement social media policy. Ensure that all staff are fluent in understanding company social media links and practices, and that signage, receipts and any other customer touch points include opportunities to interact and share.

Sales: Listen carefully to prospects online as well as major potential partners and distributors. Leverage listening to create best-value propositions. Use LinkedIn and individual Facebook profiles to meet and engage prospects.

Research and development: Listen to your customer sentiment and competitors' customer sentiment in order to design new products. Leverage social networks to survey and ask key questions of your customer base.

Senior management/CEO: Serve as online spokespeople for the brand through Twitter, video and blog. Interact publicly with key partners, stakeholders and media.

Information technology: Ensure that your website is up to date with social links, content, plugins and applications. Ensure that social media data is secure. Manage Facebook applications and any other social media and mobile applications.

Action Items to Leverage Your Mistakes

1. Create a social media crisis plan. What will you do if a customer shares a negative experience on YouTube, a promotion goes awry or a planned communication doesn't go as hoped? Who will respond publicly and how? Who will be ultimately accountable for decisions?
2. Work with your legal and corporate communications teams now to establish some guidelines so that if and when a situation arises, you can quickly respond using humble, personal language.
3. Once you have a plan established, conduct a fire drill or two to see how well your organization responds.
4. Make sure you are listening closely and keeping watch on the online conversation about your company — even on weekends and holidays.

Admit When You Screw Up, Then Leverage Your Mistakes

The best way to tell your consumers that you're sorry is to have the highest-ranking person at your organization, i.e., your CEO, say it online in a short video that addresses the problem and how it's going to be fixed. Having the CEO or a high-level executive speak tells customers that your company is taking the matter seriously.

Responding on video humanizes your company in a way that no press release or letter ever could. And keeping it short and sweet is respectful of your customers' time. Your CEO should be prepared to be as humble and natural as possible.

A Likeable Screw-Up: Gap

In October 2010, clothing retailer Gap Inc. unveiled a new logo. The logo was immediately and almost universally hated by vocal customers across several social media channels. Thousands of people called it ugly, protested the logo and even created fake Twitter accounts poking fun at Gap.

Despite having spent millions of dollars to create printed materials with the new logo, Gap quickly realized its mistake and, within a few days, posted a note on its Facebook page:

OK. We've heard loud and clear that you don't like the new logo. We've learned a lot from the feedback. We only want what's best for the brand and our customers. So instead of crowdsourcing, we're bringing back the Blue Box tonight.

The informal, humble tone of its message told customers that Gap was listening to them and cared about what they had to say. The quick decision might not have been possible from a less flexible, more traditional executive team. But in times of crisis, quick decisions are more essential than ever. The whole incident, while costly, improved Gap's overall reputation and likely saved it from an even costlier mess.

As Long As You Plan for the Unexpected and Can Say You're Sorry ...

Humans have an amazing ability to forgive one another for mistakes and even forgive companies, too (especially when they're reminded that compassionate, understanding and reasonable people are behind the company in question). The challenge as an organization comes only when you're not prepared or are inflexible in your ability to respond when mistakes and crises do emerge. As long as you create a plan in advance, and as long as you're able to publicly, quickly and authentically say you're sorry, you can maintain a strong brand reputation in the face of any social media challenge. ●

Don't Sell! Just Make It Easy and Compelling for Customers to Buy

Facebook and other social networks have grown immensely in a few short years and, by definition, they are primarily social channels, not sales channels. However, *that doesn't mean you can't use Facebook to directly sell, market or grow your business*. It does mean that the expectation most people have when they're on Facebook or another social network is that they are there to socialize and connect with others, not to shop. In order to effectively change a social network into a sales channel, you have to make the buying process as effortless and satisfying as possible. You also have to tread carefully. If you push too hard to market or sell, you will erode the all-important trust and *likeability* you've worked hard to achieve.

Think about a situation like this: If you make it painless and compelling to buy whatever you're offering, then you don't really have to do any selling at all. Selling and marketing are usually disruptive, unwanted experiences, while buying is normally considered a fun, rewarding and sometimes exciting experience. So how can you create social buying opportunities instead of social sales and marketing opportunities?

At Likeable Media, there is a brief set of guidelines suggested to clients using Twitter, based around an acronym for the word "TWEET":

Trust-building: Build relationships

W isdom: Learn from industry leaders and your customers

Ears open: Listen to the conversation

Establish your brand: Create a strong presence

Teach the world about what you do

Of course, there's nothing in this mnemonic device about selling. There's nothing even there about marketing. But if you do a great job listening, learning and building trust with the right people, if you establish your brand with the right fan base, and if you share what it is you and your organization do, you won't have to sell.

Keep on Your Consumer Cap, Think Buying, Not Selling and the Sales Will Come

The days of push-marketing tactics are quickly coming to an end, ushering in better times for consumers everywhere. Always think like your consumer, create buying opportunities that you yourself would want to leverage, and make purchasing simple and easy. Be patient and continue to provide value for your communities. Develop simple, user-friendly opportunities for customers to buy from you wherever and whenever they choose to. The sales *will* come. ●

RECOMMENDED READING LIST

If you liked *Likeable Social Media*, you'll also like:

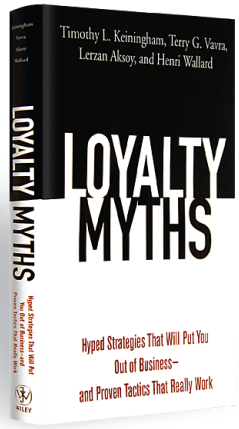
1. ***Enchantment* by Guy Kawasaki.** The one-time Chief Evangelist for Apple offers a jam-packed title full of strategies to amaze your audience and provide an unforgettable experience.
2. ***Real Time Marketing & PR* by David Meerman Scott.** Find out how to act and react flexibly as events occur, position your brand in the always-on world of the Web, and avoid embarrassing mistakes and missteps.
3. ***Shopper Marketing* by Markus Ståhlberg & Ville Maila.** Practical advice from 35 experts regarding shopper needs and trends, retail environments, effective packages and much more.

· Book 54 of 106 ·

Loyalty Myths

Timothy L. Keiningham, Terry G. Vavra, Lerzan Aksoy and Henri Wallard

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Hyped Strategies That Will Put You Out of Business — And Proven Tactics That Really Work

LOYALTY MYTHS

By Timothy L. Keiningham, Terry G. Vavra, Lerzan Aksoy and Henri Wallard

CONTENTS

Loyalty Myths That Subvert Company Goals
Pages 2, 3

Loyalty Myths Contaminating Company Management Practices
Page 4

Loyalty Myths About Customers
Pages 4, 5

Loyalty Myths Concerning Loyalty Programs
Pages 5, 6

Loyalty, Share of Business, And Profitability
Pages 6, 7

Loyalty Myths Regarding Employees
Pages 7, 8

The Right Way to Manage for Customer Loyalty
Page 8

THE SUMMARY IN BRIEF

Many CEOs worldwide cite customer loyalty as their most important strategic objective, spending billions of dollars to hold onto their current customers. Thousands of books and even more articles have been written about customer loyalty and everyone agrees it is vital. But are they right? In this summary, renowned authors from one of the world's premier business research firms reveal the ugly truth about customer loyalty — almost everything you've been told about it is wrong!

To set things straight, this summary critiques 53 of the most common beliefs about customer loyalty and debunks them fully with hard science and even harder data.

The subject of this summary is the evolution of thinking about customer loyalty. The serious reader will have to set aside many of the platitudes he or she has previously learned — they simply don't work in today's marketplace! This summary offers a truer picture of how businesses can leverage customer loyalty to help them survive and succeed.

The pursuit of customer loyalty can be a highly profitable strategy, but not by clinging to the myths that have developed surrounding the idea. Following the conventional wisdom that has been propagated about customer loyalty will almost surely cause firms large and small to suffer, which ultimately means that customers will suffer as well. If loyalty doesn't pay, then firms will have to pursue another strategy or they won't remain competitive. This summary seeks to expose the myths for what they are so that in the end everyone wins — by being good to one another.

In addition, this summary:

- ***Uses real-world examples and the latest facts and figures.***
- ***Smashes the platitudes and the easy assumptions about customer loyalty.***
- ***Offers fact-based methodologies that keep customers coming back.***
- ***Forces company leaders to set aside simple half-truths.***
- ***Shows companies how to leverage their customer loyalty for maximum profit.***
- ***Offers seven truths of customer loyalty to counter the myths.***

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Loyalty Myths That Subvert Company Goals

Customer loyalty as a business strategy is incredibly seductive. It fits perfectly with a sense of justice and fair play. Company leaders want to believe that good behavior leads to good outcomes — simply put, it is good business to be good. And a loyalty metric would seem an objective and perfect fit for such a noble business truism. However, many of the propositions used to create and support today's loyalty strategies just aren't correct. Most are patently false, making their prescriptions financially dangerous.

The difficult truth regarding customer loyalty is that how it links to growth and profitability is far more complex than most managers have been led to believe. A blind pursuit of customer loyalty is at best a case of misallocated resources. But at worst it is a recipe for financial disaster.

By disposing of the myths surrounding loyalty, a proper focus on customer loyalty can be stimulated. Treating customers and employees with decency and respect can pay substantial dividends.

Myth 1: The Number One Goal of Any Firm Should Be Customer Loyalty

In 1960, Theodore Levitt wrote "Marketing Myopia," one of the most widely quoted and reprinted *Harvard Business Review* articles. Levitt insisted, "The organization must learn to think of itself not as producing goods or services but as buying customers, as doing the things that will make people want to do business with it." Without question, Levitt was absolutely correct. The problem is how the misinterpretation of Levitt's maxim has evolved in the modern era, which can loosely be summarized, "Customer loyalty is the number one goal of any firm."

The fundamental purpose of any business is to identify and satisfy customer needs at a profit, an idea Theodore Levitt certainly embraced.

Myth 2: Firms Should Emphasize Retention Efforts Rather Than Acquisition Activities

The underlying logic of this myth rests on the trade-off between the costs of acquiring new customers and the costs of maintaining current ones. Even if the underlying reasoning were correct (which it is not), it is ridiculously simplistic. Attracting and retaining customers are both critical processes. Economic success cannot be achieved by focusing exclusively on customer retention to the detriment of attracting new customers.

Myth 3: Companies Should Strive to Make All of Their Customers Attitudinally and/or Behaviorally Loyal

The fundamental assumption underlying this myth is that all customers are or can be made to be profitable for a firm. An examination of customer profitability invariably reveals that while organizations will always have some highly profitable customers, they are also likely to have some highly unprofitable customers. Clearly, making the majority of customers more loyal is not a wise investment decision for most companies. Instead, managers must make reasoned decisions about which customers truly represent assets to their firm's financial health, and target their loyalty efforts to them.

Myth 4: Companies With More Loyal Customers Will Always Have Higher Market Shares

While it may seem counterintuitive, firms with the highest loyalty levels frequently do not have the highest market shares. Generally, organizations we tend to associate with having fiercely loyal customers represent small-

(continued on page 3)

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Science and Incremental Learning

Scientific discovery — the basis of all true sciences — is based on incremental learning. Hypothesis and theories are forwarded, then tested, subjected to constructive scrutiny, and finally accepted or rejected. Casualties of reputation and pride often get caught up in this cycle. Professionals engaged in the development of a science have to accustom themselves to the inevitability that not all of their hypotheses or ideas will be right. The brightest thinkers of our times have been caught in such fallacious propositions. Theoretical physicist Stephen Hawking once proclaimed that cosmic black holes destroy the information of anything they ingest. Hawking's idea was later proved inaccurate and he admitted it.

Loyalty Myths That Subvert Company Goals

(continued from page 2)

er, exclusive groups: Harley-Davidson owners, Fender Stratocaster owners, Jimmy Buffett fans, and so on. In heterogeneous markets, market share leadership will not typically be addressed with the highest levels of loyalty, as niche players who address the unique needs of smaller segments will naturally enjoy a more loyal following — at the expense of being less attractive to the total market.

Myth 5: Companies Should Seek to Change Switchers Into Loyal Customers

This myth flows from the logic that if customer loyalty drives profitability, then maximizing profits comes from making all customers loyal (Myth 3). As most consumer package goods companies have discovered, the problem with chasing variety-seeking and deal-seeking customers is that it actually deteriorates customer loyalty across the board.

Myth 6: Efforts to Improve Customer-Centric Measures Are Properly Separated From Efforts to Improve Brand-Centric Measures

Research confirms that brand-centric and customer-centric efforts need to be considered jointly. This finding indicates that interaction between the efforts can double the customers' share-of-spending when both are positive or halve it when both are low. This is not easy, but it will reap substantially greater returns from customers.

Myth 7: Retaining 5 Percent More of a Company's Customers Will Increase Profits by 25 to 85 Percent

This myth comes from what many would consider an unimpeachable source: the *Harvard Business Review*. This premise is flawed on three levels: The company needs to be generating relatively small profit percentages to expect such a high percentage increase, the ability to generate further profits by improving retention is highly contingent upon a firm's current retention rate, and this myth implies a disregard of the fact that customer profitability is distributed throughout a firm's customer base. Companies must retain the *right* customers — those in the top 20 percent.

Myth 8: It Costs Five Times More to Acquire a New Customer Than to Retain a Current Customer

While it seems plausible that acquisition costs are significantly higher than retention costs, as with all myths, the reality is far more complex. And while it may serve as a provocative wake-up statement to ensure that management is aware of the importance of retaining customers, supporting any retention strategy based in whole upon this myth is a recipe for financial disappointment.

Myth 9: Companies Should Focus on Their High Share-of-Wallet Customers

The majority of a firm's customers do not produce an acceptable rate of return, with large percentages actually costing the firm money. In many situations, they are not unprofitable because they have a low share of spending with the firm; they are unprofitable because the level of service they demand exceeds their willingness or ability to pay for goods and services in the category. Efforts to get higher wallet shares across the entire customer base are likely to be an exercise in futility.

Myth 10: In Planning for the Future, It's Always Best to Focus on Customers Who Have Contributed the Most to Company Profits

Without question, companies should ensure that their most profitable customers are cherished. Therefore, many loyalty-focused organizations choose to focus loyalty efforts on those customers who have generated the most profits to the firm in the past. In terms of a firm's efforts to profit from customer loyalty, however, this practice doesn't represent the best economic decision. Past profitability ignores both overall spending habits and life changing factors of the buyer.

Myth 11: Service Providers Differ Distinctly From Product Manufacturers in How Loyalty Tools Can Be Effectively Applied

Traditionally, people have dichotomized businesses into products and services. If the firm offered a physical product, it fell into the product sector; otherwise, it was classified as a service. There's just one major flaw with this strict dichotomization. Essentially, all goods have a service component, and all services have some form of tangible representation; there is no such thing as a pure product company. In essence, everything is a service, though it may or may not have a physical product. ■

For additional information on loyalty and corporate goals, go to: http://my.summary.com

Loyalty Myths Contaminating Company Management Practices

Myth 12: Shareholders Manage for Loyalty; The Market Rewards Customer Loyalty

Research shows that CEO compensation and work force reductions are highly correlated. Firms that announce layoffs pay their CEOs more and give them higher raises than firms without at least one layoff announcement in the previous year, and layoffs tend to be associated with higher stock prices. The reason is simple: A firm may be owned by thousands of shareholders but, for most companies, fewer than 100 investors really matter. These investors look for short-term performance, not long-term sustainability.

Myth 13: Most Companies Are Structured to Build Customer Loyalty

Despite the multitude of management buzzwords and organizational theories that have arisen in the modern era, the structure of virtually every business still bears a strong resemblance to those of the early Industrial Revolution. The model is the military, where there is a clear chain of command. Given the 100 years of phenomenal success that the hierarchical corporate model has had, real change is far easier to talk about than to implement. Apparently, the hierarchical model still rules, but the problems of lack of customer focus remain.

Myth 14: Companies Tend to Know Their Customers

Many companies will say, "We know our customers, what they want, and what we need to improve." But the fact is, according to research results, most companies do not actively engage their customers in a dialogue.

Myth 15: Most Companies' Databases Are Adequate for Building Loyalty

Most companies keep terrible records of their customers. Some of the largest firms in the world do not even have a database with the key contact information for their largest customers. The problem is that it is more difficult than promised. It only takes the receipt of a few irrelevant offers for products that customers could not possibly want for them to recognize that, for all the talk of the computer revolution, it hasn't made its way into their relationships with the companies from which they buy.

Myth 16: Companies Are Generally Willing to Address the Needs of Individual Customers

Despite all the talk of one-to-one marketing and customer-centric organizations, most companies are volume-driven entities that struggle with variation. Firms want happy customers and they want to meet their needs, but most want customers to be happy and fulfilled with the products and services that they have offered to the market, as is.

Myth 17: Companies With Continuous Customer Relationships Have an Advantage in Building Loyalty Over Other Companies

If loyal customers tend to have contact with the company more frequently, and long repurchase cycles negatively affect loyalty, then one could reasonably conclude that those firms with continuous relationships have the advantage in terms of building customer loyalty. Unfortunately, it doesn't work like that. Furthermore, long-term, continuous relationships have the potential of growing stale in customers' minds. ■

Loyalty Myths About Customers

Myth 18: Most Customers Want to Be Loyal — Customers Want a Relationship With the Firms With Which They Do Business

The reality is that for some categories and businesses, customers *do* wish to create a relationship with the firm or brand, particularly where there is some importance associated with the decision or for brands that offer considerable cachet. But, for many purchases, consumers primarily want a brand to reduce the costs of their purchase. That doesn't mean a company can't develop a loyal customer base if it is in certain product categories, but it does mean that the intensity of the relationship will largely be dictated by its product category.

Myth 19: It Is in the Customer's Interest to Have Monogamous Relationships With Companies

Many of the reasons for polygamous loyalty are straightforward. Consumers switch brands for a particular purchase when the preferred brand is out of stock, a competing brand offers better value because of a special promotion, different occasions dictate the need for products of differing levels and variety, or novelty is desired. As a result, frequently when customers switch brands they're not rejecting their current brand nor are they lost forever — they are simply acting in their present best interests.

Myth 20: Repeat Purchase Equals Loyalty

Loyalty matters to managers because it affects customers' purchasing behaviors. One mistake that managers frequently make, however, is confusing necessity with loyalty. Too often hostaged customers are read as loyal customers.

Myth 21: A Dissatisfied Customer Will Never Conduct Business With an Offending Firm Again

This myth comes from a seminal study conducted for the U.S. government's White House Office of Consumer

(continued on page 5)

Loyalty Myths About Customers

(continued from page 4)

Affairs, which explicitly stated that "91 percent of dissatisfied customers will never buy from [an] offending company again."

Time really does heal most wounds, and our vehemence about past perceived injustices tends to fade with time. Most people have a deep capacity to forgive and forget.

Myth 22: Once a Loyal Customer, Always a Loyal Customer

The vast majority of loyal customers would not classify themselves as apostles for a company. And, even more unfortunate, while loyal customers are more likely to remain with a firm, once-loyal, lost-customers rarely view themselves as traitors when they switch firms although they may indeed view the firm they've abandoned as having betrayed them. Customer loyalty, unlike loyalty from a pet, must be consistently earned.

Myth 23: Loyalty Declines as More Purchases Are Made

Larger purchase frequency in consumer goods typically means variety seeking, which offers the pleasure of novelty, even if the customer is highly loyal. This, however, does not mean the customer is attitudinally less loyal.

Myth 24: Heavy Users of a Product or Service Are Less Loyal

The reality is that heavy users appear more inclined to care about their relationship with a supplier than light users.

Myth 25: The 50-Plus Age Segment Is More Loyal Than Younger Segments

A large-scale AARP study found that older customers are just as likely to switch brands or experiment with alternative brands as are younger consumers. In other words, as Stephen Frost, research director for AARP Publications, proclaims, "Brand loyalty doesn't increase with age."

Myth 26: Loyal Customers Help Grow a Business Through Positive Word-of-Mouth

The impact of word-of-mouth marketing efforts on customer acquisition is definitely overstated as it applies to most companies. Despite the dramatizations in "slice of life" advertising, people seldom ask one another, "Which toilet paper do you prefer?"

Myth 27: Loyalty Can Be Measured by the Number of Net Promoters a Company Has

The implication that all customer satisfaction and loyalty measurement systems fail to correlate with profits or growth is ridiculous. Many scientific papers link satisfaction and loyalty to financial outcomes for firms. And even if the "net promoter" concept correctly measured a firm's customer loyalty level (which it does not), it doesn't give managers a clue as to what they should do. Only by understanding what actually drives customer loyalty can managers effectively prioritize their improvement efforts, and this requires more diagnostic information from customers than simply their likelihood to recommend a firm to a friend.

Myth 28: Loyal Customers Will Work to Establish a Relationship

The customer is only paying for a solution to his or her problem. Putting too much burden on the customer to enhance the relationship is likely an exercise in futility. And when the rules of loyalty programs are changed, the most likely result will be disillusioned, once-loyal customers. ■

Loyalty Myths Concerning Loyalty Programs

Myth 29: Loyalty Programs Are a Sound Investment

If the only source of information you had on loyalty programs were the sales materials from vendors coordinating such programs, you would be tempted to consider them a fail-safe road to riches. Despite their popularity among chain stores, and quite contrary to popular belief, most loyalty programs actually lose money for their sponsors!

Myth 30: The Tools for Building Loyalty Are Well Understood and Practiced

Designing an effective loyalty program requires that companies deciding to use one must have a model of loyalty among their customers. Most programs directed at engendering high levels of loyalty demonstrate obvious limitations in their understanding of the true meaning of loyalty. Loyalty programs often do not generate increased purchases because most people generally buy only what they need.

Myth 31: Loyalty Can't Be Bought, It Has to Be Earned

The idea that loyalty cannot be bought is really a function of how one defines loyalty. If, as with most consumer packaged goods, loyalty is defined as the share of spending in the category, then not only can loyalty be bought, but frequently is. Loyalty programs may be successful at locking customers into buying cycles, but that doesn't necessarily translate into loyalty.

Myth 32: Frequency of Contact Increases Loyalty

This myth stems from an observed phenomenon, namely, for most business categories, the most loyal customers tend to be the most active customers; loyalty is often correlated with more frequent interactions with the firm. That is why firms have increased loyalty programs such as frequent flier miles. The disappointing

(continued on page 6)

Loyalty Myths Concerning Loyalty Programs

(continued from page 5)

truth is that attitudinal loyalty most often leads to frequent purchasing, not the other way around.

Myth 33: Loyalty Can Be Created Through Economic or Structural Bonds

Behavioral loyalty can be enhanced through economic or structural bonds. That does not mean the customer would not switch if given the opportunity; in fact, he or she may hope for such an opportunity. As many firms in recently deregulated industries throughout the United States and Europe have discovered (for example, telecom and airlines), holding customers hostage doesn't equal customer loyalty.

Myth 34: Loyalty Rewards Programs Will Solve Customer Attrition Problems

Loyalty program providers assume one thing: The firm's product or service doesn't stink. Even if a company assumes that a well-designed and differentiated loyalty program can enhance loyalty, a loyalty program cannot save a bad product. If an airline consistently canceled your flights, would frequent flier miles really matter?

Myth 35: Loyalty Programs Will Attract Customers From Competitors

If a firm were already competitively positioned in its market and if it were somehow the only one in its category to offer a loyalty program, it could probably attract customers. That, however, is not the case in virtually any market on the planet. The proliferation of loyalty programs makes differentiation and, hence, the ability to attract customers from competitors difficult, if not impossible.

Myth 36: The Internet Makes Building Loyalty Much Easier

The Internet can make communication of information between company and customer immediate and, possibly, personal; however, overall it is more likely to weaken customer loyalty. The Internet makes information widely available and, therefore, a comparison of competing goods much easier. The existence of comparison sites such as mysimon.com and bizrate.com greatly enhances customers' ability to acquire perfect product and price information at minimal effort and cost. ■

Loyalty, Share of Business, And Profitability

Myth 37: Long-Term Customers Purchase More

The idea that long-term customers purchase more is a core tenet of the customer retention movement. The notion is that, like a fine cabernet, customers improve with age. But the longer tenure of desired customers could be explained primarily because their counterparts, costly customers, are more likely to frequently switch vendors, thereby shortening their tenure. Therefore, the apparent higher value of customers with longer tenures is really an artifact. Desired customers were spending more from the beginning; their desirability did not improve over time.

Myth 38: Long-Term Customers Are More Desirable Than Short-Term Customers

It is a natural extension of the underlying logic in Myth 37 that, if long-term customers are more desirable than short-term customers because they are believed to purchase more, then long-term customers must be better for business than short-term customers. Given that the foundation of this myth is incorrect, it should not be a surprise that this extension is also false. The problem with this myth is not just that it is wrong, but that it disadvantages strategic decision-making by managers worldwide. Short-term customers may be every bit as important to a firm's success as long-term customers, and sometimes they are the core of a company's current business.

Myth 39: Share-of-Wallet Increases as Customer Lifetimes Increase

Without question, loyal customers do allocate a higher share of their spending with a given company than with its competitors. The problem is the idea that customers allocate greater percentages of their spending with a company over time. Nonsense! The reality is that in many categories, time acts as a detriment to the allocation of spending.

Myth 40: Increasing Customer Share-of-Wallet Is Driven by Increasing Customer Loyalty

Increases in customer loyalty will parallel increases in customers' share-of-wallet. But it is wrong to presume that share-of-wallet increases are driven by increases in customer loyalty. A number of issues affect customers' spending allocation. Increased loyalty is not typically the reason for increased share of spending; price is.

Myth 41: Spending on Customer Service Increases Customer Loyalty

Not necessarily. Spending on customer service can mean many different things. Often, when a company spends to improve service quality, this results in no appreciable benefit. For many business categories, service is not the driver of customer loyalty — product function is.

Myth 42: Loyal Customers Are Less Price Sensitive

Some say that loyal customers "will often pay a premium to continue to do business with you rather than switch to a competitor with whom they are neither familiar nor comfortable." There are probably limited examples where this myth is true, but certainly not "often," unless liberally tempered with the qualifier, "a competitor with whom they are

(continued on page 7)

Loyalty, Share of Business, and Profitability

(continued from page 6)

neither familiar nor comfortable." Loyal customers tend to be more price sensitive. Although they might not switch to an unfamiliar or uncomfortable competitor, it is unlikely that a category would lack a competitor with whom customers were familiar and comfortable given the proclivity of brand polygamy that exists.

Myth 43: Loyal Customers Are Less Expensive to Service Than Nonloyal Customers

While a company may know more about its loyal customers, loyal customers know the firm better as well. As a result, they may be more demanding of the company through better knowledge of the inner workings of the system. This allows them to seek recourse for what they believe to be inadequate treatment, and they are more likely to get perks, which cost money to administer and fulfill.

Myth 44: Loyal Customers Are More Profitable; Loyal Customers Are Always Profitable Customers

Loyalty does not equal profitability. For many companies, the majority of customers who would be considered both attitudinally and behaviorally loyal would not be profitable. That is because customers tend to fall into one of three broad groups: Desired (profitable), Break Even, or Costly (unprofitable). Loyal customers exist within each segment. And, all too frequently, this means that the majority of loyal customers do not produce an acceptable rate of return.

Myth 45: Customer Satisfaction Brings Customer Loyalty

Customer satisfaction and customer loyalty are linked, but the linkage is not straightforward nor linear. Clearly, dissatisfied customers are more likely to defect than are satisfied customers. The problem with the customer satisfaction-customer loyalty link, however, is that most firms do not have a sufficient groundswell of dissatisfied customers to make them notice the severe impact of dissatisfaction. If they did, they would not be in business for long. While customer delight may be a necessary requirement for customer loyalty, it does not guarantee customer loyalty.

Myth 46: Customer Revenue Is a Good Predictor Of Profitability

Most firms treat customer revenue and customer profitability as synonymous. Revenue is a measure of purchase volume and, therefore, correlated to customer loyalty. As a result, firms tend to expend a great deal of effort on their highest-revenue customers. But revenue is typically not a good predictor of profitability. Some of the largest customers are the most unprofitable.

Myth 47: Customer Loyalty Is Easy to Measure

There is no universally agreed-upon definition of loyalty. A common approach is to define loyalty as overall satisfaction with the brand, the likelihood of repurchasing the brand, and the willingness to recommend the brand to others. Customers exhibiting "top-box" scores on those three measures are considered loyal customers. Though used frequently, there are no published, empirical proofs of this system, especially relating scores to actual purchase behavior.

Myth 48: The Concept of Loyalty Is the Same Across Industries and Sectors

Harley-Davidson customers are loyal. Such companies do exist, but the number of categories where people would consider tattooing a brand name onto their arm is quite small. Loyalty to a toothpaste brand is unlikely to result in customers becoming walking billboards. The degree of customers' loyalty is strongly mitigated by the category in which a product competes. ■

Loyalty Myths Regarding Employees

Myth 49: Employee Satisfaction and Customer Loyalty Go Hand-in-Hand

Virtually all of the studies that tested the satisfaction mirror concept have identified some linkage between employee satisfaction and customer satisfaction. The discovered linkages, however, have ranged from negative to positive, and a few studies yielded no correlation at all. Employee satisfaction does not universally nor unambiguously create customer loyalty. The lack of a consistent, positive linkage supporting this myth should not be taken as an invitation to abuse employees or treat them with indifference. Employee dissatisfaction has led to disastrous results for many firms, as Safeway discovered.

Myth 50: Employee Satisfaction Leads to Business Results

There have been many studies done on the relationship between employee satisfaction and business results. Unfortunately, culling through the findings of these studies, looking for relationships between employee morale and standard measures of productivity finds a mixed bag: positive correlations, negative correlations, and a few fail to show any correlation. Firms with satisfied employees can still find themselves losing out to competitors and ultimately going out of business.

Myth 51: Loyal Employees Create Loyal Customers

Employee commitment has been one of the most popular research areas in the fields of industrial psychology and organizational behavior. However, paradoxical as it might seem, researchers in these disciplines have been unable to confirm a relationship between employee commitment and

(continued on page 8)

Loyalty Myths Regarding Employees

(continued from page 7)

business performance. Just as with employee satisfaction research, some studies have been able to show a relationship, while other studies have been unable to establish any.

Myth 52: Employees Are Rewarded for Increasing Customer Loyalty or Creating Loyal Customers

Doing things that might engender customer loyalty in the long term will frequently lose out to efforts to maximize profits (by minimizing costs) in the short term. Employees simply aren't motivated to increase customer loyalty or to create loyal customers. And employers, because of their singular focus on near-term profits, don't generally place a priority on efforts that would help employees increase customer loyalty or create loyal customers.

Myth 53: Empowering Employees Is the Best Way to Create Satisfied, Loyal Customers

An individual employee's happiness is not the overriding objective or concern of any for-profit. If it were, work would be play. Regardless of how much employees enjoy their jobs, most workers would do something else were they to suddenly find themselves wealthy. ■

The Right Way to Manage for Customer Loyalty

Without question, it is possible to make money, at least in the short term, by focusing on cost reduction and ignoring customer loyalty. And, unfortunately, there is no guarantee that focusing on strengthening customer loyalty is a long-term strategy. Even if an executive is sold on customer loyalty as a long-term strategy, he or she may still lose money if a strategy is based on a naive reliance on one or more of the loyalty myths. But when a customer loyalty strategy is based on sound foundations, building customer loyalty can be a very profitable business strategy.

The science associated with customer loyalty as a business strategy is relatively new and rapidly evolving. Our current knowledge has advanced to the point of finding flaws in the conventional positions — the myths. We can use the evolving science to demonstrate and prove the "loyalty truths" that are associated with profitable customer loyalty strategies. To dismiss loyalty as a viable strategy because of the fallacious myths associated with it is to throw the baby out with the bath water.

Here are the seven truths of customer loyalty:

1. Don't manage for customer retention before you manage for customer selection.

2. Customer loyalty takes more time to grow than most management teams have to give; planning and patience are required.

3. Focus on customers' share-of-wallet. Don't disregard those customers with current low shares; customer polygamy is the rule these days. But don't accept your current share. Learn how to improve your share of your customers' loyalty.

4. Loyalty requires mutually beneficial interactions; most loyalty programs are tilted in the company's favor.

5. The chain of events from loyalty to profits is twisted and complex. Learn the specific response patterns of your customers and your industry.

6. Satisfied and loyal employees can make a difference, but customer satisfaction and loyalty can and often do happen in the absence of employee satisfaction and loyalty.

7. Customer loyalty and brand imagery are far from independent; you must manage them hand-in-hand.

Customer loyalty is not dead. Unfortunately, neither are badly managed loyalty initiatives. You have to give the customer a reason to believe your firm deserves his or her loyalty. It is also important to remember that firms operate now in one of the most competitive markets in history. This means that offers and actions that once delighted customers will one day become what customers expect. Such is the demanding nature of competition.

The tools to enhance customer loyalty will continue to evolve, just as customers' expectations of what organizations should do to deserve their loyalty will change. Remain open to evolving approaches and stay mindful of the obligation to monitor customers' behavior as the result of each new loyalty endeavor. Such fact-finding becomes critical when upper management begins asking tough questions about the apparent unresponsiveness of a brand's customer franchise to a loyalty program. It's defensive, but it's also just good, plain, common sense to track what a company gets back from its loyalty initiatives. Each dollar appropriately invested in nurturing customer loyalty will pay substantial rewards in the future. ■

For additional information on the five steps to an effective loyalty program, go to: http://my.summary.com

SOUNDVIEW RECOMMENDED READING LIST

If you liked *Loyalty Myths*, you'll also like:

1. ***Scoring Points*** **by Clive Humby and Terry Hunt with Tim Phillips.** The authors explain how Tesco went from being just one of three grocery chains in Great Britain to the undisputed leader.
2. ***Improving Customer Satisfaction, Loyalty, and Profit*** **by Michael D. Johnson and Anders Gustafsson.** The authors offer a detailed five-step process for developing an integrated customer measurement and management system.
3. ***The Loyalty Effect*** **by Frederick F. Reichheld.** Reichheld explains how the loyalty of customers, employees and investors can combine to create companies with miraculous levels of cash flow.
4. ***Loyalty Rules!*** **by Frederick F. Reichheld.** Reichheld follows up *The Loyalty Effect* with a how-to on turning your company into a loyalty leader.
5. ***Up the Loyalty Ladder*** **by Murray Raphel and Neil Raphel.** The Raphels show you how to turn prospects into customers and eventually into advocates of your business.

· Book 55 of 106 ·

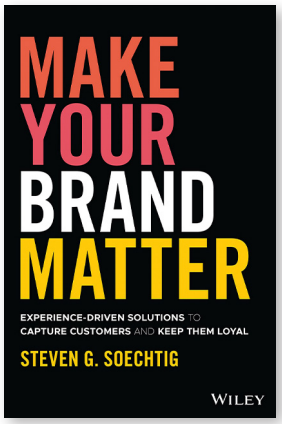
Make Your Brand Matter

Steven G. Soechtig

soundview Executive Book Summaries®

Make Your Brand Matter

Experience-Driven Solutions to Capture Customers and Keep Them Loyal



by **Steven G. Soechtig**

Contents

Emerging from the Digital Transformation Era
Page 2

Believing in Your Brand and Redefining Your Strategy
Page 2

Selling Experiences, Not Products
Page 3

Time is the New Currency
Page 4

Humanizing the Experience
Page 5

Connecting Your Customer with Your Cause
Page 6

Conclusion
Page 6

THE SUMMARY IN BRIEF

As we all know, the world changed with the Internet. Branding was no longer defined by the tag line. Capturing the attention of the consumer, and the business buyer, became significantly harder, bringing new channels, content courses, and buying behaviors that brands needed to understand. Then the smartphone came along and opened up remarkable new opportunities for businesses to build omnichannel engagement and connection strategies. This evolution and the shift in strategy that this technological revolution drove constitute the digital transformation era. Top performing brands are now emerging into the post-digital transformation era, leveraging their experience to shift from establishing their brand through messaging to establishing it through experience.

In ***Make Your Brand Matter: Experience-Driven Solutions to Capture Customers and Keep Them Loyal***, author and brand expert Steven G. Soechtig uses detailed breakdowns of the journeys and strategies that top-performing brands have employed to illustrate what your brand can do to drive success in this new era. The lessons contained within will better prepare your brand to gain, retain, and strengthen the relationship you have with your customers.

IN THIS SUMMARY, YOU WILL LEARN:

- How to believe in your brand and redefine your strategy
- Lessons for selling experiences, not products
- How to collapse time for your customers to drive your brand forward
- The importance of humanizing the experience

Emerging from the Digital Transformation Era

It's clear that we have entered an era beyond Digital Transformation. Outside of, perhaps, a remote yurt-based hospitality venture on the northern tip of Greenland, every brand has adopted digital engagement capability at some point in their customer journey, at some point in their employee enablement, and at some stage of their back-office process automation.

Most have adopted the fundamentals, and several have redefined their models to embrace the seismic shift in thinking over the past quarter century. These brands will be not only viable but successful as we look forward to the next 25 years.

More importantly, digital capabilities have become somewhat invisible. We can all recognize this in our daily lives. With the exception of truly forward-thinking and novel capabilities, we no longer notice digital capabilities; we expect them. If an experience isn't intuitive, seamless, and responsive, we have become conditioned to abandon the experience and look elsewhere.

The consumer no longer views the brand negatively–they simply move on and develop instant affinity for another brand. This phenomenon isn't unique and exclusive to consumer brands. Business buyers and employees alike expect a full complement of digital capabilities.

Given this fundamental change in expectation and perception, we can now declare the end of the digital transformation era. We've entered the post-digital transformation era, and brands, marketers, sellers, services, and employers must respond accordingly to capture and retain the attention and loyalty of the modern customer.

Believing in Your Brand and Redefining Your Strategy

The market will evaluate a brand across the entirety of the experience continuum, and unless every stage of the experience is aligned to the brand proposition, the one weak point in the experience chain will break the perception and lead to defection.

A perfect example of this is Starbucks, which creates a consistent experience from store to store that caters to the local and the traveler alike, bringing with it a sense of belonging, of community, and of serenity.

What has made Starbucks a success story is their continuous focus on digital transformation and the opportunities that data and interactivity provide to improve the experience that every patron receives.

After the 2008 recession, an internal incubator for digital technology was put together as part of the company's turnaround plan, which led to the launch of the first Starbucks mobile app in 2009. It leveraged an essential pillar of their brand experience strategy, convenience, to bring coffee ordering to a previously unimagined level.

The MyStarbucks app not only provided conveniences for the consumer, however. It also provided a wealth of data for Starbucks. They began tracking the buying habits of the consumer and, by encouraging the individual to fill out a profile with basic information, could start to create customer profiles and personas that would ultimately guide decisions from store locations to menus to in-store operations.

By the end of 2013, the stock had recovered all of its earlier losses and then some. They continue to drive growth and retain their dominance in the market, even during the COVID shutdown period when their business model should have absolutely cratered.

There are three critical lessons that can be learned from the Starbucks' story that will improve your brand experience and your connection to the customer. All three reinforce the importance of focus and dedication to the brand.

First, continuously validate your brand proposition and validate that your experiences, across every stage of the customer journey, reflect that proposition. Regardless of how strong the brand and experience strategy, and how clearly the team articulates that strategy, there's always a risk that the focus on that strategy is lower at the point of customer contact. For those brands that have a physical experience, it's equally critical to frequently visit those locations. Brand leaders should observe, visit, and talk to customers and employees, identifying opportunities for improvement and alignment.

Second, don't assume that digital enablement will hide a poor experience. Focus on the brand-experience alignment described earlier and recognize that digital platforms and technologies are an enabler.

Third, ensure your employees embrace your brand promise, as employees are the ultimate presentation of your experience. Getting employees to the point where they wholly un-

This shift to an experience-led, digitally enabled strategy is paying dividends for all brands.

derstand and reflect the brand takes focus and investment, beginning with an understanding of the brand experience strategy and then instilling the value of that strategy. Employees need to feel that they are part of something bigger, they need to feel that they are making a positive difference, and they need to be rewarded for exceptional performance.

Selling Experiences, Not Products

The challenge of branding has accelerated due to the shift in control away from the brand to the individual. Whereas, before, the brand and the channel controlled the narrative and the style of communication, now the individual has the ability to bounce between sites, between channels, and between feeds with a click.

The emerging generations are not emotionally triggered by the products, or even the brands, themselves. They are drawn to the experience of interacting with the brand, and the emotional response that the brand's experience evokes within them.

The well-known and admired global athletic brand, Nike, helps put a finer point on this. Nike followed similar strategies, transitioning from product focus to experience focus to remain relevant and dominant through the digital transformation era and into today's post-digital transformation time.

In the early days of their history, Nike built their brand on the concept of innovation and performance, tying themselves to great athletic performances and the contribution that the shoes had to the athlete's achievement. It was a brilliant and highly successful brand positioning platform. So as they moved toward the digital transformation era, Nike was in a good position.

They had a sound brand strategy, they had loyal followership, and they had innovative products. However, like many brands, they experienced a decline in business as the market began to change and commoditize. A contributor to the decline was the proliferation of brand messages, information, and options available to consumers through these newly emergent digital channels.

Nike recognized the need to redefine their brand strategy and shift to a model that emphasized the experience and not the product. The product, including shoes and other apparel, became the access point to the experience or the output of the experience, but no longer was the driver of engagement and growth.

Nike pivoted from product to experience through a series of digital solutions that addressed the ultimate need of its buyers: Get active, stay active, and perform at their highest level of athletic ability, regardless of sport or activity. Creating the fitness experience for Nike began by creating a community. Nike established an online presence early in 1996 and fast followed that launch with the rollout of their first commerce site in 1999.

They were early entrants to social media platforms as well, participating in some of the first online communities dedicated to topics of fitness and sports. In 2006, Nike launched its Joga campaign in parallel with the FIFA World Cup that year. It enabled users to create their own profiles, pick favorite players, choose teams and pitches, post their own photos and videos, and form global social networks with others to share, debate, and celebrate the heart and soul of football.

The brilliance of the strategy was that it in no way focuses on or emphasizes the Nike products. Instead, it creates an emotional connection with the consumer based on their passion for football. The experience was overtaking the product, and it naturally led to loyalty for the brand and its products through that experience. Even more cleverly, the initial rollout was available by invitation only, which created a sense of exclusivity.

As the digital transformation era evolved and social communities turned a bit stale, Nike continued to evolve and adjust in response. Nike recognized that as the digital transformation wave was starting to crest, consumers were shifting back to a desire for physical experience but one that included digital enablement and integration.

In response to this realization, in 2016, Nike made yet another splash by opening its flagship experience store in New York's Soho district. This was omnichannel experience at

a completely different level and as a result, the Nike brand continued to grow followership and loyalty, and Nike's revenues continued to increase.

This shift to an experience-led, digitally enabled strategy is paying dividends for all brands. A fluid mix of physical and digital components are designed to engage and delight the customer while meeting both known and unmet needs. Financial services brands, hospitality brands, manufacturing brands, all industries–need to embrace this strategy in order to retain the attention and commitment of their customer base.

There are three critical lessons we can learn from the Nike story that apply to all brand experiences looking to increase sales, engagement, and volume.

First, it's critical to understand who the customer is and what matters to the customer. When experiences are directed at both needs and emotional triggers, the effect on the customer and their progression through the journey accelerates dramatically. Your brand needs a conduit with your customer, through communities, social media platforms, surveys, and data, to learn what's most important to them.

Second, personalization is key, as it creates an emotional connection that far transcends the emotion generated by the product itself. There are several opportunities for brands to create emotion-evoking personalization, and it should be a priority to find the opportunity unique to each brand.

Third, leverage digital and data not in isolation, but as part of an integrated omnichannel strategy. Digital should enhance and compliment the physical experience, not replace it. The key is that the digital experience is so seamless and deeply integrated that it is invisible.

Time is the New Currency

The advent of digital introduced a new concept that has taken hold and become a critical value–the idea of collapsing time. As members of the modern society, we often talk about how there aren't enough hours in the day, how we never have time for desired activities, how we don't have time to think.

This need to be more efficient, to fit in more activity, and ultimately generate more output, in the same number of hours has been the primary driver of innovation. Every digital tool has been designed to collapse time in some form, even if it's not the primary value proposition. Consumers and business customers alike will pay a premium to gain back time, whether that premium be in hard currency or in loyalty to the brand.

The evolution of commerce, be it the purchase of a physical product, subscription to a service, or engagement for a specific purpose, has now become a fully automated and seamless experience, with functional elements such as transparency, proactive notifications, preemptive processing, and location-based decisioning all helping to collapse time and benefit the customer. Amazon has embraced the idea of giving time back to the customer, focused on digital transformation and physical-digital multichannel optimization, and realized enormous returns as a result.

From the beginning, Bezos recognized the importance of convenience and the criticality of collapsing time. Early screenshots of the Amazon.com experience show content that emphasizes the value of Amazon's personal recommendations. Amazon.com was also one of the first sites to incorporate product search into the home page, so that all you needed to do was type in a title or an author and you'd get a short list of options that likely included what you were looking for. That was revolutionary technology at the time.

Bezos' vision extended far beyond books, remaining grounded on the idea of convenience and time savings in these early days. Amazon launched their Associates program, which allowed other retailers to market and sell their products on Amazon.com and it was an instant success. Amazon's Associates program allowed people to search one URL and find multiple products beyond books.

Amazon was relentless in its focus on saving time and introducing conveniences. In 1999, they introduced the idea of one-click purchasing, allowing customers to enter and save their shipping and payment information for future purchase.

This, together with the Amazon account data collected during account creation, allowed Amazon to start collecting browsing and purchasing habits, using the data to create a more personalized, convenient, and streamlined shopping experience. They set the standard for every other commerce experience, and differentiated their brand by collapsing time.

Their continued use of data to personalize the experience and anticipate needs are truly notable and established a standard of expectation that has penetrated the consciousness of today's generations.

As we move further into the 2020 decade, the value of time is set to increase further, and savvy brands will cash in on this trend.

There are four critical lessons we can learn from Amazon as you consider your brand experience strategy for the post-digital transformation era.

The first lesson is to continuously recognize and explore the opportunities to collapse time. Real value is generated when you think more innovatively about how to collapse time at every stage of the customer journey. Decompose every stage in the customer journey, from initial awareness through to loyalty, and evaluate how data can be used to personalize and streamline the experience.

Second, be transparent with the use of data. While you need to collect and leverage it, don't hide the fact that, as a brand, you're leveraging data to improve the experience. Establish a value construct with the customer, using time as a key component of value, which encourages customers to agree to share their information.

Third, extend the convenience to omnichannel, if physical experiences are part of your customer journey. Whether it is driven by the desire for social interaction that was highlighted during the years of the COVID pandemic lockdowns–the need to see, smell, and touch the products being evaluated, or the desire to have a complex, multidimensional evaluative conversation with an expert–generations are rediscovering the physical world, but they're doing it in different ways than before.

Finally, don't hesitate to trade time for money. The convenience of collapsed time within a brand experience drives more than just engagement and loyalty. People are willing to spend more to gain time back. As we move further into the 2020 decade, the value of time is set to increase further, and savvy brands will cash in on this trend.

Humanizing the Experience

There are many examples of brands that have recognized the unmet human need in the market, leveraging that understanding to capture outsized market share. Perhaps most notable in recent history is Apple, which as of the start of 2022 is the largest company when measured by market capitalization. In fact, their market share surpasses the second largest company by over $500 billion. That's a remarkable lead.

Apple reached this milestone by focusing on the human need–experience opportunity in every stage of growth and evolution.. They were, arguably, the first company to mix fashion and technology, addressing the human need to appear distinctive and fashion forward, which caused people to desire the product even during periods when quality was relatively low and the price point was high. Apple also built emotional excitement, sense of want, thorough experiential panache, and unending confidence, drawing on the same societal desire to be unique and part of the latest buzzworthy trend.

Apple established an experience that did more than express nonconformity–it expressed superiority, exclusivity, and, generally, a coolness factor that the PC industry, and eventually the smartphone and smartwatch industry, have been unable to match.

This continues to be a human need that is addressed each time you visit the Apple Store today, one of the few retail formats that still draws people in, and often maintains a line of people waiting to attend. People want to be part of the sleek, modern experience populated with "geniuses," with products on display and available for exploration, and with associates walking around in black T-shirts and jeans. People want to be part of the environment and that experience.

There are five lessons that can be leveraged as you work to develop your human need-experience strategy.

First and foremost, it's critical to develop an understanding of your brand's target population and addressable market. Then you can separate members of this market into segments, with associated personas, that can be evaluated against your brand and product strategy. This allows your brand to focus its humanization efforts against these personas and their specific emotional triggers.

Second, it's important to map the entirety of the customer experience, recognizing that in the post-digital transfor-

mation era, the journey may not be linear. Customers will engage with the brand through a range of paths, equipped with information and a perspective that is already establishing their perception of your brand. It's critical to recognize the in-and-out nature of customer engagement today.

Third, use common design patterns and interaction models that are standard on digital platforms. It's critical to retain a distinct and unique identity and personalization for the experience to effectively define your brand position, but the tone and style can be unique even with fundamental methods of interaction that are commonplace.

Fourth, don't forget about the value of data. For now, data needs to replace human intuition, and analytics, enhanced by artificial intelligence, can help to profile the customer, anticipate the need, and tailor the interaction to make it even more natural.

Finally, don't lose sight of the overall brand strategy and how it aligns with experience strategy over time. There are many examples of brands that did a complete overhaul of their digital experience to reflect modern functionality or design standards, but in doing so, lost the style, tone, and visualization of the brand. It is jarring and frustrating to the customer if the voice and style completely shifts.

Connecting Your Customer with Your Cause

One of the most significant shifts in modern brand management has been the adoption and emphasis of corporate social responsibility. Brands today recognize that the modern consumer demands to know what the company stands for and how they articulate those values.

That has expanded to become an expectation that the brand is contributing to the betterment of society in some way, and customers look for transparency in action.

One example is The Body Shop, which from its founding in the U.K. in 1975 proudly declared that they do not test cosmetic products on animals, declaring it unethical. They went one to champion many animal protection causes worldwide, working with PETA, the RSPCA, and other worldwide organizations to promote a "more humane lifestyle" and champion the cause of not testing cosmetics on animals as a platform against animal cruelty more broadly.

They truly led from the front in terms of building a company, and a brand, around a cause, and they continue to support this cause 50 years later.

The 2020s could be described as a time of alignment. Consumers today are looking to engage with brands, across industries and geographies, that express a vision and purpose that is meaningful to them.

In many ways, the customer relationship has shifted away from an emotional connection to the brand itself and toward an emotional connection with the brand's social cause. The shift has been dramatic and noticeable. According to a 2019 Aflac study, 77% of consumers are motivated to purchase from companies committed to making the world better.

Conclusion

In today's post-digital transformation era, it is important for your brand to define and articulate what your brand stands for in the world and how the brand is making a positive impact in the world in some way, shape, or form, but at the same time, this needs to be a cause that the company will embrace.

If your company only articulates the narrative and doesn't back it up with clear action, the power of social media and other real-time communication channels will expose the brand.

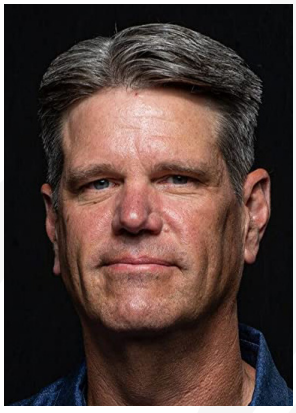
Make Your Brand Matter covers strategies that brands can employ to capture customer attention, drive customer commitment, and, ultimately, foster customer loyalty through experience strategies.

In this new post-digital transformation era, when it's impossible to predict when and how the customer will engage with your brand, adopting these strategies will likely have a positive effect on your marketing and sales key performance indicators (KPIs) across the customer funnel, engaging more customers to transact and commit, and, once converted, inspire those customers to both return to the brand and advocate for the brand in public forums.

The key is to recognize that your brand experience can never be static, as the moment you stop evolving your experiences, your brand starts descending into antiquity and irrelevance. Your market and your customer will continuously evolve, and the approaches and technology that they use to engage with you will continue to improve.

The pace of change that we experienced during the digital

transformation age will likely feel slow in comparison with what is coming in this newly emerging post-digital transformation age, and those brands that continue to evolve their experiences in response to the market, while remaining true to the brand's purpose, vision, and voice will emerge from this era stronger than ever.



Steven Soechtig currently serves as the Global CEO of Ogilvy Experience. He has worked at the intersection of brand and experience for over 20 years. At the start of the digital era, Steve was part of a small team that launched the digital agency Roundarch, which addressed the earliest questions around the impact of digital on brand and experience. Steve has also helped launch and lead two other software startups, Orchestria and Abiquo, and has served in leadership positions at Deloitte Digital and McKinsey & Company.

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· Book 56 of 106 ·

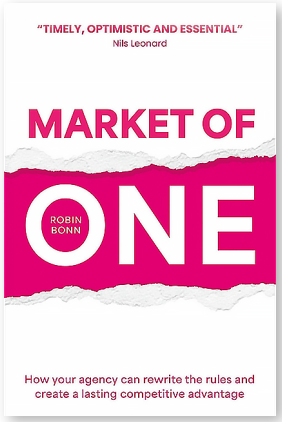
Market of One

Robin Bonn

Executive Book Summaries®

Market of One

How your agency can rewrite the rules and create a lasting competitive advantage



by **Robin Bonn**

Contents

Beyond the Oversupply Myth
Page 2

The Big Grind
Page 3

Six Reframes for Modern Leaders
Page 4

Your Recipe for Competitive Advantage
Page 5

Define Your Dream
Page 6

Walk the Walk
Page 7

Address the Hurdles
Page 8

THE SUMMARY IN BRIEF

For too many leaders, running an agency has become an unforgiving grind. In recent decades, the agency market has grown crowded with lookalikes, where even agencies that are objectively better struggle to cut through the noise, and are faced with slower growth, thinner profits and teams that are harder to hire, retain, and motivate.

In ***Market of One: How your agency can rewrite the rules and create a lasting competitive advantage***, Robin Bonn offers a bold roadmap for agency leaders who want to escape the trap of sameness. Rather than competing on price or clinging to outdated "best practices," Bonn argues that the key is to design your own Market of One: a differentiated position that inspires teams, attracts better clients, and drives profitable growth.

Blending candid truths with practical steps, Bonn provides a manifesto and how-to guide for leaders at any stage. Drawing on decades of experience repositioning agencies worldwide, he shows how to regain traction, embrace change, and build the agency you've always wanted to run.

IN THIS EXECUTIVE BOOK SUMMARY:

- Understand why competing on services alone leads to stagnation and burnout.
- Learn how to break free from conventional "best practice" in positioning, culture, sales, and pricing.
- Get introduced to the five principles for creating a differentiated Market of One.
- Find out a series of practical steps to make your agency's unique value real and credible.

INTRODUCTION: The Promise

Running an agency can be joyful, fulfilling and lucrative. But for too many leaders it's become an unforgiving grind.

This has to change.

In recent decades, the agency market has become a crowd of lookalikes. Trading on services is no longer a viable means of differentiation. And even if your agency is objectively better, your statements of quality are lost in the noise of lesser voices claiming the same.

At the same time, agencies are running lean and being compelled to do more for less. You're also facing in-housing, fewer retained relationships, shorter client tenures and more frequent repitches. And now Artificial Intelligence is automating vast swathes of billable hours.

In this context, only the very best maintain an upward trajectory. The undifferentiated majority are wrestling with slow top-line growth, depressed profits and a stifling inability to hire, retain and motivate great people.

Change is in your hands

Whether your business identifies as an agency, a consultancy, a studio or something else, your various trade bodies and industry communities can only help so much. Real change comes from within.

Keep in mind:

The agency market isn't oversupplied, it's just under-differentiated.

This reframe illuminates the road ahead. Just because there are countless agencies doesn't mean you can't stand out. And once your ideal clients see you as meaningfully different, everything changes. You earn the right to sell differently, which creates the opportunity for you to price differently and transform your commercial performance.

Owning your Market of One

To thrive in this densely-packed market and consistently sell your work at a premium, your only option is to harness what makes you genuinely different. Uniqueness is absolutely possible – but only once you know what to look for.

By combining your experience, culture and beliefs, you can design a unique offering that your competitors simply cannot match. This sets you apart in a space that you can truly own.

This is your 'Market of One'.

To create this modern, industrial-grade differentiation, you can't rely on a pithy strapline. Creating your Market of One isn't about packaging – it's your business strategy. You need to carefully design your agency as a robust solution to your ideal client's most pressing problem.

PART ONE: Adapt or die

Chapter 1: Beyond the Oversupply Myth

Which agency is the best of the best right now? In any given discipline or region, there's always at least one, but rarely more than two or three. This is the agency who can apparently do no wrong. They win more clients. They get the best briefs. Their work is consistently impressive and they're growing like crazy, even if everyone else seems to be wading through treacle. It's like they're playing to a different set of rules.

But no-one actually knows what the best agencies are doing differently. And therein lies the point. If you run an agency and don't have a robust and tailored plan for success, then you won't get close to your potential. So where should you start?

Your market's not oversupplied

When it comes to agency growth, the biggest game-changer is available to everyone – it's your mindset. Far from being oversupplied, the agency market is actually just under-differentiated. Recognizing this distinction is fundamental to your success.

As long as you believe that your market is oversupplied, you're taking your clients at face value when they tell you they can get exactly what you offer from any number of alternative shops – all of whom, they say will gladly offer it for less.

This 'supplier conditioning' is a deliberate weakening of your negotiating position. And it's not limited to pricing conversations – all aspects of your client relationships are fair game. All these tactics are designed to exploit your neediness, and the more uncertain they make you, the more pliable you become.

Because the Oversupply Myth is just propaganda, its impact relies on your unquestioning consent. And that means you have a choice. If you're a fan of the movie *The Matrix*, this is the classic 'red pill or blue pill' moment.

Being in a Market of One means becoming the obvious choice for certain clients when they're facing a certain challenge. You're the leader in a category defined by your own expertise.

Taking the blue pill sustains the status quo. If you believe that your agency offers only what others can, then you're implicitly committing to commoditization. To be clear, being a commodity means being indistinguishable other than by price. You're cultivating a passive mindset where life happens to you, not for you. Such is the negative impact of the Oversupply Myth.

Choosing the truth – the red pill – takes you to a different future. Instead of languishing as one of many, what if you could own your category? This is entirely achievable. Everything changes once you're seen as genuinely different. Winning great clients becomes easier, you're able to charge what you're worth and amazing talent forms an orderly queue at your door.

What is a Market of One?

You can reject powerless commoditization by creating your own Market of One. Being in a Market of One means becoming the obvious choice for certain clients when they're facing a certain challenge. You're the leader in a category defined by your own expertise.

You become the *obvious* choice when what you offer is unique. Your competitors probably have the same *capabilities*, but applying your experience, culture and beliefs is what makes your agency tangibly different for the clients that matter. In short, you have a clear and lasting competitive advantage.

In his 1980 book, *Competitive Strategy*, revered author and Harvard Business School professor Michael Porter described how companies can differentiate themselves on what their customers value, or by choosing to focus on selected market segments.

Another valuable reference point is the 'resource-based view' (RBV) of company attributes, as popularized by Jay Barney's 1991 article, *Firm Resources and Sustained Competitive Advantage.* This is about utilizing the capabilities, competencies and assets most likely to deliver a competitive advantage, as per the so-called 'VRIN' model:

- **Valuable:** Solving specific problems
- **Rare:** Bringing unique perspectives and experience
- **Inimitable:** Building on authentic beliefs
- **Non-substitutable:** Delivering outcomes that others can't.

By combining highly focused differentiation, a discrete target audience and the application of your unique qualities, you can create a Market of One.

Create a virtuous circle

You'll know you're thriving in your Market of One when you consistently achieve the results that you want, you regularly outperform your competitors, and your points of difference are impossible for other agencies to copy. Here are the characteristics to cultivate:

- **Client impact:** When you describe what you offer, clients lean in.
- **New-business:** You have more leads, win more often and convert opportunities faster.
- **Profit:** You charge what you're worth and operate more efficiently.
- **Talent:** Great people are easier to find and retain.
- **Clarity:** Everyone knows who you are and what you stand for.
- **Alignment:** Your leadership team is on the same page.
- **Confidence:** As an organization, you're aware of the value of your expertise.
- **Work:** With top talent, a strong culture and trusted client relationships, you can focus more on your work, and approach it with greater clarity and belief.

Wherever you're at, know that everything you see here is within reach. Being in a Market of One creates a virtuous circle where each of these benefits supports the others.

Chapter 2: The Big Grind

Running an agency can sometimes feel like you're stuck in a hamster wheel. It's relentless, thankless, and often joyless. I call it the 'Big Grind'.

And even if this picture is only partially true for you, let it serve as a warning. Without action, it's a remarkably common fate – and one that often stealthily creeps up on you.

Symptoms of oversupply

1. Top-line growth is just too slow
2. Profit – agencies just aren't making enough money
3. Struggling to attract and retain the best talent

These overlapping issues exacerbate one another. Far from a virtuous circle, agencies are stuck in a vicious cycle. This dynamic sustains frustration, exhaustion and a long-term lack of fulfilment.

Let's apply the 'smiling curve' diagram to agencies by comparing how client value perception and agency revenue track over the course of a typical campaign or project life cycle.

The client's perceived value of your work is highest at the outset, when strategy and concepts are developed. It then dips in the middle during implementation, before increasing again for measurement and optimization. Over the same time frame, the agency revenue curve is the exact reverse. You make money on the hard yards in the middle, but struggle to monetize your thinking at the start or your analysis at the end. As a high-level illustration of what's perpetuating the Big Grind, this mismatch of value and revenue offers a salutary lesson.

The lack of commerciality

Digging deeper, we find an absence of commercially minded behaviors. There are three common symptoms here:

1. The leaky bucket

Agencies have a real issue with clients leaving faster than they're replaced – it's the classic 'leaky bucket'. Many decades ago, account tenures were long, so client departures were rare. No wonder the exciting new world of new-business became so seductive. After decades of this conditioning, agencies now have a dangerously unbalanced approach to growth. Your investment – and the energy of your best people – consistently flows more towards client acquisition than client success.

2. Amateur selling

The more desperate your agency becomes, the more it poisons our sales cycle from start to finish. Starting with lead generation, such is your lack of standout, the scattershot hit-and-miss approach is pure pain. Jelly is thrown at walls, client inboxes are bombarded and your pipeline is fluffed up with stagnant non-starters.

3. The Partnership Delusion

The third painful symptom of commoditization is a collective mindset I call the 'Partnership Delusion'. It's a shared fever dream that agencies somehow remain genuine partners to their clients. As much as agencies talk about 'partnership', it's become largely aspirational. Genuine partners share the risk. They have each other's back. There's give and take, and they're in it together – whether 'it' is the *good* kind or the *steaming* kind. This is a million miles from the prevailing client–agency dynamic.

If you're thinking that all this is beyond your control because clients hold all the cards, then you're walking proof of the Partnership Delusion. Just because clients are the ones with the money, that doesn't mean they're in charge. Ultimately, the absence of genuine partnership is down to you as a leader. Amateur selling sets the expectation that you're a commodity. Then the Partnership Delusion enshrines that perception as fact. This is not the route back to trusted advisor status.

Chapter 3: Six Reframes for Modern Leaders

To reject the Big Grind, you need to replace self-commoditizing conditioning with something altogether more empowering.

Start by understanding how many agency 'best practices' that go unchallenged sustain the Oversupply Myth. By setting your compass based on dodgy collective wisdom, you're making it easy for clients to undermine your confidence.

So here are six essential reframes. Each one moves you closer to a more abundant mindset and a more profitable business.

Reframe 1: Chasing every client doesn't drive growth

If you want to create a Market of One, you have to be more discerning about which clients are right for you, as well as those that aren't. Culturally, commercially and strategically, winning the wrong client will cost you more than losing the right one. Here's one simple phrase to etch inside your eyelids: 'we're not for everyone'. Once this sentiment is enshrined in you and your agency, then the sky's the limit.

Reframe 2: Being distinctive' won't make you stand out

Agencies often assume they can stand out by making a few high-level claims. But that's just surface-level distinctiveness. Deep differentiation is a very different beast. It's a lasting

Choosing difference over distinctiveness means changing your relationship with the notion of 'specialization'. Specialization is just the specific application of expertise. So until you specialize in something, then you don't have a business strategy at all.

competitive advantage. It's clear, clients notice it and it can't be recreated by any competitor with a thesaurus. Depth of difference is how smart agencies grow.

Reframe 3: To 'specialize' isn't limiting, it's essential

Choosing difference over distinctiveness means changing your relationship with the notion of 'specialization'. Specialization is just the specific application of expertise. So until you specialize in something, then you don't have a business strategy at all. There's really no reason to limit yourself to a single sector or discipline unless you want to. This broader view opens up a world of possibility for ownable differentiation. In fact, once you specialize in a specific client mindset, problem or use case, your options become almost unlimited.

Reframe 4: People don't buy from people

Burdened by your agency being one of many, you're probably deeply conditioned to trade on rapport over substance. In new-business, you worship the false god of 'chemistry' because you believe it's the only thing that makes you different. Once you've specialized intelligently, you can enter every client meeting with the confidence that your agency is unique. This makes a dramatic difference to how you're perceived. The reframe here is that people don't just buy from people – they buy from experts.

Reframe 5: Saying 'no' isn't just about pitch qualification

To thrive as a confident expert, you need to cultivate authority. A big part of that is what you agree to and what you push back on. Every 'no' demonstrates leadership and healthy boundaries, but an impulsive 'yes' often signals fearful subservience. Standing firm is a great way of unearthing smart, collaborative and open-minded clients. Even if expecting 'yes' means the client takes your first 'no' badly, don't be surprised to find them circling back once they realize you were right.

Reframe 6: A strapline is not a strategy

Superficiality or this fundamental lack of strategic depth is a massive barrier to differentiation. This problem of style over substance is most evident in the language of standout. When agencies talk about 'repositioning', they're often just playing with words. And they routinely conflate terms like 'positioning', 'proposition' and 'strapline'. But these terms are the building blocks of competitive advantage. Unless you use them widely, you won't achieve the desired effect.

PART TWO: Five principles for creating your Market of One

Chapter 4: Your Recipe for Competitive Advantage

Creating your Market of One means developing a differentiating business strategy. This must be based on genuine conviction, on where you're going and what you believe in, as well as what you're good at and the specific opportunity you see in your market.

Every agency is a uniquely nuanced collection of people, so suggesting a rigid route to success isn't helpful. For these reasons, the recipe for creating your Market of One is laid out in the following five principles. They're broadly chronological but your own journey will depend on where you start from and what you need.

Chapter 5: Principle 1 – Believe in Better

When it comes to change, belief is essential. In theory, any agency can create their own Market of One, but in practice there's a critical prerequisite – faith. But wait, surely *all agencies* believe in a brighter tomorrow? Well, as it happens, they don't.

The co-founder of a well-known agency stated, in a very matter-of-fact way, that 'all agencies are basically the same'. This wasn't just a defeatist comment on the challenges of standing out, it was an acceptance that difference was impossible.

If you choose to believe this too, then you're deciding that success is out of your hands. Having a bajillion competitors becomes a tempting get-out clause for any lack of sustained

success. And it 'not being your day' makes it easy to brush off every pitch loss. This is why believing you can shape your own future is so important.

Ultimately, running an agency isn't life or death. And it's supposed to be fun. You get to have big ideas, wear comfy shoes to the office and sometimes change the world. Yes, it's hard work, but it shouldn't be bleak.

For that reason alone, I challenge you to slow down and examine whether you're on a treadmill or a joyful path. And think hard about what actually matters to you. Seek out sources of inspiration and optimism. Try on new mindsets for size. If you have a chunky salary and a comfortable life, then look beyond them. Consider what *really* makes you happy.

If what emerges still looks like agency life – even some dream-like vision of fun and fulfillment – then you have your spark of belief. This is your pilot light.

Chapter 6: Principle 2 – Define your Dream

Once you Believe in Better, you can excitedly ask the question: 'What does a better future actually look like?' A thoughtful answer is extremely powerful – not least because many agencies have no sense of vision at all. They might have a general direction, but their destination remains decidedly vague.

This addresses your lack of destination with a clear Vision statement. And your purpose-shaped gap will be filled by a guiding belief – your Point of View.

Lack of vision usually shows up in two ways: settling for fluffy aspirations and being overly guided by your finances. And to create your Market of One, you'll need a truly motivating vision.

For your Vision statement to become a motivating North Star to follow, you need to really interrogate your ideal future. Think deeply about what you want and how that relates to what your agency is all about.

Your next task is distillation. An effective Vision statement is clear, practical and relatable. It doesn't just state your destination and the metrics associated with getting there, it also explicitly defines your reasons for optimism and the hurdles you'll need to address.

The following three-part format is reassuringly simple:

1. In three years we will achieve **[measurable goal]**
2. By capitalizing on **[reason(s) for optimism]**
3. And addressing **[known hurdle(s)]**

Make sure your biggest, most motivating goal makes it to the top of the pile.

What do you believe?

With your Vision in place, you have your destination. Now let's turn to why going there really matters. You might think of this emotional driver as your 'purpose' or your 'why', but it's simplest to frame it as a core belief. I call it your 'Point of View'. This is a strong conviction that propels you forwards. It's the reason you do what you do. As an agency CEO once said, 'it's the hill you're willing to die on'.

Simply having a Point of View creates a degree of differentiation. If you want to be different and memorable, then just show up with a compelling opinion. To develop your Point of View, you need:

- Boldness
- Leadership
- Conviction

Also, remember that to be in a Market of One, you can't appeal to everyone. Your Point of View requires deep conviction and you need to be 100% okay with some clients disagreeing.

Chapter 7: Principle 3 – Craft your Narrative

The word 'Narrative' is used very intentionally as a synonym for 'strategy'; this emphasizes flexibility of expression. That's important because your elevator pitch is really just your business strategy expressed with a little panache.

Connecting strategy and expression is the antidote to the pressure of fixed phrasing that makes many agency people actively avoid giving their elevator pitch. So what if being asked 'what does your agency do?' or 'what makes you different?' ceased to be a moment of frustration and became your time to shine?

Your first step is to avoid a common banana skin – listening too carefully to your clients. You won't create much differentiation by building your strategy around what they tell

Your tone, messaging and visual identity must be consistent across all of your channels.

you they want. Of course client views can still be helpful, just be mindful about what you ask.

The Narrative Hierarchy is a strategic framework for building on the Vision statement and Point of View. It consists of a series of components – or 'Core Business Decisions' – arranged in a way that makes them easy to understand and express.

- **Strapline:** A two-to-four-word summary of your Narrative.
- **Positioning:** The business that you're in, i.e. your core discipline.
- **Proposition:** The problem your agency solves and for whom.

Your Audience will naturally be curious to know how you deliver on your promise. This takes us to your **proof of expertise:**

- **How:** A carefully curated summary of your capabilities, knowledge or processes.

In the context of Narrative development, use your Vision statement as a touchstone to guide your progress. Whichever Core Business Decision you're working on, keep asking yourself 'will this help us deliver on our Vision statement?' This ensures that your emerging strategy stays focused on your ideal destination.

Chapter 8: Principle 4 – Walk the Walk

Principle 4 is about implementation. But more specifically, it's about your differentiation needing to be consistently evident throughout your agency – not just in your brand and messaging, but also in your culture and behaviors. We'll explore how to evidence deep differentiation throughout your agency, how to make change accountable and how you and your senior leaders must be primed and ready to implement your Rollout Masterplan.

It's easy to *say* that you're different but you also have to *show* it.

To embrace this need to consistently show up as a confident, differentiated agency, consider your 'Agency Customer Experience': the sum total of all the potential touchpoints that anyone – especially clients and talent – could have with your agency.

How can you make sure your Agency Customer Experience is powerfully differentiating? Obviously your tone, messaging and visual identity must be consistent across all of your channels. You can also make major statements of difference, for example, by building your capabilities into packages or products.

From shifts in behavior to how you structure your offer, keep in mind that *everything* is proof of *something*. Your Agency Customer Experience is your *everything* and your *something* is your promise of expertise.

Everything you say and do should serve as compelling evidence that your Proposition is true. Of course this proactive intentionality takes effort, but it's essential if you want to be consistently seen – and valued – differently.

Chapter 9: Principle 5 – Reap the Rewards

By creating a Market of One, your ideal clients will see you as meaningfully different. That earns you the right to change how you sell, which in turn creates the opportunity to price differently and command a premium. We'll cover how you can build trust, make selling an act of service, and price in a way that consistently converts your expertise into higher margins.

As an agency in a Market of One, you must be confident and commercially minded. Your people need to master uncovering needs, knowing their value and charging what they're worth. For me, that's a pretty good definition of 'trusted advisor'. Being seen as a trusted advisor relies on you being relentlessly focused on what's best for the client.

When you focus on client success in this way, something profound happens: you turn selling into an act of service. Your starting point shifts from 'how can we convince them to buy', to 'are we the right people to help'.

Another crucial trait of the trusted advisor is *commerciality*. All this really means is the ability to make a profit. I'd also include the awareness that you and your clients *both* need to make money.

Being paid to provide guidance is a noble duty. Experts tell clients what they need to know, not just what they want to hear. Of course there's a subtle art to choosing your words and picking your moment, but that's the diplomacy you learn as you embed the practice and your confidence grows. Changing the dynamic with your existing clients won't always be easy, but every new prospect is an opportunity to start afresh. Your new-found combination of genuine differentiation and selfless selling gives you all the permission you need to have a deeper conversation.

And once you're welcomed into a more trusted relationship, you become an indispensable advisor. Genuine partnership and healthy profit margins will follow.

PART THREE: Choosing to thrive

Chapter 10: Address the Hurdles

The agency industry is poised for transformation. You can take your place at the forefront – or you can be left behind. And to be frank, if you continue to behave like a commodity, then you'll only have yourself to blame as you watch others prosper. In case you're not ready to step up, here are the most common objections from agencies who've stood in your shoes before creating their own Market of One:

- **Objection 1: There's no such thing as a Market of One**
- **Objection 2: There aren't enough 'markets' for everyone**
- **Objection 3: Our clients won't like it**
- **Objection 4: I'm too busy to change**
- **Objection 5: This feels scarily narrow**
- **Objection 6: My agency is too big**
- **Objection 7: My agency is too small**
- **Objection 8: It's too big a commitment**

It might help to remember that you only need to be directionally correct. Implementing your Market of One won't be immediately perfect. Don't dial up the pressure unnecessarily. Recognize the need for change, accept that the greater risk lies in inaction, and then figure out where you can win. After that, armed with your uniqueness, you have everything you need to keep learning, keep improving, and keep the faith. Your job is to focus, not freeze.

Chapter 11: Bring People with You

It's all very well having your own epiphany about the case for change. But whether you're managing up or managing down, yours can't be a lone voice falling on deaf ears. You need to bring people with you.

Start by talking to the people who matter. Make time for a proper conversation. Be vulnerable and ask for help. Park your seniority and seek their honest opinion. Maybe share some stimulus. Give them a copy of this book. At this stage it's all about starting the conversation.

As your coalition is forming, invest the time to get everyone together. Get offsite. Switch off your bloody phones (the world won't end, I promise). Set clear expectations. Explain that you're exploring possibilities and you can't do it without them.

Frankness is mandatory. Emphasize that everyone's voice matters. You also need to liberate people from their business-as-usual mindset. To focus on the important, you all need to escape the urgent.

Whether the impetus for change originated with you or a visionary colleague, it's essential to come together as a senior team. And by applying your shared motivations of joy and fulfilment, you can quickly convene your coalition of the willing.

Chapter 12: The Promised Land

There is one underlying change that's fundamental to creating your Market of One – the shift from a scarcity mindset to one of abundance. Now that you've identified scarcity as the enemy, its grip on your consciousness can be released.

Rejecting scarcity means stepping into a world of abundance, a world where you make decisions from a place of curiosity. It's world where everything happens *for* you, not *to* you. Positivity and optimism become the waters you swim in. Successes mean more because you're pursuing something meaningful. And occasional setbacks are simply welcome learnings along the way.

Creating your Market of One if to take charge of your future. Having a clear and lasting competitive advantage is your antidote to powerless commoditization. It's your gateway to a joyful life of abundance.

Once you have conviction about who you are and the specific opportunity you see in your market, a more focused business strategy becomes possible. This then enables you to develop a unique, ownable offer that your ideal clients will recognize as a clear alternative to your competitors.

And now you're dedicated to *helping* rather than *persuading*, you can never 'lose' an opportunity – discovering that a fit is absent is no less a win than converting a pitch.

By reinventing how you sell, you're also transforming your client relationships. Because they're now based on expertise and trust rather than fear of loss, you can stand up for what you believe in – for them, as well as for you. This fosters mutual respect and shared success. This is how embracing abundance and choosing to create a Market of One enables you to have the kind of growth, the kind of agency and the kind of life that you crave.



Robin Bonn is the CEO of Co:definery, a leading consultancy focused on agency positioning, where he helps agency leaders move beyond outdated models to achieve faster growth, stronger differentiation, and greater industry impact. With 25 years of experience driving growth for global networks, independents, and start-ups, Robin has advised top agencies such as DDB, McCann, MullenLowe, and AnalogFolk. Before founding Co:definery in 2016, he led successful pitches for major brands including Spotify, P&G, and Microsoft. Beyond consultancy, he is an executive coach, columnist for *Marketing Week*, co-chair of BIMA's CEO & Leadership Council, and mentor for SheSays, while also hosting *The Immortal Life of Agencies*, a podcast exploring innovation and optimism in agency leadership.

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· Book 57 of 106 ·

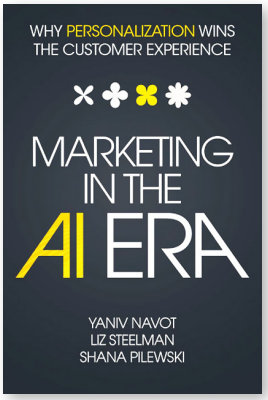
Marketing in the AI Era

Yaniv Navot

Executive Book Summaries®

Marketing in the AI Era

Why Personalization Wins the Customer Experience



by **Yaniv Navot, Liz Steelman, and Shana Pilewski**

Contents

The Basics
Page 2

The Business
Page 3

The Build Out
Page 4

Personalized Discovery and Engagement
Page 5

Loyalty, Retention, and Recovery
Page 6

Continuous Engagement and Optimization
Page 8

The Future of Personalization
Page 9

THE SUMMARY IN BRIEF

Marketing in the AI Era explores what modern marketing truly looks like today, offering hands-on takeaways to help you understand exactly what's needed for your company to not only succeed but also follow your customer's journey from start to finish. You'll discover how to create a genuine personalization strategy, ensure compliance standards are met, and identify the right technology to support your goals.

Navot, Steeman, and Pilewski clearly outline the expectations and requirements of cross-functional teams, how to allocate resources effectively, and which KPIs and metrics matter most. Acting as a roadmap for marketers, business owners, and leaders alike, this book dives into multi-channel communication, efficiency, engagement, and team collaboration. The authors emphasize that the marketers who thrive in this new era are those who view AI as a partner—not a threat.

From AI-assisted tools to multi-channel campaigns, ***Marketing in the AI Era*** provides step-by-step guidance for building a successful customer journey. With practical insights on developing resilient, adaptable teams that communicate clearly and use technology responsibly, it's a must-read for anyone ready to embrace innovation, build trust, and inspire long-term loyalty.

IN THIS EXECUTIVE BOOK SUMMARY

- Understand how marketing has shifted in recent decades and how those changes have reshaped the buyer's journey and cross-functional teams
- Explore the onset of new opportunities to engage with customers and how the utilization of AI tools improve that experience
- Learn the most effective ways to develop a loyal customer base and what is required of marketing teams and resources
- Discover the trajectory of the marketing landscape, where to improve skillsets, identify potential knowledge gaps and how to fill them

CHAPTER 1

The Basics

What is Personalization?

Imagine a world where every interaction with a brand feels like it was crafted just for you. Where websites anticipate your needs, apps deliver recommendations you'll love, and marketing messages resonate with your deepest desires. This is personalization's promise, and it's transforming the way businesses understand and form long-lasting connections with their customers.

Personalization provides the most relevant experience to a particular audience or individual.

When embarking on a personalization journey, it's crucial to understand the capabilities that make a personalization engine effective. Key features to look for include a unified dataset, open architecture, and decisioning and activation logic.

Personalization Channels and Touchpoints

Effective personalization varies across different marketing channels and touchpoints. It tailors content, products, offers, and complete customer experiences on websites, in emails, through native mobile apps, and even in physical retail environments such as in-store kiosks, drive-thrus, and more. Each channel offers unique opportunities for personalization, with the end goal of delivering a unified customer experience.

Allowing connections to be built beyond their website, brands can use personalized email strategies to capture their customer's attention at every critical moment—whether helping them pick up where they left off, delivering relevant content and recommendations, guiding them to learn more about the company, or offering exclusive benefits.

Data: The Fuel of Personalization

Behavioral (or implicit) data refers to the data collected from meaningful customer interactions such as clicks (pre- or post-login), number of page views, URLs visited, or conversion events like application completion, signups, current page (such as a specific URL, the home page, a category page), and more.

Contextual data relates to surrounding circumstances and preferences that influence customer interactions, such as location (a customer's current country, region, or city), time of day, device type and details (desktop, mobile, tablet; operating system; browser), weather conditions, and so on.

Anonymous Versus Known Customers

Personalization is relatively easy and accurate when you have rich customer data on "known" visitors—or those already in your database. It's imperative to provide a tailored experience for this audience segment. The average website sees most of its traffic from anonymous visitors—that is, people who have never given you their email addresses.

In this bucket of "unknown customers" lies a group of people who can be considered "known unknowns"—people you don't know by name or email but can identify based on implicit and contextual data.

With such a large pool of visitors, businesses need to find ways to identify intent and preferences in real time as part of their personalization strategy and drive action with these customers. But while you might think that only a sliver of your audience is identifiable, it doesn't necessarily mean you can't get more personal with them.

A customer can be targeted according to any available data source, and there are many conditions brands can use simultaneously to ensure the right experience is delivered to the right user at the right time.

But even if a customer doesn't interact with a targeted experience, a brand can still use customer behavioral data, such as their browsing history (what type of items they were looking at, the time they spent on a particular brand or page category, interactions with sales, or even reviews), and use this data to personalize.

As time passes, brands can collect more data, learning more about their anonymous customers via their browsing behavior, frequency of visits, and what interests them. These micro actions can be progressively used to profile different audience segments of anonymous customers, understanding their interests, preferences, and intent without personally identifiable information, and figuring out the best pathways to convert them to known customers. Over time, by connecting, matching, and syncing contextual data to anonymous customer IDs, that bucket of "unknown unknowns" becomes smaller and smaller.

Although third-party data represents the largest percent of site traffic containing this data, it is the least accurate to base your personalization on. Visitor tracking represents the next largest share (~60%).

Both site behavior captured by algorithms and CRM data are considered the most accurate and, while small in size, should make for highly relevant interactions among returning and loyal visitors.

> Businesses can't afford to maintain the status quo—they need to deliver the experiences of tomorrow rather than what people see as the current standard today.

A personalization program that combines different types of data sources will yield the best results.

Data Protection and Privacy

The General Data Protection Regulation (GDPR) is a comprehensive framework for privacy and data protection. Its objective is to standardize privacy and data protection across the EU, ensuring the protection of residents' personal data.

The California Consumer Privacy Act (CCPA) represents a significant milestone in privacy rights and consumer protection for California residents.

Personalization engines, acting as data processors, play a crucial role in helping data controllers manage customer data in compliance with GDPR. These engines provide the infrastructure and tools necessary for businesses to allow their customers to:

- Inquire about the data collected on them
- Opt out of tracking
- Request the deletion of all previously stored data

By facilitating these processes, personalization engines enable organizations to honor the rights of individuals under GDPR, thereby contributing to a more transparent and respectful handling of personal consumer data.

CHAPTER 2

The Business

The Benefits of Personalization

Personalization is increasingly recognized as a cornerstone of a positive customer experience, offering a kaleidoscope of benefits for both consumers and brands alike. The evolution of personalization technology has significantly transformed consumer expectations, leading to a growing demand for customized experiences in every facet of daily life.

The impact of personalization in the realm of e-commerce is particularly striking. Research shows that nearly 90% of consumers are swayed by personalized online shopping experiences.

By focusing on personalization, companies can not only meet but exceed customer expectations, fostering loyalty and driving business growth in the process.

Why Personalization Is Important Now

Over the past few years, personalization has evolved from a mere luxury to an indispensable tool as brands vie for consumer attention. In the digital jungle, amid the cacophony of noise and fierce competition, consumers gravitate toward brands that offer relevant, engaging, and convenient experiences across all channels.

As brands leverage customer data to anticipate needs and proactively address them, the line between promoting products (marketing) and delivering exceptional service (customer experience) becomes increasingly thin. This convergence necessitates a customer-centric approach that prioritizes understanding individual preferences and delivering value with every interaction.

Personalization has the power to deliver on the promise of a new era of customer focus, reshaping engagement dynamics.

Personalization is establishing itself as a cornerstone of digital strategies across various industries. It's moving beyond being a transient trend toward becoming a universally recognized and essential practice. This shift indicates personalization's evolution into a fundamental, omnipresent component of modern business operations and highlights its lasting value and significant potential to drive growth.

The greater the investment in operationalizing around personalization, the greater the result from ensuring the most relevant content gets served to the right audience segments.

The Opportunity Cost Associated with Forgoing Your Personalization Plans

As customer expectations rise, businesses can't afford to maintain the status quo—they need to deliver the experiences of tomorrow rather than what people see as the current standard today. It's a hard reality. Customer loyalty isn't guaranteed. Even the most successful disruptors of our time struggle with staying on the cutting edge. It's why we're seeing giants like Netflix and Amazon not simply resting on

their laurels but turning to strategies like personalization to meet their customers' unique needs.

Tech-savvy customers prioritizing relevance, ease, and enjoyment are ditching their once-favorite brands that no longer meet their needs, creating an entirely new battleground.

Businesses shouldn't invest in a tailored customer journey because they can squeeze more from their current customers. A genuine commitment to succeeding with personalization requires the organization to align on the overall model—from defining and aligning on a vision to forecasting the financial return and then organizing teams to support the new processes.

Brands should first define a universally agreed-upon vision for personalization across the organization.

Because personalization can require a significant change in cultural mindset, don't be discouraged if the buy-in process doesn't move as quickly as you'd like—continued education and conversation around the vision and practice are necessary to foster commitment.

Personalization challenges organizational communication uniquely, demanding tight collaboration across technical, business, and creative teams. Every department, from brand to acquisition and development, must contribute.

Determining the Correct Organizational Structure

Giving teams the space to experiment fosters acceptance and commitment, ultimately accelerating the ability to launch campaigns and maximize performance. Bogging teams down with burdensome requirements limits this and, by definition, waters down a team's creativity, obstructing powerful experiences from positively affecting the business.

Without getting into the rigorous process teams must adopt to create effective and efficient personalization campaigns, you need certain functions to take an experience from A to Z. Starting with ideation and moving to prioritization, mock-up, development, segmentation, experience setup, quality assurance and launch, all the way through validating the results of the experience.

Research has found that the value of personalization is exponential: Brands can expect to see ~5% to 25% of revenue driven by personalization, depending on a program's maturity.

From improved revenue to increased conversions, deeper engagement, higher average order values, reduced customer acquisition costs, and boosted media efficiency, personalization can affect vital financial metrics within various industries.

CHAPTER 3

The Build Out

Activating Personalization

Broadly, your overall personalization approach will follow this methodology:

1. Analyze your data for insights and opportunities
2. Brainstorm ideas or concepts for testing
3. Define a hypothesis and matching KPI for each idea
4. Prioritize and plan for potential test ideas
5. Develop the intended customer experience
6. Evaluate and optimize

While businesses may share goals like increasing revenue, the effectiveness of personalization strategies can vary widely based on specific sites and audience dynamics.

To make data-driven decisions for your personalization road map, start by evaluating your analytics to find areas where high traffic coincides with poor performance, indicating inefficient spots. This approach can uncover your customers' underlying needs or desires, guiding you toward targeted improvements and more impactful personalization efforts.

The ultimate goal of personalization is to always show the most relevant information to each visitor, which will allow you to hook customers and move them toward achieving your KPIs. You can test banners, content, layouts, offers, overlays, emails, push notifications, and messaging.

Product Recommendations

Recommendation strategies provide the logic behind the item selection within your widget based on a particular algorithm (for example, the most popular items, items the customer viewed in the past, and so on). And much like there are lots of different types of personalized experiences a brand can deliver, there are also many recommendation strategies to experiment with.

The optimal strategy for your business depends on various factors, including your product range, available customer data, and marketing goals. Often, a combination of different strategies proves most effective, allowing you to cater recommendations to diverse customer segments and contexts.

Using this prioritization matrix, a company can easily score, prioritize, and place the most valuable test ideas on a timeline for implementation.

> A successful personalization program combines the right technology, expertise, processes, methodologies, and strategies to meet the new standard of customer expectations.

Key stakeholders should work together in the creation of each brief, using it as a point of reference for everything to do with execution: the agreement on the approach, coordination of schedules, and reinforcing responsibilities through launch, validation, and optimization phases.

Just as important to the success of a campaign as all the work that led up to the launch is the close monitoring, analyzing, and optimizing that takes place after the launch.

A successful program needs continued support, proper education across the organization, and the right talent, culture, and processes. Those who invest in building an ecosystem around their efforts are always more effective.

An increasingly popular segmentation approach, reflecting evolving consumer behavior, involves categorizing audiences based on low, medium, and high purchase intent.

Once you've selected a segmentation principle, it's crucial to apply it consistently across your personalization program. Introducing additional segmentation principles can lead to audience fragmentation and dilute the effectiveness of your targeting efforts.

To develop a targeted plan for segmentation, it's essential to understand the characteristics of each segment and identify any significant differences between them. Adopting a single behavioral segmentation principle enables you to keep your strategy dynamic and focused on current customer actions rather than static concepts derived from past behavior that may become outdated.

The goal of personalization is to deliver greater relevance on the whole versus enhancing experiences for small pockets of traffic.

Once you know your segmentation principle and what behavior you'll use to break down your groups, you can start actively building your audiences in your personalization tool.

It's recommended to implement a handful of Evergreen Personalization Zones at the beginning of a brand's personalization journey. These visible, high-traffic spots on your website function as "billboards" where you can test different content, like your unique selling propositions and educational resources. They are Evergreen Zones because you will strategically and continually test what is the most relevant content to show each audience group.

With all the excitement and speculation behind building experiences, it's easy to get carried away. But with any initiative, it's crucial to take the time to consider the estimated impact and effort of each initiative before pulling the trigger. Otherwise, you'll end up wasting valuable time and energy on campaigns that are unrealistic or offer little to no value to the business. And that can really hurt the long-term sustainability of a personalization program.

The time, effort, and resources required will largely depend on how mature an organization's personalization efforts are. But whatever the case, prioritizing these tests is key to reducing design and development cycles for the quick and effective implementation of campaigns.

YOUR PERSONALIZATION PLAYBOOK

THEME 1

Personalized Discovery and Engagement

This category encompasses use cases that personalize the customer journey, making it easier for customers to discover relevant products and information. By tailoring the experience to individual needs and preferences, these use cases improve discovery and enhance customer satisfaction, engagement, and conversion rates.

- Guided Experiences – support discovery by offering personalized guidance through complex processes or decisions, enhancing the ease with which customers can find products or information.
- Recommendations – facilitate the discovery of new products, content, or services by suggesting options tailored to the customer's past interactions and stated interests.
- Behavioral and Contextual-Based Personalization – enhances engagement by dynamically customizing the experience in response to customer behaviors or context (for example, location, device, time), making the interaction more responsive to immediate actions.
- Personalized Navigation – improves the efficiency of

discovery by adapting the navigation interface to the customer's behavior and preferences, making relevant content more accessible.

Guided Experiences

Guided experiences focus on informing customers about which products, content, offers, or services best fit their needs, speeding up the product discovery process.

The concept of guided experiences revolves around providing personalized assistance to customers throughout their journey, fostering a sense of support and direction. The epitome of this approach lies in the traditional in-store experience. Upon entering a store, you're often greeted by salespeople who help you find what you need. This strategy translates seamlessly to the online world, where we can greet customers like virtual salespeople.

This human-centric approach fosters customer engagement and ultimately leads to a more satisfying digital experience.

In an era where the human attention span is a scant eight seconds—less than that of a goldfish—how can brands capture and hold the interest of their potential customers? The digital marketplace is a crowded space. Websites have become templated and predictable, focusing more on showcasing an array of products rather than creating a unique, engaging, and personalized shopping experience.

Here are three essential techniques to help brands make their guided experiences more effective:

- Design a clean, thoughtful user experience that makes discovery easy
- Use human-sounding copy with transparent messaging
- Create tools, guides, quizzes, and more

Interactive quizzes, personalized recommendations, and AI-powered conversational searches help customers find exactly what they're looking for, similar to how a salesperson might ask questions and suggest relevant items.

Comparison tables enable you to make recommendations based on the current product page so your customers can easily discover similar items.

Guided experiences aren't limited to the product discovery phase and can be implemented across the customer journey. By implementing these diverse applications of guided experiences, you can create a more engaging and personalized online experience, ultimately leading to increased customer satisfaction and conversion rates.

Different customers at different stages of the journey have different needs, and identifying the right opportunities to algorithmically match the most appropriate products, offers, or content to each individual customer can amplify their experience, push them to purchase, and increase their total purchase value. This is why recommendation engines exist.

High-impact recommendations that resonate with your customers and drive them to convert rely on several critical factors: selecting the optimal recommendation strategy, defining the context of the web page or app screen it is running on, and taking into account the characteristics, preferences, and attributes of the customer.

Recommendations

A product recommendation is a suggestion for an item someone might be interested in purchasing.

A content recommendation is a suggestion for a piece of content, such as an article or video, that someone might be interested in consuming. Similar to product recommendations, these suggestions are often based on data and can come from various sources, including visitors' interests, preferences, and behavior.

Effective recommendation engines tailor their approach to each customer by leveraging available data, context, behavioral activity, and other factors to encourage engagement and action.

A flexible recommendation engine allows you to support manual merchandising rules, such as pinning a specific item or including/excluding a particular set of items from the automated recommendation results.

THEME 2

Loyalty, Retention, and Recovery

This category focuses on use cases that aim to build stronger relationships with customers, encourage continued engagement, and win back those who might be disengaging. By fostering loyalty and addressing potential churn, these use cases contribute to long-term customer value and brand advocacy.

Loyalty-Driven Personalization

Successful loyalty programs hinge on a compelling value proposition, a personalized customer experience, and a streamlined registration process.

> Machines keep the tempo while humans feel, observe, and connect, creating the memorable melody that drives the art form forward.

Amid the cacophony of digital noise and fierce competition, consumers gravitate toward brands that offer relevant, engaging, and convenient experiences across various channels. This paradigm shift not only bolsters brand retention and revenue potential but also caters efficiently to consumer desires.

Reflect on your customers' expectations from interactions with your brand. They seek value, utility, and enjoyment.

Postpurchase Messages

Postpurchase Messages strengthens the relationship with customers by sending tailored communications after a purchase, encouraging continued engagement and loyalty.

In today's competitive market, where customer acquisition costs are consistently on the rise across various industries, the significance of nurturing existing customer relationships cannot be overstated. The emphasis on loyalty, retention, and recovery strategies is paramount for businesses aiming to sustain and grow their market presence. Postpurchase messages play a critical role in this dynamic, serving as a bridge to transform one-time transactions into ongoing dialogues.

The postpurchase period is a critical juncture for new customers, especially those acquired through referrals. It represents their first direct interaction with the brand beyond the initial transaction. Leveraging this touchpoint effectively can solidify the customer's perception of the brand, turning an initial purchase into the start of a long-term relationship.

Time-Based Abandonment Messages

Time-Based Abandonment Messages targets customers who have abandoned their carts or browsing sessions with timed reminders, encouraging them to complete their intended actions.

While cart abandonment is a natural occurrence, it shouldn't be seen as a lost cause. Brands can effectively recapture potentially lost sales through the strategic use of triggered emails. Sent automatically to a visitor based on their behavior—in this case, leaving a site with items in their cart—teams can use the opportunity as a reminder of what has been left behind, include personalized recommendations, and offer promotional deals to help close the conversion loop.

Time is of the essence. Cart abandonment emails sent within the first hour of abandonment perform best, so set up a campaign trigger to send an email instantly after the cart is abandoned.

Data concludes nearly three-fourths of site visitors abandon their carts—a stat that aggressively cuts into retail profits. As a result, many retailers have made abandonment reduction a primary goal and are devoting more resources toward achieving it.

Exit-Intent Messages

Exit-Intent Messages captures the attention of customers who are about to leave the site with targeted messages or offers, aiming to decrease abandonment rates.

Exit-intent technology is an algorithm that detects and reacts to site abandonment in real time. Upon noticing exit intent (such as aggressive mouse movement to X-out of the page) the algorithm automatically triggers an incentivized pop-up to convince the abandoning visitor to take the desired action.

Sometimes visitors can be plagued by the paradox of choice, with too many options leading to analysis paralysis. In instances such as this, overwhelmed visitors may attempt to navigate away from the site. Before they do, brands can deploy exit intent pop-ups to narrow down the decision-making process with elements such as recommendations personalized to the specific customer included in the messaging, compelling them to convert.

Your exit pop-up should fulfill one goal. Only one goal. It should not be crammed with tons of content, multiple navigation mechanisms, or too many calls to action (CTAs). One goal: compel the customer to make a simple decision.

Push Notifications and SMS

Push Notifications maintains engagement through tailored notifications, keeping customers informed and interested even when they're not actively using the service.

With its power to reach mobile users at critical moments, push notifications and SMS messages provide brands with the hook to retain customers, engaging them throughout the customer journey. All that's required is the right customer

data to fuel and activate the right customized messages when it matters the most.

Today's consumers are constantly on their smartphones, making mobile a great channel for reengagement. But personalized notifications can be tricky, especially as consumers are being bombarded with ads and content from various organizations. With push notifications and SMS strategies, brands can capture a customer's attention in a captivating and optimally timed way. And by using customer behavior data, brands can ensure notifications are personalized and contextually relevant at any given moment.

People want personalized, relevant messages. They can easily sniff out generic, blasted messages that are part of an obvious reengagement campaign. Getting a meaningless message is an annoying distraction, and getting too many of them can lead the customer to stop buying from you altogether.

THEME 3

Continuous Engagement and Optimization

This category highlights use cases that focus on keeping customers engaged and informed while also gathering valuable feedback to continuously improve the customer experience. By understanding customer behavior and preferences, these use cases help optimize the experience for better engagement and conversions over time.

Social Proof and Product Demand Messaging

Social Proof and Product Demand Messaging leverages the actions or opinions of others to engage customers, making the experience feel livelier and more connected.

Social proof is a psychological phenomenon where people assume the actions of others in an attempt to reflect correct behavior for a given situation.

Social proof is especially prominent in situations where people are unable to determine the appropriate mode of behavior and is driven by the assumption that surrounding people possess more knowledge about the situation.

Social proof is especially salient in the realm of online shopping, and brands can use it to subtly push hesitant visitors to purchase.

Even if a brand's unique value proposition is perfect, it may not be enough to secure a purchase. Studies have shown that peer reviews can be twelve times more influential on customers than a merchant's description.

Promotional Messaging

Promotional Messaging engages customers with marketing messages that are specifically tailored to their behaviors and preferences, encouraging more meaningful engagement.

Promotional messaging stands as a key strategy for engaging customers and driving sales. This approach involves crafting offers and messages that are genuinely aligned with the individual's preferences, behaviors, and purchase history. The power of promotional messaging lies in its ability to deliver targeted discounts, exclusive deals, and personalized recommendations that not only grab the customer's attention but also significantly increase the likelihood of conversion.

The digital marketplace is inundated with brands vying for consumer attention, making it increasingly challenging to stand out. In this context, generic marketing messages often fall flat, failing to engage the modern consumer who expects personalized experiences. Promotional messaging addresses this challenge head-on by leveraging data analytics and customer insights to tailor communications that resonate on a personal level.

This targeted approach not only enhances the customer experience but also fosters a sense of value and recognition, leading to deeper brand loyalty.

By focusing on individual preferences and behaviors, promotional messaging enables businesses to create more meaningful connections with the audience.

To implement an effective promotional messaging strategy, businesses must navigate the delicate balance between offering value and maintaining profitability.

Today's consumers typically interact with a company across channels, perhaps browsing a site once, then clicking on an email, and later scrolling through a mobile app. These interactions should feel cohesive.

Customer Journey Continuity

In today's world, consumers are surrounded by technology. On average, each person has more than six connected devices, ranging from smartphones and laptops to smart TVs and gaming consoles. This interconnectedness has fundamentally changed consumer expectations.

This is the idea behind "omnichannel," and it means that businesses need to ensure their brand presence and interac-

tions are consistent, regardless of the device a customer is using. Whether it's browsing a website on a desktop computer or making a purchase through a mobile app, the experience should be smooth, intuitive, and meet the customer's needs.

The Future of Personalization

A successful personalization program combines the right technology, expertise, processes, methodologies, and strategies to meet the new standard of customer expectations and to pave the way for exceeding them.

The organizations that invest in their personalization programs and get this right will be seen as pioneers, redefining how customers create a lasting emotional connection with brands and navigate the digital world. But where does human ingenuity fit into the future AI-driven marketing era?

Machines have proven to be indispensable when it comes to scaling frequent, high-volume tasks, but they fall short when confronted with unique and unexpected situations where human creativity, adaptability, and ingenuity are needed. Simply put, machines cannot empathize with humans.

Machines excel at the predictable. They churn out repetitive tasks with unerring accuracy, tirelessly analyzing data and optimizing processes. Humans, on the other hand, prevail through chaos and uncertainty.

As a marketer, think about creating captivating copy that cuts through the noise or designing a unique customer experience that changes consumer behavior—these are not products of careful predictions and algorithmic calculations but of human intuition, empathy, and creativity.

By establishing the right center of excellence for a personalization program, set up your organization to make the most of both opportunities. Think of it as a grand symphony: machines keep the tempo while the humans feel, observe, and connect, creating the memorable melody that drives the art form forward.

Their power lies in the efficient and the predictable, while ours resides in the imaginative and the adaptable.

Engage in activities that spark imagination and divergent thinking. Divergent thinking helps break free from predictable patterns and deliver truly personalized experiences. To thrive in this era, we must embrace our distinctly human strengths.

Seek out diverse perspectives and be empathetic to customers' unique pain points, needs, and desires.

Cultivate Empathy

In today's hyperconnected world, differentiation is truly about understanding your customers on a human level and weaving that understanding into every thread of your brand experience. That's where empathy comes in. This understanding of your customer landscape empowers you to craft experiences that resonate on a deeper level, addressing not just the functional problems customers face but the emotional desires that fuel their actions.

Focus on building trust with customers, emphasize the responsible design and handling of personalized experiences, and highlight autonomy over data.

Personalization should be done in a way that respects the privacy of the individual. This will ensure that the brand's efforts do not come off as creepy to the customer but, instead, reflect their needs and interests in a way that is natural to their relationship with the brand.

The future belongs to those who not only harness the power of artificial intelligence marketing but also amplify human ingenuity's boundless potential.

Transmission from Your Personalized Future: The Signal Never Fades

You've reached the end of these transmissions after exploring the foundations, delving into the business of creating them, and building your own personalization playbook brimming with strategies for critical customer experience themes.

Remember: Your future is not a fixed destination. Like personalization, it's a constantly evolving landscape, shaped by your choices and actions. This book has equipped you with the tools to navigate it and translate the faint signals into clear pathways. Don't stop tuning in.

Keep experimenting, learning, and most importantly, bringing the human connection to the forefront. By fostering genuine interaction and tailoring experiences, you'll build a strong business funnel and even stronger relationships with your customers. We hope this book serves as a valuable resource on your journey. The future beckons, waiting for you to write your own transmission. Go forth and personalize it.



Yaniv Navot is a marketing leader and personalization expert with nearly two decades of experience driving high-impact, performance-focused marketing at scale. As Chief Marketing Officer at Dynamic Yield, he helped define the personalization category and guided the company's emergence as an industry leader. Joining as the first marketing hire, Yaniv built a world-class team and collaborated with top B2C brands to implement innovative, measurable personalization strategies. Known for blending strategic vision with hands-on experimentation, he continues to champion marketing that elevates customer experience, accelerates growth, and pushes the boundaries of what personalized engagement can achieve.



Liz Steelman is a storyteller and content strategist who specializes in shaping brand narratives that resonate. With experience guiding the editorial voice for high-growth tech companies like InVision and Wix, she brings a clear, human-centered approach to brand marketing. Liz began her career as a writer and editor at Time Inc. and Apartment Therapy Media, honing her ability to translate ideas into compelling, accessible stories. Passionate about the power of language to build connection, she focuses on crafting content that deepens audience engagement, elevates brand identity, and helps teams communicate with clarity, creativity, and purpose.



Shana Pilewski is a leading voice in personalization, known for advancing thought leadership and championing knowledge-sharing across the industry. As a frequent contributor and subject matter expert, she helps organizations understand how to transform personalization into a meaningful competitive advantage. Shana is committed to clarifying the field, shaping best practices, and guiding teams on how to implement strategies that drive measurable impact. Her work focuses on elevating personalization from a tactical effort to a core business priority, empowering companies to create more relevant experiences and achieve long-term success.

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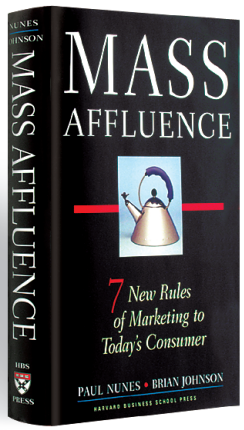
· Book 58 of 106 ·

Mass Affluence

Paul Nunes and Brian Johnson

SOUNDVIEW Executive Book Summaries®

FILE: MARKETING



By Paul Nunes and Brian Johnson

CONTENTS

The New Mass Market
Page 2

Seize the New Middle Ground
Page 3

Treat Some Customers More Equal Than Others
Page 4

Find an Occasional Use
Page 5

Introduce a New Math of Ownership
Page 6

Grow the Return on Consumption
Page 7

Think Global, Retail Local
Pages 7, 8

Become Apropos of Everyone
Page 8

Tomorrow's Mass Market
Page 8

Seven New Rules of Marketing to Today's Consumer

MASS AFFLUENCE

THE SUMMARY IN BRIEF

In Mass Affluence*, customer management and marketing strategy experts Paul Nunes and Brian Johnson explain that we are witnessing a pendulum swing in marketing from "one-to-one" customer strategies back to mass marketing. But this is mass marketing with a twist: The targeted customers are not the middle class of the post-World War II era. They are richer yet more cautious consumers — and they won't respond to the strategies that worked with their middle-class predecessors.*

Based on extensive consumer research and practical application within many industries, Mass Affluence *outlines seven new rules of mass marketing aimed directly at what Nunes and Johnson call the "moneyed masses." Throughout, the authors illustrate how innovative companies are already successfully implementing these strategies — not with traditional "luxury" goods, but with high-end products that fill an often ignored middle ground in ordinary categories from household cleaning to apparel to oral care.*

Exploring the marketing implications of this phenomenon for the first time, the authors reveal how organizations can capture the latent value in a powerful — and largely untapped — market.

What You'll Learn In This Summary

✓ How to seize the unclaimed ground between luxury and mass-market positions.
✓ How to serve millions of diverse customers with the same product.
✓ How to discover must-have products that serve a special purpose.
✓ How to introduce new ownership options that convert the unaffordable into the affordable.
✓ How to offer new products that perform like investment opportunities.
✓ How to change sales locations, formats and the mix of offerings to optimize affluent consumption.
✓ How to devise cost-effective promotions to attract and retain masses of well-heeled customers.

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The New Mass Market

While most companies have been busy trying to build one-on-one relationships with their customers, a number of businesses have been making startling amounts of money from offerings that don't "know" their individual buyers very well at all. These products and services are based on the interpretation of widely held needs and are not particularly concerned with their buyers' specific characteristics. In short, they are mass-market offerings.

Procter & Gamble (P&G) has come back strong in the early 2000s from recent problems largely on the strength of a few new products. The company's July 2003 earnings report cited three examples of mass-market innovations instrumental in its return to success:

- **Crest-branded whitening products**, including Whitestrips and NightEffects, which helped grow a $50 million niche business in tooth whitening into a $750 million industry in just two years, with P&G grabbing 60 percent of that market.
- **Swiffer mop**, which pioneered the $900 million global surface-cleaning-system category, a category that virtually didn't exist as recently as 1997, and of which P&G now owns 60 percent.
- **Olay skin care products**, including Regenerist, a product that captured nearly a 10th of the facial moisturizer market in its first three months, and which, combined with Total Effects, gave P&G a 12-share gain in the category in a single year.

New Offerings With Mass Appeal

The phenomenon of producing successful new offerings with mass appeal is not limited to consumer products. Purchase categories from housing (Toll Brothers builders) to restaurants (Panera Bread) to clothing retailers (Talbots) to lifestyle purveyors (Tommy Bahama) have all seen their fortunes grow over the years by serving millions of diverse consumers with essentially the same product. New mass-market categories are emerging as well; they're poised to grow quickly and their range includes everything from car sharing (Zipcar) to shared personal chefs.

The companies that are meeting with success have altered their strategies to serve *today's* mass market — a market very different from the one that inspired the first mass-marketing movement. These companies understand that the principles of mass marketing as they knew them no longer apply. They know this because they recognize three major changes that dramatically affect the way in which today's customer must be courted.

Three Major Changes in Spending

First, today's consumers, en masse, are far more affluent in terms of wealth and income than their predecessors. This is particularly true for a certain segment of upper-income, but not extravagantly rich, households. Not only are averages up, but income is more widely dispersed than before.

Second, consumer spending patterns have changed, despite the increase in affluence. One change is a drastic reduction in per-dollar-of-income spending in the households that have the most. This pullback represents a tremendous challenge for marketers, but also an unprecedented opportunity for those with the right offerings.

Finally, consumers now want more options for spending their growing affluence, beyond traditional luxury offerings. In many cases, offerings perceived as lavish or luxury goods are being rejected outright. Affluent spending is no longer synonymous with luxury spending, and while some companies may achieve a measure of immediate success by shifting to a luxury-goods mentality, that success is unlikely to be broad based or long-lived.

The mass market has changed and continues to change; the rules of marketing must also change if they are to successfully capture today's mass market. ■

For additional information on the cycle of marketing approaches, go to: http://my.summary.com

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THE SEVEN NEW RULES OF MARKETING

Seize the New Middle Ground

The old rule said, *"Avoid middle-market positions between low-cost and premium."*

The new rule says, *"Seize the new-middle-ground position, above the best of the conventional offerings and below ultrapremium solutions."*

Back in the early-1800s, a single golf ball cost the equivalent of $150 to $400, making the sport prohibitively expensive. Nowadays, one can pay as little as a dollar for a new, name-brand golf ball at Wal-Mart or even less for an "experienced" one at a pro shop.

Interestingly, though, this 150-year downward trend is reversing — at least for some brands of golf balls. Certain brands in the golf ball industry have convinced consumers to multiply their spending for golf balls. Shrewd manufacturers created new premium offerings that fulfilled the unmet needs of golfers, while moving the selling price not by just a few cents, but to nearly double the previous high-end selling price. In other words, these manufacturers staked out a lucrative product position between ultimate luxury, in this case, handmade balls, and the recent high end of mass-market outlays. We call this opening in offering possibilities the *new middle ground.*

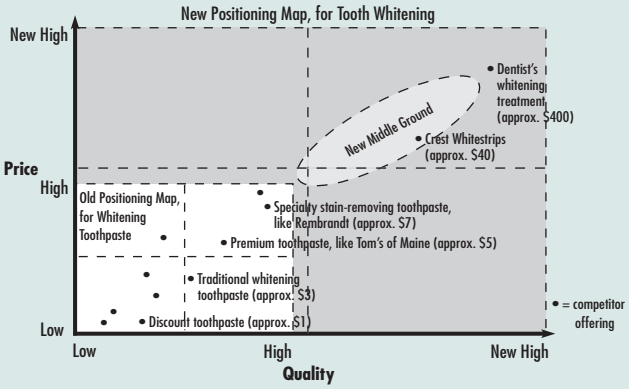
Staking Out the New Middle Ground

A select group of golf ball manufacturers successfully penetrated and exploited a new middle ground of market positioning. The success these manufacturers have enjoyed can be duplicated in many other sectors. Consumer research illustrates strong pent-up demand among consumers of all income levels for better-quality offerings sold at a premium but not pure-luxury price. The authors' findings include these two observations:

● **Neither existing luxury nor mass-market offerings alone satisfy both the needs and the budget of the moneyed masses.** A full 44 percent of households with over $100,000 in income agree that they often must choose between buying a product that meets their needs but is too expensive, and one that costs less than they would be willing to pay but is not really what they are looking for. This dilemma of unsatisfying choices is especially common for product categories like automobiles, housing, and personal care, and services categories like investing and entertainment. The gap between desirable and affordable offerings, experienced by all consumers, should serve as a marker of significant opportunity and a clarion call to action for marketers and executives in every industry.

● **Consumers would spend more to have their needs better fulfilled.** Even in difficult economic times, more than three-quarters of households with incomes over $150,000, and roughly 70 percent of all consumers, say they would spend more on their purchases if they could find better products and services that still fit their budget.

The New Middle Ground of Positioning



Expanded positioning map for tooth whitening from whitening toothpaste.

Rise of the Moneyed Masses

The rise of the moneyed masses, with the accompanying broad increases in income across top-earning households, obliges corporate executives to widen their product positioning maps. For example, if we consider not just the product called toothpaste but the goal of teeth whitening, we now see professional dental whitening treatments anchoring the upper end of ultrapremium offerings at the top of the map's spectrum. (See chart above.) This widening of the product positioning map creates a newly visible gap — the new middle ground — between the superpremium offerings and the old set of offerings. The widening creates a new awareness of what consumers are really willing to spend in the market. In this case, it highlighted the opportunity for P&G to enter the market with a $40 home whitening product called Crest Whitestrips.

The goal is not just to create a cheaper version of the premium offerings at hand. The goal is to find a slot for offerings in the gap between today's real luxury offerings and the best of existing offerings in yesterday's product positioning map.

It is important to consider and expand product positioning maps frequently — at least every few years — because too often, marketers neglect to consider that yesterday's luxury has become today's necessity.

There are three generalized strategies for conquering the middle ground:

1. Dominate the new middle. Make the new-middle-ground position the company's core and only focus.

2. Elevate mass-market goods for affluent appeal. Companies can implement this strategy by launching distinctive, higher-quality versions of current offerings.

3. Open the door to luxury. Carefully introduce more affordable versions of an existing luxury good or brand. ■

Treat Some Customers More Equal Than Others

The old rule said, *"Offer identical things, at a price affordable to all."*

The new rule says, *"Offer nearly identical things to all, at the price they can afford."*

Taking a new middle position between the luxury and mass markets is not always easy, or even possible, for many companies that are already deeply committed to serving mass-market needs with mass-produced, one-size-fits-all offerings. For these companies, doing so would require an impossible scaling back of existing infrastructure commitments.

To see significant gains in profitability, these companies must find ways to either raise the profitability of all customers a little or achieve significant profit improvement from some of their customers. With one-fifth of all households now holding nearly three-fifths of all income, it behooves marketers at these companies to attempt the latter and to find ways to provide a differentiated version of their core offerings to those who can and will pay a premium.

Compelling Benefits

Fortunately, there is ample evidence that differentiated offerings can ultimately result in legitimate, compelling benefits *across* the customer spectrum. For example, the higher prices charged to certain buyers have a dramatic impact on the bottom line of many firms. Whether they know it or not, most customers regularly enjoy the benefit of having their affordable purchases and retail experiences subsidized by bigger-spending customers, in everything from high-end department stores to opera performances.

And these innovations rarely remain exclusive for long, tending to trickle down to mass-market offerings, as companies strive to increase their competitiveness. In the summer of 2000, American Airlines introduced expanded legroom for *all* its coach-class customers, not just its frequent flyers, as was the case on a major competitor. In September 2003, Dunkin' Donuts began competing more directly with Starbucks by offering a more affordable latte, advertising it as, "Latte for Every Tom, Dick and Lucciano."

A River of Tiers

Any creative or aggressive pricing strategy carries risk. Companies must recognize important legal limits that guarantee the rights of all to fair — if not always equal — price treatment, even if consumer protection in this area is foggy, especially in the area of online price discrimination. They should not only stick to the letter of the law when determining what constitutes fairness, but also incorporate the consumers' perspective as well.

A guiding principle, one that will help executives achieve this end, is to keep offerings reasonably available to all consumers.

Serving Customers With Distinction

Here are three strategies traditional mass marketers can employ to better capture the spending of the moneyed masses without sacrificing the former core mass market:

1. Give customers the chance to spend more. Offer new premium versions, adding on product upgrades and differentiated service levels to existing offerings.

2. Honor customers with the recognition they desire. Create status levels that richly reward willing-to-spend customers in all of the ways they wish to be recognized.

3. Offer the right price to each customer. Use effective pricing tactics to achieve differential margins based on qualities that aren't intrinsic to the offering.

Peace in Our Time

No matter the industry, effectively managing the social politics that often surround introducing differentiated offerings (differentiated offerings can be viewed as preferential treatment of richer customers) is critical to any entrant's success.

Here are three effective tactics used by successful companies for managing consumer backlash:

- **Discriminate on value proposition and behaviors, but not people.** While the wealthy may be more inclined to be the typical consumer, the offering should in no way discourage any buyer who finds the value-for-money proposition worthwhile.
- **Communicate messages of business rationale clearly.** Marketers must clearly articulate their rationale of how the tiers and offerings are targeted fairly and must convey this message regularly, particularly to those inclined to be highly concerned about the issue.
- **Be discreet, be discreet, and be discreet.** Being right is not enough when appearances imply wrongdoing. This is also true of the best differentiated offerings. The wealthy of every generation and society have always come to understand that bold displays of differential consumption are not only distasteful, but they can be bad for future consumption. Ask Marie Antoinette.

Despite high levels of consumer sensitivity to differentiated offerings, financial service companies, for example, report few public relations snags relating to differentiated offerings. Alexander Labak, the chief marketing officer of Deutsche Bank, which launched new services in an effort to differentiate offerings, says, "It has not been hard for people to accept that customers with more money probably have more complicated needs related to managing their finances. Discretion in marketing the program means avoiding any elitist note and instead promoting the wisdom of 'different strokes for different folks.'" ■

Find an Occasional Use

The old rule said, *"Make the 'special' in a version suitable for everyday use by the masses."*

The new rule says, *"Make versions of the 'everyday' that are suitable only for special-use occasions."*

One area in which the affluent are driving tremendous market growth through specialized product usage is cookware. Hugh J. Rushing, the executive vice president of the Cookware Manufacturer Association, told the *New York Times*, "Growing male interest in cooking is one of the bright spots in the kitchen retail market. ... Men tend to have no problem buying a special pan for paella, if the recipe calls for it, whereas women will make do with a regular skillet or pan." He also noted that specialty cookware sales are up 17 percent since 2000.

Right Tool for the Right Task

The affluent are not the only ones to take advantage of specialization in offerings. Everyone enjoys using the right tool for the right task. But the moneyed masses do enjoy these specialized gadgets more often, and with less concern about paying a premium for the privilege. Data supports the logical belief that high-income earners own more of everything — and more nearly identical versions of things — across a large number of categories, from shoes to cars. This distinction is important in understanding that product innovation through specialization, while likely to be attractive to a broad range of consumers, will have its largest impact first on those who consume the most, and at the highest prices.

Research shows the moneyed masses are especially likely to purchase goods for occasional use, because they don't necessarily fall into one specific social class. As a result, their needs can range from a bowling shirt to a tuxedo. And owing to their purchasing power, they are quite likely to have both in their closets. In our predominantly anonymous society, consumers use possessions to communicate information about themselves and to achieve a sense of belonging in any given locale. We dress to fit in; different products or product types fit our different roles.

And the number of scenarios one can choose to be a part of proliferates. So the need for ever more *information-bearing goods* (goods that communicate outwardly the owner's appropriate knowledge about the occasion) also increases. Today, ever increasing populations and broad physical and social mobility have made "fitting in" in many venues a large and acceptable part of everyday life.

Rising to the Occasion

Companies can infiltrate and conquer the occasional-use market by concentrating on these two distinct strategies:

Improving the Fit for Skateboarders

Making a product suitable to a particular use occasion requires that it be made distinctly different in ways linked to specific customer needs.

Whether or not every buyer values or uses the unique features of skateboarding shoes, there can be no denying that they are not simply a tennis shoe made up to look good for skaters. For example, the unique needs of skateboarders, particularly for wear resistance to combat the constant friction of the board, and padding in unusual places like the tongue to soften board flips, have kept designers scrambling to use the latest materials in their construction.

1. Create new usage segments. Successful companies excel in uncovering new uses within established, traditional usage behavior segments and categories, such as the introduction of shampoo in 1930 by John H. Breck Sr. as an unexpected departure from the then-current practice of using on one's hair the same bar soap that one used on one's body.

An important strategy for defining and capturing new occasions is to split an existing category of use by some aspect of its use — or some attribute of its users. At each step, much like how a Russian nesting doll is taken apart, a deeper level of unmet need is revealed and then a product developed to satisfy it.

2. Improve the fit. Companies can concentrate on honing their offerings to better fit a specific occasion. This creates additional distinction for their brand and offerings, based on their ability to overcome specific challenges of use. For example, Sur La Table, a store for professional chefs and other cooks, has dozens of items specifically designed for use with fish, including bone tweezers and bone pliers.

Understanding Occasions

Companies can gain the insights they need to improve the fit of their existing offerings to specific occasions and create new offerings for new occasions by better understanding customers, their occasions, and the unmet needs inherent in those occasions. Leading companies have better knowledge and deeper understanding of occasions and use environments than their competitors.

A number of techniques have proven to be useful to these companies, including:

- **Immersing themselves in the actual use of products** — including intense observational research; and
- **Hiring "heavy user" employees** — people who are enthusiastic users of all products in the category being marketed to, and who bring deep insight and knowledge into the core of the organization. ■

Introduce a New Math of Ownership

The old rule said, *"Produce less-expensive versions of luxuries to sell to the masses."*

The new rule says, *"Introduce new models of ownership that make a wealthy lifestyle, and even real luxuries, affordable to the masses."*

Research conducted by Yankelovich Partners confirms a growing "claustrophobia of abundance" caused by the fact that "people just feel overwhelmed by [their] stuff." The growing burden of ownership on the affluent, left unchecked, *will hinder their future spending*. The moneyed masses may elect *not* to purchase certain goods, recognizing they may make the purchase, but quickly become dissatisfied with the product, the brand, and the company because they are unable to properly manage ownership, an equally unappealing alternative.

Unless marketers find a way to lessen the burden.

The Burdens of Ownership

The challenges facing people who own a great deal of "stuff" include storage, management, maintenance and repairs. Savvy marketers will find opportunities for new revenue streams in all these problems. To help marketers assess these new opportunities, some researchers are taking a more comprehensive view of household management. Most notable among them are Thomas Boyd and Diane McConocha at Miami University's Richard T. Farmer School of Business. Boyd and McConocha believe consumer marketing should take a page from industrial marketing, viewing *the household* as the buyer, just as organizations — and not just their individual members — are considered buyers. The researchers have created an ownership model they call the Inventory Ownership Cycle, which compares household operations to materials management.

All marketers are familiar with the first three of the model's seven steps — preacquisition (i.e., evaluation), acquisition, and use — but the subsequent four are seldom examined in sufficient detail: storage, maintenance, restoration (taking an item out of storage, preparing it for use, readying it for storage, and then returning it to its place), and disposition (disposal).

Although these four steps are often invisible to consumer marketers, they are important to consumers and particularly critical to the time-starved moneyed masses. Each of these ownership components can require the investment of considerable time and effort, thereby determining whether an item is considered easy or burdensome to own. These, then, are important areas of differentiation that companies can focus on to better serve the ownership needs of today's consumers.

Reinventing Ownership

Changing the product itself is just one way to seize the opportunity to provide more customer value throughout the ownership cycle. A second way is by enhancing ease of use. Many marketers do this by altering the packaging as well as the product — creating no-drip pouring spouts, for example. A third way is by improving post-sale support.

A fourth option builds on improving the ownership experience, but is much more radical. It entails challenging the preconceived notions about what truly constitutes ownership, and asking what the value proposition of owning something should be. This fourth option could be called "reinventing ownership."

Observing leading companies reveals these three strategies, based on the fundamental aspects of ownership, to combat the customer's perceived downside of ownership:

1. Distribute the rights (and responsibilities) of ownership among several customers. Fractional ownership now succeeds in making expensive, maintenance-intensive purchases more affordable and manageable for myriad products, such as luxury boats and exotic automobiles, by enlisting fewer, more affluent owners, distributing larger shares, and enhancing more flexibility of ownership than traditional time share models.

2. Offer innovative payment options. The moneyed masses are often asset rich but liquid-cash poor, eager not to tie up large amounts of cash for a purchase, and preferring to enjoy the benefits of a product without ever actually paying in full for ownership. As a result, marketers should look to introduce new payment options that increase flexibility in the timing of payments, such as leasing, pay-as-you-go, and all-inclusive flat fees, into their repertoire.

3. Dramatically shorten the duration of ownership. Many consumers insist on keeping possessions long beyond the time the items are most useful, though the owners can easily afford replacements. Effective marketers in the furniture, consumer electronics, and apparel industries are driving out this commercial inefficiency by constructing incentives for consumers to replace goods much sooner. Marketers can teach consumers to demand continued value from their purchases, speed the pace of innovation in a category, offer versions tailored to less frequent use, shorten time-to-market of offerings and inventory, and facilitate and accelerate product disposal.

Keep Unmet Needs in Mind

Each strategy must be assessed with the unmet needs of the moneyed masses in mind. The goal is to solve the problem of expanding the customer's ability to consume, while also allowing the customer to retain the valued sense of ownership so coveted to begin with (and avoiding any negative associations the moneyed masses may have with arrangements like rental centers). ■

Grow the Return on Consumption

The old rule said, *"Offer the masses new consumables and new investment opportunities."*

The new rule says, *"Offer new consumables that perform like investment opportunities."*

Today's increasingly affluent consumers are looking to purchase goods and services that can act as investments capable of enhancing wealth over time.

Profitable Consumption

The broad-based desire to make consuming more like investing exhorts marketers to demonstrate the enduring value of their offerings. They must articulate an offering's return on consumption — the benefits that extend beyond its predictable use. Research reveals three specific strategies, based on the innate properties that characterize investments, that leading companies are using to profit from this growing consumer preference:

1. Pay dividends to your customers. Promise, for years into the future, dividend payments to those who buy and continue to own your offerings. These dividends can take the form of periodic cash payments, but are also known to include promises of recurring, and at times seemingly random, dispersals of free valuable goods and services.

2. Improve your customers' productivity. Every businessperson understands the benefits of making a capital investment in tools and machines, the idea being to increase productivity of other inputs such as labor. Now is the time to include capital-investment-like offerings in your product and service lines — offerings that promise to improve the earnings potential and overall productivity of affluent consumers and their children.

3. Create value by extending a product's real and perceived useful life. This approach is particularly relevant for categories of goods where fashion and innovation are not easily accelerated, limiting the opportunity to shorten the duration of ownership. In such cases, companies can lengthen the delivery of value by endowing goods with an heirloom quality, making them collectibles that span generations or increase in resale value. Another way is by launching warranty and refurbishment programs that ensure long-term, undiminished delivery of the value promise embedded in the original purchase.

The Bottom Line

Through tangible assets such as real estate, securities, and modern art, and intangible assets such as knowledge, good health, and family, the moneyed masses are increasingly experiencing and enjoying the benefits of greater wealth accumulation. Goods and services that grow consumers' wealth will be particularly welcome in these households; offerings that do not will begin to face greater skepticism as their short-lived returns become more apparent.

To gain a return on consumption, many durable goods will need a step function improvement in their overall quality, with a concentration on innovations that increase the intrinsic value and longevity of ownership.

At the same time, services and nondurable goods will need to provide greater evidence of their future returns to attract the moneyed masses. Marketers must become more than investors and promoters; they must become their customers' investment managers as well. ■

Create Heirlooms

Perhaps no marketer has leveraged the heirloom principle as successfully as watchmaker Patek-Philippe, whose watches have sold for as much as $1.6 million. The company actively markets its timepieces as items to be passed on, as manifest in its tag line: "You never own a Patek-Philippe. You take care of it for the next generation." Companies that want to emulate this positioning must support their claim, as Patek-Philippe has done, by having in their portfolio some products of exceptional and lasting value. Patek-Philippe produces certain scarce, and many times unusual, highly specialized products. For example, in 1989 it created its Caliber 89 to celebrate the company's 150th anniversary and labeled the watch the world's most complicated portable timepiece. The watch offers 33 separate functions and has 1,728 distinct parts.

Think Global, Retail Local

The old rule said, *"Make retail stores a destination for the masses, by having the biggest variety, assortment and discount."*

The new rule says, *"Serve the masses locally in their usual destinations, with the convenience, layout and assortment you know they want and the prices you know they will pay."*

Now, more than ever, consumers can see, want and even afford most of the goods in mass-market stores. Yet, this latest degree of accessibility has come with important business trade-offs. Profitably sustaining low price points requires massive economies of scale and the sale of high volumes of extremely standardized goods. As a result, many retailers are serving up relatively undifferentiated offerings to all their customers, regardless of who they are, what they need, or what they might be willing to pay.

New mass-market consumers would spend more — and more frequently — if retailers presented them with higher-quality offerings that better fit their needs. A full 70 percent of all consumers assert this, with the numbers inching

(continued on page 8)

Think Global, Retail Local

(continued from page 7)

higher for those with higher incomes. Nearly a quarter of those earning more than $100,000 wish that there were more expensive (and better) products in the stores they frequent, and almost no consumers at any income level have any interest in the addition of lower-quality, less expensive offerings to their preferred retailers' assortments.

Preserve Successful Advantages

Retailers must preserve the advantages that brought them mass-market success — customer-facing features like accessibility, selection and service, and operational features like supply-chain efficiency — while serving a far more diverse and upscale set of needs. That means making a direct appeal to more affluent customers, with steps ranging from determining and delivering better in-store assortments, to the creation of more highly tailored retail outlets within their local environments. Here are some specific suggestions:

1. Embrace new store locations and formats. Today, retailers and real estate developers are together pioneering innovative mall concepts and store formats designed with the everyday needs of the moneyed masses in mind. Using three lines of attack, their strategies are to: locate in "lifestyle centers"; exploit small-box formats; and launch separately branded, more upscale store chains.

2. Upgrade product assortment to increase transaction size. Discount merchants need to offer high-income consumers a greater variety of better-quality, value-priced products across all of their departments, from apparel to toys to consumer electronics.

3. Retail better through technology. Leading retailers embrace and employ technologies deeper in their businesses. Doing so has helped them to make important, fact-based decisions about product selection, placement, and stocking levels at the individual store level.

4. Sell mass retailing to the moneyed masses. Retailers must deploy merchandising strategies, product assortments, and retail formats that award different customers highly targeted offerings that appeal to their specific preferences, lifestyle needs, and buying behaviors. ■

Become Apropos of Everyone

The old rule said, *"Keep spending on promotion until the masses are convinced they want your offering."*

The new rule says, *"Limit the need for spending on promotion by becoming highly relevant to the masses, revealing to them the wisdom in choosing your offerings."*

There are many new developments that have allowed even the most traditional forms of mass-marketing promotion, advertising, and public relations to evolve into forms that compete effectively for the "mindshare" of today's moneyed masses. They are designed to influence large numbers of anonymous potential customers. These methods succeed because they are highly relevant to many customers or are made so by the companies using them. This heightened relevance is the key to obtaining new low- and even no-cost mass promotion, which spares companies the expense of individually identifying and targeting customers.

There are three ways in which effective marketers have modified their approaches to traditional methods to get the job done:

1. Advertise in the bottlenecks. Even the busiest of affluent consumers are sometimes more reachable — at the times and places where life itself slows them down. These include time spent commuting to and from the desk or shop floor and the time spent enjoying upscale entertainment, social or other leisure activities. Step into recurrent moments of underutilized time, generating passive as well as active uptake of information.

2. Entice them with incentives other than money. Successful marketers are improving their promotions by exploiting affluent consumers' interest in knowledge and education, helping them to become connoisseurs of their product category — teaching them not just to be a Kendall-Jackson drinker, for example, but how to be an armchair sommelier.

3. Shift public relations focus from the "wow" factor to here-and-now benefits. The limited attention and increased skepticism of those with greater affluence drive savvy marketers to focus public relations efforts on communicating immediately appreciable benefits. One way to do this is by publicizing the specific areas of innovation that address long-held consumer desires, as JetBlue Airways did in promoting its on-board satellite TV. ■

Tomorrow's Mass Market

With expectations of real economic growth, companies can expect the moneyed masses to be the vanguard of new earning and spending both in the United States and abroad.

Executives should find their newfound awareness of the moneyed masses exhilarating — so large a segment with so much money to spend represents tremendous opportunity. Affluent consumers are dedicating a growing percentage of their income to savings — proof that no competitor, or set of competitors, has completely won the battle for share of income. These untapped funds offer opportunity for marketers everywhere to profitably innovate. The goal is to find superior margins in offerings expensive enough to have superior margins, and to sell those offerings to those who can justly afford them. ■

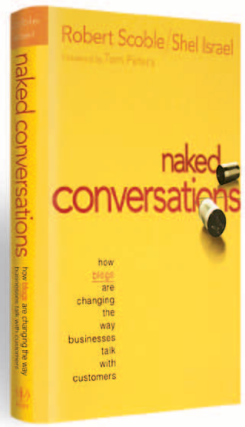
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· Book 59 of 106 ·

Naked Conversations

Robert Scoble and Shel Israel

SOUNDVIEW Executive Book Summaries®



By Robert Scoble and Shel Israel

CONTENTS

Souls of the Borg
Page 2

Everything Never Changes
Pages 2, 3

Word of Mouth on Steroids
Page 3

Direct Access
Page 4

Consultants Who Get It
Page 5

Survival of the Publicists
Page 5

Blogs and National Cultures
Page 6

Thorns in the Roses
Page 6

How to Not Get Dooced
Page 7

Blogging in a Crisis
Page 8

Emerging Technology
Page 8

The Conversational Era
Page 8

How Blogs Are Changing the Way Businesses Talk With Customers

NAKED CONVERSATIONS

THE SUMMARY IN BRIEF

Today's consumer craves human contact. We're sick to death of voicemail. Menus of options that never offer the option we need. A deluge of carefully spun "information" designed not to answer our concerns, but to influence our decisions. Mechanical voices telling us our call is important to them even as they refuse to answer it.

We're frustrated in our attempts to reach a live human being, and when we finally do, all too often it's someone who barely speaks our language and only reads from a script.

Is it so surprising that the consumer distrusts the corporation?

Into this charged atmosphere comes a phenomenon called blogging. It's interactive. It's informal. It's peppered with misspellings, grammatical errors and an occasional forbidden word.

It comes from a real person. And it allows the consumer to talk back.

In this summary, you will learn why the experts believe blogging is already changing the face of business.

This summary is based on more than 50 interviews with people at all levels in all types of businesses. The experts show readers how employee bloggers altered the public's perception of Microsoft, how company leaders use blogs to connect with customers, how small businesses and Fortune 500 companies alike can benefit from blogging and how failing to use it properly can be disastrous.

In addition, this summary will show you:

- ✓ ***Where the dangers of blogging can be found.***
- ✓ ***How to manage the risks of blogging.***
- ✓ ***How to let consumers talk back to your company.***
- ✓ ***Why your future may depend on your ability to let customers talk back to your company.***
- ✓ ***How blogs can repair corporate image and lost trust.***
- ✓ ***What new technologies should be watched.***
- ✓ ***Why business blogging is incredibly important.***
- ✓ ***What rules companies must follow when blogging.***

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NAKED CONVERSATIONS

by Robert Scoble and Shel Israel

— THE *COMPLETE* SUMMARY

PART ONE: WHAT'S HAPPENING

Souls of the Borg

Often perceived as predatory and heartless, Microsoft had a reputation for ruthlessly rolling over competitors, wrestling in courtrooms against government prosecutors, and exposing its customers to security flaws and frustrating glitches.

In recent years, however, Microsoft has made serious efforts to improve its public image. Walter Mossberg, author of the influential *Wall Street Journal* Personal Technology column, observes:

Since the end of the anti-trust trial, Microsoft has been on a massive charm offensive. It has methodically settled lawsuit after lawsuit with rivals and governments. It has reached out to all sorts of constituencies. [Chairman] Bill Gates himself has become calmer, less publicly combative, since leaving the CEO post. His charitable foundation has taken off in a very public way. And the company has allowed numerous employees to show a human face by blogging. All of this has improved their image.

Customers are viewing the company in more trusting terms, according to surveys Microsoft conducted of visitors to its Channel 9 blog. A growing number of Microsoft-watchers and people at mid-level desks inside Microsoft think the reason is blogging. And the people actually doing it are downright certain they are making a difference.

People, Not Borg

XML team program manager Joshua Allen acknowledges there were many factors involved in the apparent shift in perception, but he feels that "Blogging unquestionably has had the most impact."

Looking back, Allen says, "I think Microsoft has experienced a vast softening of its image. People, including journalists, have a lot more information about Microsoft now." Perhaps more significant, he thinks, has been the impact on employee morale and the company's ability to attract new talent.

What does Microsoft's experience have to teach other businesses? According to Allen, "Your whole company won't collapse if you do this and your customers will love you." ■

Everything Never Changes

The birth of the blog was a little-noted incident. A brilliant, curmudgeonly technology pioneer — Dave Winer — was fiddling with a project and organized a series of entries in a new way. He looked at it, thought "Wow, that's cool," and circled back to expand on it later. He added a variation on an emerging technology and created a syndication feature that would eventually emerge into Really Simple Syndication (RSS). Other people — such as Ben and Mena Trott, who founded Six Apart Inc., and Evan Williams, who co-founded Blogger — would make blogging tools easier so a great number of people could use them. The number of users has gone through the roof ever since.

Speed of Adoption

According to David L. Sifry, founder and CEO of Technorati (a Google-like service that tracks blogging topics, links and trends), the number of blogs has been doubling about every five months since 2003. Today there are about 20 million bloggers worldwide, and that number is rising. While as many as one-third of all blogs started may be abandoned within a year, the overall growth of blogging is among the fastest of any technology in history. According to Pew, one-fourth of all Web users in the United States read blogs.

(continued on page 3)

The authors: Robert Scoble helps run Microsoft's Channel 9 Web site. He began his blog, www.scobleizer.com, in 2000 and now has more than 3.5 million readers every year.

Shel Israel played a key strategic role in introducing some of technology's most successful products. He's been an expert on innovation for more than 20 years.

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Everything Never Changes

(continued from page 2)

What Is a Blog and Who Cares?

A blog is nothing more than a personal Web site with content displayed in reverse-chronological order. New posts are placed at the top of the page instead of the bottom, making it easy to see what has changed. In most cases, site visitors can identify the author and leave comments for others to see. Blogs are loosely joined to each other through hyperlinks. Find one blog, and you can probably spend hours clicking links from blog to blog to blog — many of which talk about ideas and theories and rants on other blogs. This linking means that any blogger who has something to say is part of a global network called the *blogosphere*. Whether you have three regular visitors or 10,000 daily visitors and thousands of links, each posting from every blogger had a potentially huge circulation of 20 million in July 2005, a reach of almost 12 times the circulation in the millions.

The most important aspect of the blog is that it is conversational. While nothing beats face-to-face meetings, the realities of global business and relationships make it impossible to have such meetings with every customer, prospect or potential investor. Phones, faxes, e-mails, short message service (SMS) and instant messaging (IM) all extend the conversation, as do online forums, bulletin boards and chatrooms. But none of them lets one person converse with many people in multiple locations from any point where he or she has a computer and Internet access — not until blogging.

Real people are simply more authentic than actors pretending to be real people. A stammering product manager has infinitely more credibility these days than a polished official company spokesperson.

The Six Pillars of Blogging

1. Publishable. Anyone can publish a blog. You can do it cheaply and post often. Each posting is instantly available worldwide.

2. Findable. Through search engines, people will find blogs by subject, by author or both. The more you post, the more findable you become.

3. Social. The blogosphere is one big conversation. Interesting topical conversations move from site to site, linking to each other.

4. Viral. Information often spreads faster through blogs than via a news service. No form of viral marketing matches the speed and efficiency of a blog.

5. Syndicatable. By clicking on an icon, you can get free "home delivery" of RSS-enabled blogs. RSS lets you know when a blog you subscribe to is updated.

6. Linkable. Because each blog can link to all others, every blogger has access to millions of other bloggers.

Because blogs are also the lowest-cost communications channel, you can reach thousands, perhaps millions of people for an investment of a few cents and some personal time. ■

Word of Mouth on Steroids

While word of mouth has always been the most credible way to expand awareness and adoption, blogging fits into all this as the most powerful word-of-mouth delivery mechanism to date. Yossi Vardi, a veteran investor in technology startups, says, "Blogging is word of mouth on steroids."

Blogging is one huge word-of-mouth engine. Instead of being relegated to the back seat, it now is efficient, powerful and fast enough to drive the whole car. Actually, two cars would probably be more accurate, because it drives in two directions — outbound and inbound.

Blogging lets you listen to what people are saying about your product, company or category and gives them the opportunity to respond. The result is that your business becomes connected to a new kind of smarter, more efficient word-of-mouth network. Blogging lets you:

- **Find and join the conversation.** Nearly in real time, people can extract comments relevant to their business through search engines such as Technorati, Feedster or PubSub, each of which tracks millions of blog sites similar to the way Google tracks billions of Web sites. These search engines are faster and usually deliver results in hours or even minutes, letting you see what people are saying — pro or con — about your market, product and company. People are talking about these things already, so it would be wise for you to participate, even if you do not maintain your own blog.
- **Feed the network.** This expression once referred to using provocative advertisements such as Apple's 1984 Super Bowl screen-smashing commercial. Such ads can still work, although there seems to be a real paucity of ads worth talking about these days. On the other hand, blogs let you feed the network at a far lower cost and as a more credible source.

Blogging at GM

When Bob Lutz, GM vice chairman and a blogger, posted a blog just prior to a big auto show where a spiffy new Saturn was introduced, the blogosphere exploded with conversation on the fact that Lutz was blogging, on the fact that he responded to comments on whether the new car was real or prototype and so on. At last count, there were about 100 comments under his posting and almost an equal number of links to it.

Vardi was right. Blogging is indeed word of mouth on steroids. Unlike major league sports, where steroids have caused a multitude of scandals, word of mouth on steroids builds credibility, enthusiasm and customer evangelism. ■

Direct Access

GM's Bob Lutz says, "Blogs can be ... an equalizing force when dealing with media criticism. It is fantastic because blogging is a self-regulating media."

Direct access, Lutz emphasizes, is a larger issue than just bypassing unsupportive reporters. According to Lutz, his blog has started to chip through the crust of GM's stodgy image by demonstrating some passion in corporate leadership and "a willingness to listen to everyday people."

Lutz uses staff to manage the enormous flow of comments. They send him e-mail digests that eliminate some redundancy, but they don't censor the negative comments. The highly mobile executive peruses the summaries in airports and in-flight through his trusty BlackBerry handheld computer.

Transparent and Authentic

To most people, Lutz comes across as both transparent and authentic, two essentials for successful blogging. Lutz also scores highly on the two most fundamental rules for blogging about a subject: passion and authority. He sounds corporate enough, but he doesn't use corpspeak. We can't picture him getting help from a ghostwriter, and his occasional typos and grammar gaffes give the reader a sense of an intelligent executive writing in a hurry.

And he is a guy in a hurry. Yet he takes the time to blog even during the busiest of times. Direct access is what makes this investment worthwhile.

Unless you work for a private or public intelligence operation such as Homeland Security, or have a job couched in enormous privacy or have a company whose behavior is unethical, chances are likely you will benefit from direct conversations not couched in terms devised by committees of lawyers and marketing consultants.

Most companies of all sizes will be wise to follow the advice of Dave Winer, father of blogging technology: "Come as you are." Talk as you talk. Let people who matter get to know you through a blog and listen closely to what they tell you. ■

For additional information on the press, blogs and mistakes, go to: http://my.summary.com

Little Companies, Long Reach

For those who have businesses that are less than globally monolithic, blogging is the best option to have your own words heard worldwide. It also gives you the opportunity to listen to people you might not otherwise have met.

Most people in business have trouble getting their names in the newspaper, and their budgets often cover little more than Yellow Pages ads. Blogging gives such small businesses global reach at an extremely low cost.

Five Success Tips

Successful business bloggers give these five tips that seem to work for each of them:

1. Talk, don't sell. Blogging was born in an environment of anti-pitch sentiment. People visit blogs to see what others care about and know. Over time, they will either come to trust you or they won't. If you talk to them, they get to know you. If you sell to them, they'll just leave — if you're lucky. If you're not, the blogosphere will buzz with allegations that you are abusing the new communications channel.

2. Post often and be interesting. Treonauts' Andrew Carton says he forces himself to blog at least once daily. This doesn't mean you have to become a writing factory. Many bloggers just link to other blogs in the category where they are trying to establish their own authority. Posting often helps you with search engine ratings, and being interesting is what motivates others to link to you.

3. Write on issues you know and care about. A good blog is passionate and shows authority. It may be unwise to sell on a blog, but showing what you know and what you care about is part of why you should blog.

4. Blogging saves money but costs time. A good blog reduces or eliminates the need for both advertising and PR support of goods and services. You need to join the conversation by reading other blogs, linking to them and putting comments on them. Research what you write about, and check and recheck your facts.

5. You get smarter by listening to what people tell you. As Dan Gillmor emphasized in *We the Media*, "My readers are collectively smarter than me." So are your customers. ■

The Three Impacts of Blogs on Fellowship Church

Brian Bailey is the Internet manager for the Dallas-based Fellowship Church. He sees three areas where blogs have impacted Fellowship Church:

1. Internal. This is where the most dramatic change has occurred. Blogging has improved multiple communications levels. The church vision has added transparency to how ideas develop.

2. Personal. Bailey feels that his blog has made him wiser by exposing him to new ideas. He has become better known and, by writing every day, more articulate. Like others, he says he's learned to listen better to people with opposing views.

3. Community. The increased openness has given people a closer sense of connection with the church, whether they are members, "curious seekers, or leaders of other churches with whom we exchange ideas and advice."

Consultants Who Get It

Consultants are important to blogging for two reasons:

1. Consultants who blog are building reputations that make them category leaders, whether that category is defined by geography or niche. Their opinions are becoming more important in influencing markets.

2. Consulting expertise has started to evangelize and deliver blogging into other businesses. They are now seeding blogging into corporate strategies the way they previously germinated PCs and Web sites. Experts believe they will play key roles in the phase of blog adoption that has started to occur.

Consultant-Bloggers

In Europe and North America, there are many bloggers who consult businesses. Consultants are wisely using blogs in decidedly different ways than they use their Web sites. The consultant-bloggers gaining the most notice are building reputations, not selling services. Many emphasize that they started blogs because of a need to express themselves, rather than as an action item on a business plan. Some go out of their way to avoid self-promotion. Many are quick to point away from themselves and to others in their field.

For some, blogging has changed their community status because of recognition generated by their blogging. Through their blogs, many people are getting to take a series of small, frequent glimpses at who these consultants are and how they think — and in some cases, the reader may become a customer. But at this point, the blogosphere is a better place to market your reputation than sell your goods, and in the end that will prove more valuable.

Ernest and Open

Attorney Ernest Svenson is better known as blogging's Ernie the Attorney. He says he writes to discover "insight about myself. People just want a story: What's the deal? Just tell me how it works. The best thing you can do, if you want to market on a blog, is *don't*. Just talk."

Ernie the Attorney is not trying to sell you legal acumen. He is allowing you to see and know a real person experiencing a real-life vignette. Over time, you realize the guy is smart, funny and seems pretty trustworthy.

While blogging has landed Svenson a few referrals, there's been no great windfall. But blogging has boosted his legal community stature. More than 1,000 people visit his site daily, including a couple of judges on the New Orleans bench. They've asked him to serve on a committee to determine courthouse WiFi options.

Svenson marvels at how blogging has taught him to listen more closely and tolerate opposing views. While blogging might help him in his legal practice, he says that on a larger scale "it helps me get through life." ■

Survival of the Publicists

Richard Edelman, president and CEO of Edelman PR, the world's largest independent PR firm, is in a position to evangelize blogging into powerful offices where blogging's relevance to date has been generally discounted and most of today's blogging denizens don't get invited. Edelman oversees a worldwide organization of nearly 2,000 employees in more than 40 offices on four continents.

In September 2004, Edelman started his blog, Speak Up. He advises PR agencies to have their clients speak for themselves instead of using outside celebrity or PR spokespeople and for agencies to be transparent on who's funding campaigns. Regarding the blogosphere, he commented that PR agencies had better understand how it works and what it does. He says those in PR "have to be very much part of the conversation by reading key bloggers in each relevant product category, [to] be prepared to contribute to the conversation by smart posts and to keep key bloggers updated by having relationships akin to those we have with reporters."

He explains, "Blogging is not a passing fad. Any brand, business or organization that fails to grasp [that] fact may very well be. It's essential to any company seeking to connect in a spontaneous, continuous fashion with its publics. It affords a window into a company unlike any other — more credible because it lacks the dimension of control, more sustainable because it is rooted in reality, more powerful because it can be connected to comments of others having primary experiences with a company's product or service. Smart companies will take heed of what they learn from online critics, amending the product or process by being committed to continuous improvement from whatever source."

Shut Up and Listen

As head of the Voce Communications Digital Advocacy (DA) practice, which focuses on online communication, Mike Manuel says his job is to help companies listen and understand what is being said, see where opinions are being formed and figure out who their core influencers are. He helps clients, particularly Yahoo!, determine the best way to get into conversations.

His advice: "Shut up and listen. Listening is hard for companies, and ironically, it's hard for communicators too, especially the command-and-control types accustomed to ... well, talking. It's really in our professional interest and the interest of our clients to take the time to ... determine how the blogosphere is — or is not — impacting public opinion and brand perception. And you do this simply by listening." ■

For additional information on three trends being driven by blogging, go to: http://my.summary.com

Blogs and National Cultures

Germany, Europe's most populous country and a leader in engineering and IT, is far less active than its smaller neighbor, France. Likewise in Asia, business blogging is far more prevalent in Japan than in China.

Loïc Le Meur is a Six Apart Inc. executive who is also arguably Europe's best-known blogger, writing in both French and English. He says the reason for these apparent disparities can be summarized with a single word: culture. "Some countries are conducive to the openness required in a successful blog. Others are less conducive," Le Meur says. "We French are accustomed to expressing our thoughts as individuals out in the open. So are you Americans. On the other hand, Germans tend to be more reserved."

Technology and Mobile Blogs

Of course, technology is also a factor and always will be. For example, we assume that the reason mobile blogs — blogs generated from handheld devices often featuring photos — are so much more popular in Korea than text ones is that most people there have cell phones but fewer have personal computers, particularly at home.

Still, culture is clearly playing a role in how blogging develops. It can be national, ethnic, corporate or departmental. Where people are encouraged to speak their mind, and those in power trust the people they oversee, blogging flourishes. There are reasons why political blogging in the United States has taken off wildly, whereas in China it has not. ■

Thorns in the Roses

Blogging also has its prickly issues — some real and some imaginary. Some companies and people should not blog, period. For others, determining whether the benefits outweigh the potential drawbacks can be a tough call.

Culture is the prickliest thorn. Target executives explain that blogging is unlikely to start up inside America's fourth largest retailer because being personal in public is just not Target's way. That's a cultural thing.

The 'Echo Chamber'

Another thorn can be called the "echo chamber." Blogging can fool you. You may think you are conversing with the world, when it's just a few people talking frequently, back and forth to each other, creating the illusion of amplification. The echo chamber can deceive a business into thinking it is either more widely successful or further off the mark than it is in reality, because a few people are making a lot of noise.

If you are a genuine bad guy, or are part of an organization of bad guys, don't blog. Blogs have so far worked extremely well for companies and people with do-the-right-thing cultures. They will probably fail in cultures that have public-be-damned attitudes. Other companies that should not blog are those that intend to victimize customers and supporters, such as fraudulent charities, and companies engaged in sensitive and confidential information, such as those involved in financial consulting, stock brokerages, private investigators and defense law. Dullards and those with awful communication skills should also avoid blogging. ■

PART TWO: BLOGGING WRONG AND RIGHT

Doing It Wrong

Although no one wrote the official blogging rule book, one simple rule for doing it right is *be real*. If you are going to blog, be authentic. Keep your conversations *naked*. Let people know who you are and where you are coming from. If you don't, blogger vigilantes will form torch-lit mobs to expose your false or character blog, and they will continue their assault until they have driven a stake through the heart of your deception. There may be no rule book or designated enforcement squads, but the blogosphere is filled with members committed to keeping it a "clean channel," unadulterated by clever, cute or contrived entries.

If you are coming to the blogosphere from Madison Avenue, or with the heart of a traditional marketer, and you just cannot avoid the temptation to crank it up just a wee bit now and then, DON'T DO IT! You will regret it if you do. More than a few people and companies have managed to mangle their reputations by attempting to extend traditional marketing tactics into the blogosphere.

Mazda's Unfortunate Trip

Mazda's brief, unfortunate road trip into the blogosphere serves as an effective cautionary tale. Mazda had some very slick professional footage of one of its cars doing some extreme driving stunts in an urban setting. The footage was filmed for a series of 30-second TV spots that failed to win over the Gen X drivers the company targeted. The company's ad agency reworked the slick footage into a blog allegedly authored by a chronically hip young urban driver. Within hours, the blogosphere caught the deception, and the video became perhaps the first to fail in two media. More importantly, Mazda lost credibility with precisely the audience it was trying to reach.

In contrast, Vespa, the motor scooter people, launched VespaQuest, a blog written by authentic urban customers who describe their lives and how scooters fit into it from day to day. The blog is getting warm mention, and its readership has been steadily rising.

The blogosphere is changing every day. New people

(continued on page 7)

How Being 'Really Cool' Boosts Employee Morale at Boeing

Good blogs go far to boost employee morale. Adam Phillabaum, who recently joined the aeronautical giant Boeing after getting his computer science degree from the University of Idaho, says, "I happen to work for a company that [once] had a blog that basically everyone thought was lame. Boeing is freaking huge, and sometimes it may be hard to change something in a company this large. But as soon as they heard from the blogosphere that they were lame, it was fixed right-quick. I always thought that was really cool."

Doing It Wrong

(continued from page 6)

and emerging technology are bringing new ideas that extend how blogging will be used. The rules are changing because no one, thankfully, has the power to enforce them. France's Michel-Edouard Leclerc seemed to address a common sentiment when he spoke passionately of the "humanization of communications" and warned bloggers not to let corporate interests muck it up.

They may be less dramatic than the "muckers," but the greatest number of people and companies blogging wrong are guilty of no crime greater than being dull. Being bland will hurt you and the company you represent.

Forced and Unselfish Blogging

Busy professionals who had full plates *before* a company higher-up told them to blog often compose in a style that feels hurried and forced. Such blogs come through often as joyless and rushed — even when the author's expertise on a particular subject is apparent. Tom Foremski, who blogs full time for Silicon Valley Watcher, noted in June 2005 that "Forced blogging comes across as such, and cannot be disguised. You know it when you see it."

There are no absolute rules on the blogosphere, and no enforcement squads. But there are fundamentals such as transparency and authenticity. Companies that want to do it right in the blogosphere would be wise to adhere to these fundamentals. ■

Doing It Right

Here are the top 11 techniques and guidelines that have worked for other successful bloggers:

Tip #1: What's in a name? Search engine results. Before you enter a title, spend some time, perhaps an hour, doing some search variations to find out what words bring up results similar to what your blog will contain.

Tip #2: Read a bunch of blogs before you start. Read a wide selection of blogs, so you understand what's out there.

Tip #3: Keep it simple. Keep it focused. It's best to have each post contain just one idea or one set of links.

Tip #4: Demonstrate passion.

Tip #5: Show your authority. Tips #4 and #5 are separate components but should be inseparable in your blog. A good corporate blog is both passionate and authoritative.

Tip #6: Add comments. A good blog is a conversation, not a one-way PR channel. Get over the fact that you won't have full control. Instead, embrace the extension.

Tip #7: Be accessible. If you want something nice to unexpectedly happen to you, make it easy for people to contact you through your blog.

Tip #8: Tell a story. Corporate blogging is all about telling a story. *Your* story. Think about the elements of a good story. Case studies also work well.

Tip #9: Be linky. Link to your enemies. Link to your competitors. Link to everyone. Instead of being sticky, be *linky*. Be the absolute best resource you can be for your readers, and they will reward you with many inbound links.

Tip #10: Get out into the real world. If the only way people know you is through your blog, you become one-dimensional. There's a reason why industry conferences and trade shows are still well attended. Nothing beats face-to-face meetings.

Tip #11: Use your referrer log. There's a simple tool to listen in on what people are saying about you: your referrer log. The referrer log is the technology that keeps track of who's linking to your site and how much traffic those sites are sending to you. ■

For additional information on passion, authority and telling a story, go to: http://my.summary.com

How to Not Get Dooced

In the blogging world, getting fired for something in your blog is called getting "dooced." Web designer Heather B. Armstrong coined the phrase in 2002 after she was fired for blogging on Dooce.com, her blog about her work and colleagues at Yahoo!. According to the Blogger's Rights Blog, nearly 50 companies have disciplined or fired people for something they did on their blogs.

To avoid blog-based mistakes, you need to know your corporate culture and what it is and isn't willing to accept. Danger zones include not matching up with the company's PR image; leaking financial or other confidential information; disrupting the workplace by angering co-workers and bosses; breaking news in advance and generating unexpected work for the PR team; exposing dirty laundry; creating legal liabilities; and damaging the company's relationships with partners, competitors or other entities that affect its standing.

Good bloggers have to be good employees if companies are going to not only tolerate but encourage blogging. ■

Blogging in a Crisis

In recent years, blogging has played an increasing role in providing fast, valuable, striking and comforting information in times of crisis. In a crisis, blogs play a fundamental role in the sharing and spreading of information, and they do it with unprecedented speed. Blogs enable businesses to jump in quickly, and effectively control, reduce or eliminate damages.

Steve Rubel, at CooperKatz PR, has been a vocal advocate of being prepared for a crisis. He has devised a crisis management blogging lockbox, along the lines of "In case of emergency, break this glass." The agency works with its clients to anticipate the crises that could possibly occur. Together they plan and design a "failsafe" blog — a blog to be used only in case of emergency. Clients know who will speak for their organization, what issues will be addressed and what some of the toughest questions will be.

The day might come when such blog lockboxes are simply part of corporate management toolkits. ■

PART THREE: THE BIG PICTURE

Emerging Technology

Blogs and social media are now fueling a new Age of Subscription. Instead of you going to the information, it comes to you. Instead of having access only to what the company has to say about itself, you can see what people have to say about the company. When they occur, updates are fed to you as news breaks. Blogging has fueled this change, but the enabler is the syndication technology Really Simple Syndication (RSS), and its full implications are just being realized. RSS is a data distribution protocol that lets you subscribe to almost any blog. If you have the appropriate RSS support in your Web browser, you can simply click a Subscribe button when visiting an RSS-enabled Web page that interests you, and that page is added to your subscription list. You then start receiving all updates to that page as they occur. Other new blogging technologies include:

- **Memeorandum** is the first technology to link together old and new media, offering single-screen views of prominent headlines from traditional media merged with commentary from popular bloggers.
- **Mobile blogs** are blogs posted from handheld devices.
- **Tagging** makes you more discoverable. At the bottom of a blog post, you simply write the words "Technorati Tag" and then keywords covering the subject you wrote about. ■

The Conversational Era

Blogs are here to stay and companies need to figure out how to incorporate them into the way they communicate.

Blogging is a tool of a very significant revolution, one that has become virtually unstoppable, something that shifts the balance of relationships between companies and the communities in which they operate.

The influence of culture, both in business and countries, cannot be underestimated. Quite simply, some cultures are open and others are closed. Some leaders trust those under their watch, and others don't. And that difference becomes increasingly important as more people realize that corporate blog policy tells outsiders a great deal about how a company sees its employees and its customers.

Companies like Google that discourage blogging could start to lose talented people and already are revealing other cracks in their veneers. Discouraging employees from blogging neither builds internal morale nor attracts talented people.

Blogging is smart business. Blogging is cheaper and more effective than most marketing programs in use today. Sun Microsystems President Jonathan Schwartz says he could reach more people through his blog than with a full-page ad in a trade magazine — and they could reach him as well.

Small, independent merchants are part of what makes every community unique, and blogging is proving to be an enormously useful tool in the hands of independent shops and artisans. Patrice Cassard, a French T-shirt maker, started a blog-based business that profits and grows by letting customers decide almost everything. Blogging offers enormous opportunities for small businesses, whether they want to reach the immediate neighborhood or customers around the world.

Blogging is more than "conversational marketing." It impacts marketing but also transcends it. Blogging is vital not just to outbound communications, but inbound as well.

Blogging has ended one era and ignited another. In this new era, companies don't win just by talking to people. They win by listening to people as well. It is the Conversational Era. It doesn't change everything, but something has changed, and blogging is impacting businesses of all sizes in most parts of the world. It has made the world a smaller, faster place. And business is the better for it. ■

SOUNDVIEW RECOMMENDED READING LIST

If you liked *Naked Conversations*, you'll also like:

1. ***The Cluetrain Manifesto*** **by Rick Levine, Christopher Locke, Doc Searls and David Weinberger.** The authors present a revolutionary way of looking at working that challenges corporate assumptions about the nature of online business.
2. ***Does IT Matter?*** **by Nicholas G. Carr.** Carr argues that IT can be used to supplement and improve strategy implementation, but it is not the foundation of a competitive advantage.
3. ***The Anatomy of Buzz*** **by Emanuel Rosen.** Here's how to make word-of-mouth marketing work for your product.
4. ***Building Brandwidth*** **by Sergio Zyman and Scott Miller.** Zyman and Miller explain what it takes to close the sale online.
5. ***The Customer Revolution*** **by Patricia B. Seybold with Ronni T. Marshak and Jeffrey M. Lewis.** The authors explain how to survive in the customer economy and respond to customer demands for changes in the design and delivery of products.

· Book 60 of 106 ·

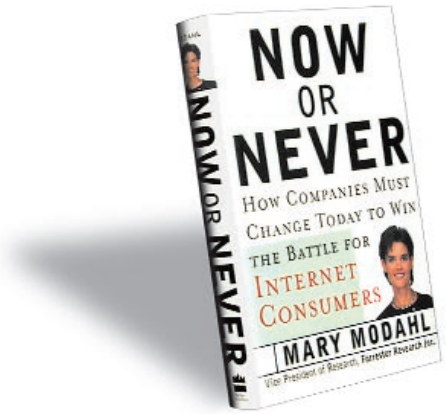
Now or Never

Mary Modahl

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FILE: STRATEGIC MANAGEMENT



By Mary Modahl

CONTENTS

Understanding Internet Consumers
Page 2, 3

Using Technographics to Target Internet Consumers
Page 3, 4

Reaching Early Adopters
Page 4, 5

The Battle for the Mainstream
Page 5, 6

Avoiding the Laggard Trap
Page 6

Exploiting Internet Business Models
Page 7, 8

Defying the Gravity of the Old Ways of Doing Business
Page 8

How Companies Must Change Today To Win The Battle For Internet Consumers

NOW OR NEVER

THE SUMMARY IN BRIEF

The coming five years will be decisive in the battle for Internet consumers. Bricks and mortar companies who don't make the transition to the Internet will find themselves unable to keep up with the dotcoms.

In this summary you will learn how to estimate when and how your customer base will make the transition to the Internet. The method you will use, dubbed Technographics, has been developed by Forrester Research, and focuses on the demographic characteristics of consumers and their attitudes toward technology.

Using Technographics, you will be able to categorize the consumers who buy your products or services by their attitude toward technology. You will then be able to predict which of your customers are online now, which will get online soon, which will need encouragement to get online, and which will probably never get online.

After you determine when and how your customers will get online, you will need to come up with a strategy for reaching them. You will also learn about the fundamental economic change the Internet is bringing to traditional concepts of supply and demand. The new model is Dynamic Trade. Dynamic Trade will push supply very close to actual demand, and will mean companies must be prepared to ramp up for demand faster than ever.

You will also learn what it takes to make your Internet presence lasting by developing something others can't easily imitate. The answer lies in developing a relationship with customers who visit. You will, in effect, be creating a brand experience for customers so that they will become loyal buyers. This requires you to use the information customers provide to enhance their interaction with your company.

Finally, you will learn what steps you must take to ensure that your company's Internet strategy will work. You will see how successful companies have managed the transition and which of several models will work best for your company.

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Understanding Internet Consumers

Understanding why, when and how different people shop online is the first step to winning the battle for Internet consumers. Unfortunately, likely online shoppers and unlikely ones look at first to be very similar in age, occupation, income, education and other characteristics traditional marketers use to predict consumer behavior.

Take, for example, two women who to conventional marketers look remarkably alike. Mary and Sue are both in their late thirties, married for ten years to men who work in finance, and residents of the same Boston suburb. Sue has three children, and Mary has two. Both attended similar colleges, and even drive the same kind of car. But when it comes to online shopping, the differences are striking. Mary loves shopping online, appreciating the convenience and the fact that she doesn't have to drag her kids through stores. She uses the Internet to shop for toys, clothes, books, music, videos, airline tickets, appliances and other consumer goods. But Sue won't have any part of it. For companies trying to come up with an Internet strategy, Mary and Sue are a problem.

How Consumers Form Technological Attitudes

Like all attitudes, people's attitudes toward technology take shape as they grow up. As people grow older, those attitudes solidify and become very resistant to change. People who become comfortable with one technology in their youth appear able to accept change to that technology, but are resistant to newer technologies that come along. So while Americans who accepted automobiles in the early part of the 20th century have adapted to other forms of motorized travel, few have adopted computers.

In addition, it seems that as people age, they slowly become more pessimistic about new technologies. People over 65 are overwhelmingly pessimistic about

(continued on page 3)

The Internet Consumer

In order to advise companies on how to identify likely consumer reaction to and adoption of the Internet as a purchasing tool, Forrester Research spent three years identifying the key drivers of consumer behavior in relation to technology. After exhaustive research that included polling, focus groups and interviews, the conclusion was clear. What drives consumer Internet behavior is their attitude toward technology. Consumers are either technology pessimists or optimists. The research concluded the population is made up of 52 percent optimists and 48 percent pessimists. Both groups can be further divided into market segments. By identifying where your customers belong, you can begin making educated guesses about which ones will come online, when and how.

Technographics

Technographics is the term used to measure consumer pessimism or optimism toward technology. Those who score high on the technographics scale are optimists while those who score lower are pessimists. Technographics classifies consumers according to three factors that most influence behavior:

Attitude toward technology. How the consumer feels about technology. That is, is he or she an optimist or a pessimist?

Income. The amount of money consumers have to spend strongly influences online behavior. Those who make less than $40,000 have a hard time affording anything beyond the basics of food, clothing, shelter and transportation, and are classified as low income. Those making more than $40,000 can buy more than the basics, and are therefore classified as high income.

Motivation to use technology. Beyond comfort with technology and money to purchase technology, a consumer's motivation to use technology is a powerful factor in predicting online behavior.

The author: Mary Modahl is vice president of research at Forrester Research Inc., which specializes in primary research, market analyses and strategic guidance in the area of electronic commerce.

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Understanding Internet Consumers

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computer technology, baby boomers are about evenly divided between pessimism and optimism, and people under thirty-five are optimistic. Other factors also enter the picture. There is a strong correlation between optimism about computer technology and using computers in the workplace.

Income and Technology Adoption

Don't fall into the trap of believing that income is the most important factor in getting online and shopping once there. In fact, although those with high income may own more computers, nearly forty percent of them can be classified as pessimists. They may buy technology as part of an overall greater spending pattern. They own PCs but don't necessarily use them. Your job, if *high-income pessimists* are part of your consumer base, is to get them to adopt the use of technology. *High-income optimists*, of course, are already online.

On the other hand, there are many *low-income optimists* who buy and use PCs, including college students and young families. If they can't buy them, they will find a way to connect anyway, whether at school or at the library. You can't ignore them if they are part of your customer base, either. As their income rises, they will also begin buying online in greater numbers.

The hardest group to entice online is the *low-income pessimist* segment. If your customer base includes a large number of this group, you must proceed with caution. Many will never adopt the Internet. ■

Using Technographics to Target Internet Consumers

Consumer technographics can help companies identify their early prospects on the Internet and can tell traditional companies how fast their consumers will go online and why. But the first step is figuring out what type of consumers they have now. Are they optimists or pessimists?

The best way to figure out the technographic composition of your customer base is to interview them directly. But this method isn't practical for everyone. Your existing customer database can be divided into thirty or more very specific demographic categories. By creating weighted averages of the technological attitudes found in these demographic groups, you can estimate what percentage are probably technological optimists. But the method requires a high level of statistical work. Fortunately, there is a quicker test you can use to get a feel for which of your customers will move online and when.

The quick test is based on five demographic customer measures: gender, education, median household income, children at home and median age. These five measures are broken down as shown in the chart below.

Customer Categories

The quick test for technographics puts your customer base into one of three categories.

Early adopters are the high-income technology optimists already online and shopping. Nearly a quarter of early adopters are shopping online and almost all of

(continued on page 4)

The Quick Test for Technographics

1) Are your target consumers men or women?

Percent male:

More than 70% — 3 pts.....40% to 70% — 2 pts
10% to 39% — 1 pt.....Under 10% — 0 pts

2) How well educated are your consumers?

Percent with some college:

More than 60% — 3 pts.....50% to 59% — 2 pts
40% to 49% — 1 pt.....Under 40% — 0 pts

3) What is their median household income?

Median household income (thousands):

More than $70 — 3 pts.....$45 to $69 — 2 pts
$25 to $44 — 1 pt .....Under $25 — 0 pts

4) Do your target customers have any children at home?

Percent with children under 18:

More than 50% — 3 pts.....40% to 49% — 2 pts
30% to 39% — 1 pt.....Under 30% — 0 pts

5) What is the median age of your customer?

Median age:

Under 25 — 3 pts .....25 to 39 — 2 pts
40 to 55 — 1 pt .....More than 56 — 0 pts

If your total score was:	Your target customers are:
11 to 15	Early adopters
6 to 10	Mainstream
0 to 5	Laggards

Using the Quick Test at Starbucks Coffee

When Starbucks Coffee took the quick test, their score of 11 reflected the fact that its customers are well-educated, high-income people who are slightly younger than the national average. Starbucks can conclude that a heavy percentage of its consumers will be among the earliest Internet adopters. These coffee drinkers will expect Starbucks to be an online leader. It can become an online leader selling high-end coffee.

Using Technographics to Target Internet Consumers

(continued from page 3)

them will by the end of 2003.

Mainstream customers are evenly divided among optimists and pessimists and between high and low income. They will be about two years slower to shop online than early adopters — either because they are pessimists or because they have low income.

Laggards will be the last to move online. They are low-income pessimists who lack both interest and resources to become online shoppers. ■

Reaching Early Adopters

The battle for Internet consumers begins with the early adopters, the high-income technology optimists. These sixty million consumers wield enormous influence over the fate of both Internet start-ups and traditional companies. Start-ups must attract early adopters to survive.

Early adopters are the most Internet connected of all consumers. At the beginning of 1999, 60 percent were already connected and another 20 percent planned to be connected by year end. Together, they control $3 trillion in spending power, money they can shift from traditional retail outlets to Internet storefronts.

There are three reasons to believe they will do just that. First, nearly all early adopters say they expect to shop online. Second, those who do shop online have so much disposable income that their spending increases dramatically. Third, as worries over credit card fraud subside, the greatest barrier to online shopping falls.

The Internet? No Thanks!

Some businesses will probably never want to move online. Consider the case of a successful business selling high-end stationary in an affluent Boston suburb. The store's customers are primarily "society women" in their fifties and sixties who have never worked outside the home. They visit the store two or three times a year and spend a few hours chatting and selecting personal stationary. It's as much a social event as a commercial one. The clients are traditionalists, high-income, family-motivated technology pessimists. Taking the business online would fail.

Segmenting Early Adopters

Early adopters can be divided based on their motivations. They are:

- **Fast Forwards** — high-income optimists motivated by career needs;
- **New Age Nurturers** — high-income optimists motivated by family needs; and
- **Mouse Potatoes** — high-income optimists motivated by entertainment needs.

Fast Forwards

Fast forwards possess more digital equipment than the rest of us, and they are willing to use it. Their median income is $70,000, and 21 percent earn over $100,000. They are the best-educated group of consumers in America, and over one-half live in dual-income households. They are the leading buyers of every type of product sold online and are especially interested in travel, financial services, home office equipment, and other computer and communications-related gear.

How do you reach them? By remembering that their focus is on getting ahead. They don't care about getting the best price, but they do want to find a better way to do things. Their forays onto the Web are organized; they set up shortcuts to get where they want to go as fast as possible. Because time is precious, they tend to be surgical shoppers. To capture them, you must make shopping easy, quick and convenient.

Where do you reach fast forwards? They read more business magazines than any other groups. Good bets are *The Economist, The Wall Street Journal, Business Week*, and *The Industry Standard*. They can also be found at Web sites like the *New York Times* and *Business Week*. They also frequently search sites like Yahoo and Excite. From there they go directly to the Web sites of companies whose products they want. Don't bother with television; this group makes up just 10 percent of the overall audience during prime time.

New Age Nurturers

New age nurturers tend to focus their lives and con-

(continued on page 5)

Reaching Early Adopters

(continued from page 4)

sumption patterns on personal affiliations. They tend to live in family households, and are more often female than other early adopters. They form the affluent center of the baby-boom generation, and tend to live near cities in suburbs. Companies need to reach this group because they are likely to become opinion leaders for the mainstream. New Age Nurturers are responsible for trends like sports utility vehicles, all-cotton clothing, fresher foods at the supermarket and baby joggers. Very simply, their tastes set trends. Getting them to shop online at your site is therefore extremely important.

Companies who make a bad online impression with this group risk more than turning them away from those Web sites; they also risk losing them as bricks and mortar customers. Don't neglect the needs of family-oriented early adopters. Companies who want to keep them must direct them from traditional outlets onto the Web, and once they get there, make sure the experience is a great one.

Where can you reach these future decision makers? By saturating the venues that attract affluent families. This includes television news magazines like Dateline, 60 Minutes, and 20/20, as well as children's shows. It also means reaching them directly through magazines targeting women, teens, children and parents. Any advertising you do should direct these customers to the Web site.

Mouse Potatoes

Mouse potatoes are also well off and optimistic about technology. But where they differ is in their use of technology for fun. They frequent sports sites, visit adult entertainment venues, look up movie reviews and play online games. They are predominantly urban and male. Their income, $59,000, is slightly lower than other early adopters, but it goes farther since they don't have a family, pay tuition, or hire babysitters. These consumers have both time and money and they're out to have fun.

Mouse potatoes are like kids in an amusement park online. They love to listen to the radio or watch television while online, and often buy on impulse. Popular purchases are books, music, videos, fashion clothing, electronics and tickets. They also buy online for convenience, so they don't have to stop the fun and go looking for mundane products like mops or garbage cans. Investments and travel also sells well online with this group.

Get their attention via television. They like sports events, hot evening dramas and movie channels. You can also reach them via *Sports Illustrated, Entertainment Weekly, People, Cosmopolitan* and *Vanity Fair*. They also read the Thursday weekend planner in the local paper.

Online, reach them on search engines and sites that frequently update information with fresh sports scores, stock quotes and the weather. ■

Getting High-Income Pessimists to Participate at Fidelity

An example of a successful Internet strategy for getting high-income pessimists online that's working is the approach Fidelity has taken. Fidelity found that its customer base was split between high-income optimists and pessimists. The optimists got online right away, but the pessimists held back. Fidelity's strategy was to generate positive word of mouth by the optimists and to make the Web site familiar.

Fidelity presents the same logo, color scheme and message whether it communicates in print, on TV or online. Peter Lynch is everywhere. Want to plan asset allocation? Click on familiar Peter Lynch. The sheer simplicity of knowing and trusting Peter Lynch, and by extension Fidelity, makes it easier for high-income pessimists to move to online investing. By being familiar, showing brand consistency, and making the site easy to use, Fidelity was able to persuade a fair number of pessimists online.

The Battle for the Mainstream

Ultimately, mainstream consumers hold the fate of electronic commerce in their hands. Whether Internet shopping tops out where catalog shopping is now or grows much larger depends on the mainstream, who are 43 percent of the population and control 45 percent of the nation's spending. Mainstream customers must participate if Internet shopping is to become a widespread activity, one that appeals to more than just the technological elite. But mainstream customers face significant obstacles to shopping online. Either they are technological pessimists who don't want to go online or they lack the income to buy a PC.

Most high-income pessimists are simply apathetic about the Internet. That wouldn't matter so much if they didn't control so much spending power. This group also falls into three categories. These are:

- **Handshakers,** focused on getting ahead,
- **Traditionalists,** focused on family and community relationships, and
- **Media Junkies,** feeding an appetite for fun.

What distinguishes them from high-income optimists is that they don't see technology as a way to meet their needs. The answer will be to ease their way onto the

(continued on page 6)

The Battle for the Mainstream

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The Knot Grabs Low-Income Optimists

The bridal industry is a $45 billion business, and the online start-up The Knot is turning it on its head. By focusing on young low-income optimists, they have managed to create a niche. They do it by offering a place where young couples can plan a wedding, register for gifts, and otherwise prepare for the big day. The biggest advantage for the couple is the gift registry, which lets them select from a wide variety of items and makes it easy for far-flung guests to get the right gift. By offering the service online, updates are fast, and returns are much lower than the standard 40 percent when a traditional department store bridal registry is used.

Internet by making it comfortable for them.

Low-Income Optimists

Also in the mainstream are a group of low-income optimists. Although at first glance they may look unimportant, look again. They may only control half a trillion in disposable income, but they are young. They may be technostrivers or fun-loving gadget grabbers who earn little because they are just starting out. They tend to be single college-educated white collar workers whose income will rise in the next few years as they advance in careers and marry to become dual-income families. Low-income optimists also include the Digital Hopefuls who are family-oriented retirees who use the Internet to stay in touch with children and grandchildren.

Winning Over the Mainstream

You can use three strategies for winning over the mainstream.

First, your company must have a single electronic system for managing customer accounts. Mainstream customers want to shop in person, on the phone, by mail, and eventually over the Internet. Passwords and account numbers must remain the same. Eventually, as happened with teller machines, the mainstream will realize the electronic channel works and will adopt it.

Second, make your service consistent. The Gap is the Gap for mainstream customers, whether it's at the mall or on the Internet. Don't separate the two. Eventually, people will expect to go online and buy an item at lunch and pick it up in the store on their way home.

Third, make advertising work for you. A classic example is garden.com, which must reach high-income pessimists who garden. They introduced a print magazine, *Garden Escape*, which included a shopping list, an 800 number, and the Web site address where consumers can buy the plants and tools they need. ■

Avoiding the Laggard Trap

When it comes to joining the online competition, the largest consumer companies face a strategic dilemma. Because their customer base often resembles the general population, they serve a large number of mainstream and laggard consumers. As a result, they don't know how soon or how much the Internet will matter. This is the Laggard Trap, where traditional companies become paralyzed by late adopters in their customer base. If your company provides basic necessities, you risk falling into the trap.

Laggard consumers cannot afford technology. With a median income of less than $20,000, these consumers would have to spend 5 percent of their income in order to buy a PC. And unlike low-income optimists, these pessimists don't have access to technology at work either. They are gas station attendants, clerks, aides, road repair workers or retired.

What can your company do if there are lots of laggards in your customer base? You must match your Internet strategy to the mainstream customers you do have, and hope that as time marches on they will drag the Laggards along. Here's how one company, Fingerhut, did it.

Targeting Optimists at Fingerhut

Fingerhut is a $1.6 billion dollar company selling housewares and clothing to moderate-income consumers through 25 different catalogs. But a quarter of their customers are Laggards. Instead of deciding not to get on the Internet at all, Fingerhut is concentrating on the part of its customer base likely to be online now: low-income optimists. These fall into three categories — the Gadget Grabbers, the Digital Hopefuls, and the Techno-Strivers — who together make up 26 percent of Fingerhut's consumer base.

To target them, the company set up new Internet companies serving the needs of upwardly mobile young consumers. The Network Zone targets skiers, rock climbers and outdoor photographers. FreeShop lists free offers and trial incentives, and Andysauctions.com liquidates inventories of clothing and household goods. Finally, Fingerhut created thehut.com, which offers "cool stuff at low prices." These sites let the company reach more young consumers each month than if it just put its catalogs online. ■

Exploiting Internet Business Models

The first part of a company's Internet strategy is figuring out which consumers will go online and when. The second part requires companies to figure out how to exploit the new business models made possible by the Internet. The Internet has stripped away many of the barriers to competition, such as geography, lack of information, and poor communication. A new environment — Dynamic Trade — is being created.

Here's how Dynamic Trade works. As the Internet matures, consumer markets will become more fluid and responsive to changes in supply and demand. Prices will fall to their competitive point and vary more as demand shifts. Companies that fail to adjust to this reality will lose control of their prices, revenue streams and profits as more consumers shop online.

The Internet Increases Apparent Supply

When a buyer seeks a product, she is limited to the choices at hand. If she drives to the mall for a blouse, she picks one from the supply there. She could drive further to a discount store and hope to find the same blouse at 50% off, but she usually doesn't. Although the actual supply of blouses in the world is far greater, she perceives the supply at the mall as it. It's the *apparent supply*. But if she gets on the Internet, the apparent supply increases dramatically, and approaches the *actual supply*. This drives up the quantity of goods consumers can see and drives down the price. In many cases, prices on the Internet are far lower than at a retail store.

In addition, the Internet is very good at tying prices to current demand. Today, you can tell immediately what the demand is for your product, almost in real time. When shopping on the Internet reaches critical mass, current demand will be available and usable immediately. The result will be Dynamic Trade, in which supply will nearly match demand all the time. Companies will have to learn to keep pricing a live market mechanism, raising the price when demand rises and lowering it when it falls.

Dynamic Trade requires Internet businesses to scale fast. They must build up a customer base quickly and invest in technology that lets them measure and respond to consumer activities. Building a customer base means building a sales distribution channel. Internet businesses accomplish that by buying space on Internet portals like Yahoo and Excite. Another popular method is to establish affiliate networks. Amazon does this with its Associates program, whereby associates who direct a customer to Amazon get a percentage fee if the customer buys.

In addition, Internet companies have to spend on technology. The double costs of advertising and technology will mean that companies can't be profitable right away. But what happens eventually is that costs fall dramatically. Once the technology infrastructure is built, adding another customer account or product costs very little.

What Makes Internet Business Models So Difficult

Start-ups looking for venture capital must develop business plans that are inherently tough for established competitors to mimic. This usually means lower prices. But to attack an industry's pricing structure, it must change who pays for what and how. Some manage to find new revenue streams. For example, buy.com sells advertising from corporate sponsors to support its lower prices. They also offer new value for consumers. Examples include online auctions. They can also change pricing structures. For example, online auctions charge much less than a newspaper would for a classified ad, taking a cut of the sale price instead. At least three industries have seen changes brought on by new competition. These include print newspapers (who rely on classified advertisements for most of their profit), travel agents and airlines (who are battling for customers), and the brokerage business.

Creating Company Value

In the online world, it almost seems as if Internet companies are chasing every hot idea that comes along. But smart companies who want to sustain an Internet advantage would do well to take a path that allows building something unique and hard to copy. This can be done in three ways: 1) develop a brand based on consumer experiences; 2) control physical distribution; and 3) leverage consumer information.

Branding separates one product from another. On the Internet, a brand is the result of a two-way experience between customer and company. As the relationship between customers and companies develop, the customer forms a strong bond. How you respond to customers on the Internet becomes far more important than any

(continued on page 8)

Home Shopping Network Responds in Real Time

When the models (who are salespeople getting a commission) on the Home Shopping Network are on the air, they receive up-to-the-minute information about sales. As viewers call in, operators input the sales information into a computer. In turn, the information is relayed to the models/salespersons. They then respond to market demand by adjusting prices, or moving on to other items.

Exploiting Internet Business Models

(continued from page 7)

amount of advertisement you might send their way.

To build a powerful experience you must create a Web site that is unique and memorable. If your company is a bricks and mortar store, don't make the mistake of offering just a few items online when competitors offer as many or more items online as they do in their catalogs or stores. Be sure that you respond to all e-mail and confirm orders. Finally, be sure your Internet image is consistent in print, on television, and elsewhere.

You must also control the physical distribution of your products or services. Remember that every botched delivery detracts from your brand. As the Internet matures, delivery times will shrink. When that happens, be ready to meet demand. Your best bet will be to control the delivery process. The Internet is providing opportunities for companies already adept at order fulfillment.

Finally, your company must be prepared to leverage the information you are gathering from consumers using the Internet. While companies will have to be cautious of consumers' concerns about privacy, they should work at finding ways to use the data coming their way. The key is understanding the difference between personal data and collective data. Use personal data like names, addresses and purchasing history to create a better online experience. Use collective data to assess target markets, pricing strategies and product offerings. ■

Defying the Gravity of the Old Ways of Doing Business

Companies that expect to prosper must thrive on technological change and make technological management part of their core business. Some factors that companies need to take into account include what technology customers are using to get online and to the company Web site, the market pressure to upgrade technology, and the need to integrate business planning with technology.

Knowing what technologies will be adopted by consumers is a gamble. A rule of thumb is to wait until the technology you are considering works, the cost is reasonable, and it provides clear value. In most cases, consumer companies should avoid trying to become developers of technologies, relying instead on the steady stream of innovation happening in the computer industry.

Coping with Internet Channel Conflict

Channel conflict is one of the stickiest Internet problems for traditional manufacturers to overcome. On one hand, it may be tempting to reach consumers directly via the Internet. But existing retailers and wholesalers strongly object to their supplier's direct approach to sales since it leaves them out of the loop. Channel retaliation is possible and has become a reality for some companies.

Manufacturers must use a mix of push and pull to get retailers online. The push is the threat to sell directly online. Ideally, your site should target new customers your retail partners didn't have. This is exactly what Clinique, the cosmetic brand, did with its Web site. The customers who registered were either new or lapsed customers. The vast majority didn't buy online, but went to their local retail outlet instead. But the fact that customers could buy online provided a powerful incentive for retailers to enter cyberspace.

The pull comes in assistance for retailers venturing online. This can include cooperative marketing dollars or other promotions. Be sure you set standards for retailer sites so that the sites reflect well on your brand. Disqualify those that don't come on board.

Manufacturers will also need to forge relationships with new dotcom retailers. Partnerships should be developed with many online companies to guard against the possibility of one becoming the dominant retailer in its industry. Companies should also sell direct over the Internet because consumers expect it, dynamic trade offers greater benefits to direct sellers than indirect ones, and the cost reductions made possible by the Internet can only be realized by online sellers.

Funding, Organization and Leadership

If your company is like many traditional companies, getting funding and acquiring the talent needed to run a profitable online venture will be difficult. One reason is that the growth retailers are seeing on the Internet outstrips the growth their bricks and mortar counterparts are earning in the traditional retail world. For online businesses to grow 500 percent per year isn't unusual.

Having the resources to fund incredible growth and having the right people in place is crucial. In addition, leaders must be prepared to support the Internet initiatives the development group conceives. If leadership is lacking, the venture will fail, and the innovators who brought the idea to the company's attention will more likely than not take their talents to a competing dotcom.

There are three methods traditional companies can use to get on the Internet successfully. It can make a wholesale transformation from a traditional company to an Internet business, it can balance its risk by investing with venture capitalists and other companies to mitigate the effects start-up costs can have on the traditional company's bottom line, or it can set up a separate venture capital unit that will compete on equal footing with other units. All three methods work to align funding, organization and leadership. ■

· Book 61 of 106 ·

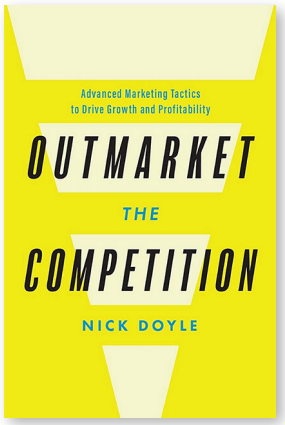
Outmarket the Competition

Nick Doyle

Executive Book Summaries®

Outmarket the Competition

Advanced Marketing Techniques to Drive Growth and Profitability



by **Nick Doyle**

Contents

The Optimal Balance of Performance and Brand Marketing
Page 2

Lifetime Value Framework
Page 3

Connecting the Metrics
Page 4

AI Use Cases: LVF Enabled by AI
Page 5

Applying the Five-Tactic Marketing Framework
Page 5

THE SUMMARY IN BRIEF

The sales plateau problem already has a solution. The strategies and tools exist, in our textbooks and the marketplace. These solutions may be advanced, they may be complex, but they are accessible to e-coms and traditional businesses alike. All that's needed is a system for unifying them — a system that is outlined in ***Outmarket the Competition: Advanced Marketing Tactics to Drive Growth***. The "Five-Tactic Marketing Framework" synthesizes Brand and Performance Marketing, The Lifetime Value Framework, Understanding Your Customer, Integrated Campaigns, and Artificial Intelligence (AI).

This isn't a 101- course for learning best practices in multi-channel marketing or funnel design. This is an advanced, strategic guide for those who want to elevate their marketing to the 201 or 301 level. You won't learn what these strategies and tools are; instead, you'll learn how to implement them. How to put them in conversation. How to combine them in order to break past your sales plateau and resuscitate your multi-channel strategy.

IN THIS EXECUTIVE BOOK SUMMARY:

- Balance brand and performance marketing to drive both results and growth.
- Use the Lifetime Value Framework to align your marketing spend with profitability.
- Prioritize customer research and segmentation to deliver targeted, effective marketing.
- Build integrated, multi-channel campaigns to engage customers across their entire journey.

PART I: The Five Advanced Marketing Tactics

THE OPTIMAL BALANCE OF PERFORMANCE AND BRAND MARKETING

Marketing gets more complicated every year. But in another sense, marketing never changes. Marketing is still and always will be about understanding your customers and moving them to action and can be broken down into two major types.

Brand marketing:

Designed to increase mental availability—the likelihood that someone will think of your product when they are ready to buy.

Performance marketing:

Designed to get people to act now—to buy online, become a lead, download a piece of content, sign up for a webinar, etc. And, if required, to provide some contact information in return.

Here's the trouble: the two are usually studied in isolation. The highest-performing businesses unlock extraordinary opportunities when they unite all five tactics of SMB marketing.

You need both brand and performance marketing, in part because strong brand and brand marketing programs will make your performance marketing more effective. You should split your B2B marketing efforts roughly 50/50 between brand and performance.

THE VALUE OF A STRONG BRAND

Martin Kihn of Gartner writes, "The point of brand messages is to build brand value, which is directly related to profits. A brand's value is the premium consumers are willing to pay over a generic version of the same thing. Investing in brand advertising is a way to avoid competing only on price."

While performance marketing can produce a rapid sales uplift, brand marketing reduces price sensitivity and improves margins, thereby generating higher profits. Building a brand is based on building strong memories, and that is generally done through emotional messages and experiences, not logical arguments and persuasion.

Performance ads are more efficient in the short run, but brand marketing has greater long-term effectiveness.

Note that, as AI grows more powerful and more accessible, brand marketing is only going to become more important.

HOW TO BUILD A BRAND

When a company's SOV (share of voice) is about the same as its SOM (share of market), it tends to not be outgrowing its competitors. To grow, be loud.

While size is the biggest multiplier of marketing, creative is the second biggest, and though small companies can't do much about the former, they can compete with better creative.

Your brand content will need to appeal to the different emotions of customers in different stages of their buyer's journey. The key here is building trust.

A company that wants to build its brand should work toward achieving salience among its potential customers.

Using Performance Marketing to Generate Rapid Results

For optimal growth, combine all five tactics of the Five-Tactic Marketing Framework.

The most important elements for performance campaign success are the following: Audience, Offers, and Creative.

MEASURING THE GROWTH OF YOUR BRAND

You must start with the channels and mediums that will have the greatest return the fastest. Broadly, this will mean starting with performance marketing and moving on to more brand-centric marketing, which will be more effective in the long run.

BRAND AND PERFORMANCE MARKETING ENABLED BY AI

AI is here to stay. Businesses that don't adapt and adopt will not survive.

Generative AI has the power to expand both the volume of creative work and its efficiency. It can develop customer personas, perform campaign ideation, and create campaign materials. Generative AI often performs imperfectly, but new tools don't need to be perfect to transform our industry.

AI tools can rapidly consider multiple attribution models and recommend the most pertinent ones. They can also improve the data that feeds our attribution models, helping us track engagements across browsers, devices, and usernames. AI can likewise study other kinds of data sets that are far beyond human capacity.

Businesses that don't tool up will not survive competition with AI-powered incumbents and disruptors.

Businesses that don't tool up will not survive competition with AI-powered incumbents and disruptors.

LIFETIME VALUE FRAMEWORK

If you want to maximize efficiency and optimize your marketing spend, you don't want to use a budget. You want to use profitability metrics.

The Lifetime Value Framework (LVF) uses customer lifetime value (CLV) to calculate how much total revenue any given customer brings into your business. Based on that number, the LVF reverse engineers a maximum allowable marketing spend for each stage of the funnel.

It's a five-step process that optimizes our marketing efforts, ensuring that we're never operating beyond our means or below our capacity. Here are the five steps:

1. Calculate CLV (customer lifetime value)
2. CAC Allowable (customer acquisition cost)
3. CPM Allowable (cost per thousand impressions)
4. CPL Allowable (cost per lead)
5. CPA Allowable (cost per acquisition)

NEVER LEAVE MONEY ON THE TABLE

Outperformers know that by putting more into a profitable program that is paying for itself they can be even more profitable. And it doesn't cost them anything because they've generated the sales and profits to fuel it.

IS THIS REALLY PROFITABLE?

You're never reducing your profits because every incremental sale is profitable. It is true that the last sales will be at a lower profit than the easier initial sales, but they're all adding dollars to your company's bottom line. And when they stop being profitable, you dial back your program to the point where they are profitable again.

BREAKING EVEN AND TURNING PROFITS

The Lifetime Value Framework is designed to ensure that we break even on customer acquisition. How do we transcend the LVF to turn a profit? By increasing lifetime value and turning a profit on post-conversion by renewal, upsell, or cross-sell.

1: CALCULATING THE CUSTOMER LIFETIME VALUE (CLV)

CLV = average duration that customer buys from company × average order frequency per period × average order value

2: CALCULATING THE CUSTOMER ACQUISITION COST (CAC) ALLOWABLE

CAC allowable = CLV × average net margin

It should be noted that CAC is not campaign specific.

To calculate CAC, we need the average net margin of the business.

Performance, Allowable, and Projection Metrics

Calculating the current CAC will give you an understanding of how much your business is spending today to acquire a customer. You should also compare the CAC allowable and the current overall CAC.

"Performance" metrics measure what your business looks like today.

"Allowables" measure how much you could safely spend. Ideally, you want your allowable and performance numbers to be the same, but they often won't be.

Alternatives to the Break-Even Model

You can make your CAC allowable anything you'd like—profitable or unprofitable. Some businesses may want to increase profitability by setting their CAC allowable below their current CLV. Meanwhile, others may want to spend a sum greater than their current CLV.

3: CALCULATING THE COST PER THOUSAND IMPRESSIONS (CPM) ALLOWABLE

The amount we can afford to pay when attracting new eyeballs to our brand or product.

CPM allowable = CAC allowable × average impression conversion rate

This is probably the trickiest of all stages to calculate because they might not be designed to lead directly to leads or conversions but contribute to "incremental lift" across all other efforts.

4: CALCULATING THE COST PER LEAD (CPL) ALLOWABLE

Determine how much we can afford to pay for each lead.

CPL allowable = (CAC allowable – CPM allowable) × average lead conversion rate

Many businesses don't want to spend every available dollar. They only want to spend on their top-tier, most efficient lead-gen channels. Once those channels are maxed out, these businesses stop spending. And that's a huge mistake.

Your allowable CPL may vary based on different factors. You should always be tweaking the dials to get the most from your lead generation campaigns, including testing new channels and initiatives.

5: CALCULATING THE COST PER ACQUISITION (CPA) ALLOWABLE

The amount we can afford to pay when converting a lead into a customer.

CPA allowable = CAC allowable – (CPL allowable + CPM allowable)

Both CAC and CPA are "acquisition" allowables, but they interact with the funnel differently. Our allowable CAC governs spending across the entire acquisition section of the funnel. The allowable CPA specifically governs the conversion phase of the funnel.

CONNECTING THE METRICS

With the Lifetime Value Framework, if you're producing customers in the conversion stage at less than the allowable cost per acquisition (CPA), you can increase your spend up to the allowable and produce even more!

Campaign Time Frames and Other Relevant Considerations

Many of your performance campaigns will be digital, and people expect digital programs to have rapid results, but the LVF requires patience.

BIGGEST MISTAKES IN IMPLEMENTING THE LIFETIME VALUE FRAMEWORK

1. Bad data.
2. Internal assumptions.
3. Not open to experimentation.
4. Don't stick with the program long enough.
5. Strictly budget-driven.

AI USE CASES: LVF ENABLED BY AI

- Use AI to segment customers based on parameters such as purchase type, overall value, etc.
- Augment existing reporting automations.
- Put AI's number-crunching capabilities to work, aggregating historic data and calculating metrics such as CLV and CAC.

UNDERSTANDING YOUR CUSTOMER

All marketing work begins with knowing your customers. We need to understand their jobs and the demands on them, what their challenges are, and what might motivate them to be interested in our products, let alone buy them.

None of this will matter if you don't have product–market fit. That is the essential first step and no marketing will save you if you don't have it.

HOW TO DO COMPREHENSIVE MARKET RESEARCH

In market research, you want to answer questions like: How large is this market? How fast is it growing? What are typical profit rates? Who are the major competitors? What are their major differentiators or advantages? What are people in the industry talking about? Why do they buy? What are the hidden barriers to purchasing?

HOW TO DO COMPREHENSIVE CUSTOMER RESEARCH

When doing customer research it's important to question all of your assumptions. The first place to look for new insights is in customer data.

By reviewing the campaigns and ads that led to acquisitions and conversions in the past, you can get insights into which appeals, offers, language, and ads have been effective.

You need to talk directly with customers - and potential customers - to gain insight into what drives them.

After doing extensive research, you're ready to develop personas and segments.

After you create personas, you can build customer segments. Start by segmenting your current customers. Having

You need to talk directly with customers–and potential customers–to gain insight into what drives them.

different segments for your customers based on lifetime value is a great place to start.

Your segments should be broad enough to support messaging that will appeal to everyone in them. But you should do basic personalization. There's a difference between helpful and creepy. It's important not to lose your bearings.

Based on your company's sales history, you may be able to create an ideal customer profile (ICP). You can use this and other data for your lead scoring, too.

THE NEED FOR INTEGRATED CAMPAIGNS AND MULTI-CHANNEL EXECUTION

Integrated campaigns are a subtype of marketing concerned with deploying a unified message across many channels so you can provide a range of messages and content that are more likely to engage your full market.

Even if your customer is not ready to buy, your multi-channel campaign will help build mental availability so that you are top of mind when they are.

Success in multi-channel performance marketing is based on:

- Targeting 40%—the target or list of a specific audience
- Offers 40%—the reason they should act
- Creative, etc. 20%

Remember that you're not marketing to yourself. Don't assume that your customers are where you are.

You'll want to build a multi-channel program with typically four to six channels for peak effectiveness. Some channels will be more efficient than others. Start with the channels that are speediest and most cost-effective and then add in the next most efficient ones.

Now comes the fun part: developing your creative and launching and optimizing your multi-channel performance marketing campaigns. To do this, you must tie your media plan to your funnel stages.

At a minimum, expect to run programs for six months for a reasonable trial.

Be sure that your marketing is always on. Turning it on and off seriously undermines its effectiveness.

Don't be guided by a philosophy. Think critically and figure out which combination of channels is likely to work best for your situation. And then test, test, test.

In traditional performance marketing, campaign half-life is a way to figure out when you have gotten roughly half the deals that you are likely to get from that campaign.

PART II Applying the Five-Tactic Marketing Framework

ACQUISITION

Acquisition is a challenging stage because you may be targeting prospects with different levels of buying intent: Little to no buying intent, limited intent, or high intent.

The key Lifetime Value Framework metrics in this stage are cost per thousand impressions (CPM) and cost per lead (CPL).

With buyers with little to no intent, you may be looking to increase the target's awareness of your company, and you'll be running campaigns designed to generate impressions and build your company's mental availability.

To get a customer to raise their hand and become a lead, you need to create superior offers and a better user experience using the knowledge about them that you gathered in your campaign research.

In the acquisition stage, your messaging and content will vary depending on how strong their buying intent is.

The acquisition stage is when you can build your own list of opt-in contacts with emails.

For those who demonstrate a strong intent to buy, take them right to your landing pages where they can close.

Don't lose sight of the Lifetime Value Framework. All this has to be done within your program's allowable cost per lead (CPL).

In the acquisition stage, the key LVF metric is cost per lead (CPL).

How many new customers do you need to close this year?

What percentage of leads on average or from a specific campaign will you convert into customers?

What percentage of the total addressable market (TAM), therefore, do you need to make leads, and what can you spend to do that?

Before creating content, start with a keyword analysis of your industry. What are the terms we would love to rank first for in order to convert more customers?

Gating content has advantages and disadvantages. How will we know if it's valuable enough to people to gate? We experiment.

The traditional sales mantra is ABC: Always Be Closing. For marketing, it should be ABT: Always Be Testing.

Cross-channel attribution—the ability to identify which channels are contributing to a sale and assigning a specific percentage of attribution and budget—is very challenging. But ZoomInfo says that effective attribution can improve your marketing efficiency by 15–30%.

CONVERSION

After a person or company becomes a lead, they enter the conversion stage. The single goal of the conversion stage is to make them a customer. This may take minutes, months, or years. And it will require all five tactics of our Five-Tactic Marketing Framework.

In the conversion stage, the key Lifetime Value Framework metric is cost per acquisition (CPA).

A key driver of conversion stage activities is the demonstrated intent of the customer. The very highest intent customer is one who has abandoned a shopping cart.

Conversion Rate Optimization (CRO) Strategies

This involves such factors as offers, wording, cadence of messages, landing page layout and design, and financing options.

Robert Cialdini describes six key principles of persuasion in his classic ***Influence***: Reciprocity, commitment and consistency, social proof, liking, authority, scarcity.

Your landing page design can have a big impact on your results at no cost.

In addition to your language and offer, consider your cadence of messages.

It's all about understanding the customer. Outperformers approach multi-channel performance marketing with an attitude of experimentation and are prepared to be surprised.

BUILDING A GREAT CUSTOMER EXPERIENCE

The Five Es of Customer Experience are as follows: Entice, Enter, Engage, Exit, Extend

Some of the mistakes companies make include: Poor user interfaces (UI), poor user experience (UX), thinking that they are their customers, treating every lead the same, and insufficient urgency for high-intent leads.

As with acquisition, successful, reliable, high-performance conversion requires a five-tactic approach.

CUSTOMER RETENTION AND UPSELL

Once the prospect becomes a customer, you then have the opportunity to increase their customer lifetime value (CLV).

When you increase CLV, the higher profits not only drop to your bottom line, but you can also increase how much you spend to acquire leads and convert them into customers.

Organize retention and upsell offerings into three categories:

1. Pure value added; 2. Products and services that make the solution they bought even more valuable for them, and 3. New offerings.

Beyond retention, you want to turn your customers into champions who will refer and recommend you to potential customers. Outperformers treat all customers like potential advocates.

The best customer experiences are created through constant communication and partnership with your customers.

UPSELLING CUSTOMERS

Talk to your customers and find out what they most value.

SEGMENTING YOUR CUSTOMERS

For optimal results, you need to segment customers.

DOES A LOYALTY PROGRAM MAKE SENSE FOR YOUR COMPANY?

B2B loyalty programs often are focused on solving the business's pain points. To get people to participate, they need to understand why your program is valuable for them. Loyalty programs are a dangerous game.

They must be introduced, structured, and restructured with care. So think twice before you launch one.

INTEGRATED CAMPAIGNS FOR RETENTION AND GROWTH

Integrated, multi-channel marketing can be just as valuable in the retention and growth stages as it was in the acquisition and conversion stages.

Now it's easier: you have the customer's email address and their implicit permission to communicate with them. Use it; don't abuse it.

CONCLUSION: PUTTING IT ALL TOGETHER

Marketing success today requires more than isolated tactics—it demands a strategic, data-driven framework that connects brand and performance marketing, prioritizes customer understanding, and maximizes every dollar spent through the Lifetime Value Framework.

The businesses that win are those that commit to the long game, test relentlessly, and stay focused on building meaningful, profitable relationships.

This isn't easy. It's complicated, and it means that you'll have to out-work the competition. But as Tom Hanks's character says in A League of Their Own, "It's supposed to be hard. If it wasn't hard, everyone would do it."



Nick Doyle has spent his career building lean, profitable teams. He is currently an acquisition partner and Area President for Arthur J. Gallagher (NYSE: AJG), a Fortune 300 company and one of the largest insurance brokers worldwide. Prior to the acquisition, Nick was owner and CEO of Direct To Policy Holder, an e-commerce technology and marketing firm that managed growth campaigns for more than 20 discrete brands.

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· Book 62 of 106 ·

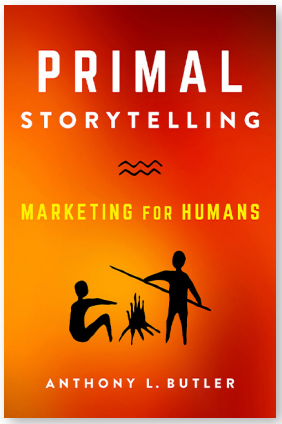
Primal Storytelling

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Primal Storytelling

Marketing for Humans



by **Anthony Butler**

Contents

Introduction
Page 2

Primal Emotions
Page 2

The Storytellers
Page 3

The Art of Marketing
Page 3

Primal Storytelling in Action
Page 4

Conclusion
Page 4

THE SUMMARY IN BRIEF

"I woke up to my mother's screams." These are the first words of Anthony Butler's book From a fire in Montana to the streets of Fallujah, Iraq, to the war for attention among 1.5 billion websites globally, Butler proves time and again that stories are the most effective way to capture human attention. Two years into running his own digital agency, Butler was stunned when a new client left. The work was good, they said, but the results weren't consistent. In ***Primal Storytelling: Marketing for Humans***, Anthony Butler, founder of the digital marketing agency Can-Do Ideas, set out to fix the system. This book contains his design for a reliable digital marketing system that would always come out ahead.

The result is a cutting-edge approach that combines evolutionary psychology with age-old story techniques to create high-performing digital content that cuts through the noise. Whether you're competing for local foot traffic or global downloads, *Primal Storytelling* will help you forge authentic connections with your audience, improve your brand performance in social media and SEO, and supercharge your content results.

IN THIS SUMMARY, YOU WILL LEARN:

- How marketers can influence behavior.
- The components that make a great story.
- A content creation framework that stands the test of time.
- An easy-to-follow process for creating high-performing content.
- Questions to ask yourself as you create a Primal Storytelling program for your company.

Introduction

Decisions are an emotional process. Many brands are struggling to cut through the noise and get noticed. They publish information on their website and social channels, but they fail to connect on a human level.

Primal Storytelling is the culmination of years of work and study of a single question, "How can marketers influence behavior?" It is equally applicable in business to business (B-B), business to consumer (B-C), and even for account-based marketers. It is based on a deep understanding of human nature and storytelling, neither of which has changed in thousands of years.

The book you're reading contains the entire Primal Storytelling system as well as examples on how to use it and questions to ask yourself as you create your own Primal Storytelling program for your company.

The Brand Dilemma

Marketing communication follows technology, but the humans whom marketers are communicating with do not intrinsically change over time. The amount of data on the internet is accelerating and it will become more difficult for brands to be noticed online. By paying close attention to the primal urges and emotions of their Tribe and utilizing age-old story structures, brands will improve their ability to connect and influence audiences. The Primal Storytelling formula is a tool for creating high-performing content.

Caution: Guard against crossing the line between influence and manipulation. Although it may produce positive short-term results, the long-term consequences are dire. Honesty and authenticity are not just buzzwords. They are cornerstone virtues of marketers with a long view of their market.

Key Questions: What stories does our brand already tell well, and how might we improve them by utilizing primal urges and emotions? Of the four stories outlined in this chapter, which story is most important for our brand to develop and tell? What do we already know about our Tribe that will help us identify their driving primal urges and emotions?

Tribes

It is possible to strategically build a Tribe from the ground up. By understanding the social dynamics that drive individuals, marketers can focus their efforts on creating tribal customs, language, clothing, and other social indicators that help attract and retain members.

The natural tendency of Tribes is toward growth, and to recognize the reluctance of individuals to depart from a group and lose their social ties. These two ideas can be baked into the marketing of a business.

Opportunities to build social ties among members and the leadership team should be part of the retention and growth strategy. Social ties will help the group maintain cohesion over time, and they will also attract new members who share the core interests and traits of the group. Once you begin to understand the commonalities of a group, you can use them to identify potential new members. What are the internal reasons they want to belong?

One way to help strengthen socialization within a group is to establish a hierarchy. By elevating a well-deserving member to a leadership position, that person's social tie within the group will strengthen, and many other members will covet the position, the recognition, and the tribal standing that comes with it. The power of social standing cannot be underestimated.

Primal Urges

Incorporating spirituality without the trappings of doctrine or rituals of any individual religion can be a powerful way to connect with a group (unless you are targeting a particular religious group, of course). Spirituality taps into individual longing for a connection with the sublime. Very often, beautiful images, uplifting music, or even prose can evoke spiritual wonder in individuals. Another often-used tactic is to incorporate size disparity by conveying the vastness of the world and even the universe and how we are just a small part of it.

Many brands that are marketing for a destination harness the spiritual urge. They employ beautiful pictures of nature, moving water, and sunshine to convey a back-to-nature feel. They tap into the image of a harried person who just wants to get away from the pace of modern life and get back to their roots of a more serene and spiritual life.

Primal Emotions

Some feelings, such as relief, guilt, shame, horror, nostalgia, and awe, are not fully recognized by the scientific community as emotions, but they are still useful to content creators. The purpose of learning about emotions is not to definitively

detail every possible emotion or deeply understand every nuance. What we are trying to do is understand what emotions are generally a driving force into human behavior and use them while crafting stories as a way of not only holding the readers' interest but to connect with them on a human level.

The stories that have stood the test of time tap into primal instincts. They don't just convey information; they connect with readers on an emotional level. They use our shared humanity to say something memorable.

Whether we are aware of them or not, primal emotions are present and prompt us toward action. Human instinct has not been dampened by our technology. We still respond to our primal emotions and the triggers that precede our emotions.

When creating something new, something unique, it is helpful to ask the questions, "How does this emotionally connect with the audience?" and "What emotions will connect with the readers?" "What about this evokes one or more primal emotions and fascination triggers?"

The Storytellers

Stories have the power to influence and change perception and culture. If you want to influence behavior in a certain direction, first look at the current narratives around that behavior, and begin to think deeply about how to change the stories people are telling.

Caution: Like with the exercise of any type of power, there is a fine line between good intentions and destructive behavior. Avoid trying to manipulate the market with your stories. Manipulation can be effective in the short term, but long term it is a losing strategy.

Key Questions: What stories does your brand currently tell that define its place in the market? What is the story your brand would like everyone in your target audience to know? Which of Robert Cialdini's six principles should your brand focus on to tell your story more effectively?

Brand Stories and Their Archetypes

Celebrity and status are powerful marketing forces. If you can build even a niche celebrity within a small Tribe, such as within an association or industry, the dividends are large. You don't need to be recognizable to the entire world, just to your target audience. If it is not practical to build your own celebrity, then buying a celebrity endorsement can be a powerful tool in the marketing kit bag. And the celebrity doesn't have to be an A-lister. There are local brands that successfully hire well-known individuals in their area to speak for them and they will often produce fantastic results. It is one of the reasons politicians so often seek the endorsement of local officials and local groups. The status and "celebrity" of those groups transfers to them.

Caution: Seeking celebrity through anything but authentic means can and will backfire. Negative social media attention can move like lightning and is merciless. It can be very difficult to reverse the reputational damage of fake stories. If you are going to seek the spotlight, be as authentic as possible.

Nonfiction Plots for Brands

Curiosity is a powerful driving force in the human psyche, and if used well, it will capture the attention of your audience and help them connect with your brand.

Caution: Curiosity and "secrets" are often overhyped. If they are used as clickbait and do not deliver any type of real insight, they can push the audience away. The point of using curiosity is to attract the audience to the brand. It is important to deliver real value.

An outrage-inducing headline may be fine, but the content has to deliver value to match. It is non-negotiable. You are trying to build a relationship with someone you just met. If you leave them feeling tricked, it will be difficult for them to trust you and believe anything else you say. Imagine being caught in a lie on a first date. How likely is a second date? Not likely at all.

The Art of Marketing

Planning is a shortcut to success. A content marketing program with a detailed action plan will almost always outperform a haphazard program that depends on last-minute, "just get it out the door" thinking. Don't be afraid to produce long-form content that covers a subject in-depth. If it is well done, informative, and targeted, it will have a great chance of performing better than most short pieces.

Caution: Don't overthink it. Nothing will be perfect. Make a plan and start executing on it. Don't wait for inspiration or a lot more data. Gather just enough data to get started and begin. You can make changes as you move forward.

Key Questions: Am I holding back from publishing my best work because I am afraid of being judged? Does our content

marketing plan include at least ninety days of content? Is my content short because I think short content outperforms long content, or is it short because that fits the message?

Primal Storytelling in Action

To create your plan, follow the formula in order. Begin with defining the Tribe. Review the process described in Chapter 2 for gathering demographic and psychographic data on your target Tribe and implement it. It is the foundation for everything else that follows. If you do a good job gaining an understanding of your Tribe, everything that follows is easier. I included some Tribe examples at the end of this section. Use them as a model to create your own Tribes.

Next, choose two to three Primal Urges and a couple of emotions to focus on for your preliminary campaigns. Ask yourself one guiding question, "How do I want the customer to feel when they buy?" Your goal is to evoke this emotion with your content over time. You are going to weave these emotions and urges into your stories and as they are consumed. If done well, they will help connect your brand with the Tribe.

Finally, you will begin to create storylines by choosing a narrative voice, archetypes, and at least one plot structure to get started. Keep in mind, at the beginning of the program most everything is an experiment to help you understand what will connect most strongly with your Tribe.

Most brands can benefit from all four story types: origin, vision, transformation, and value. But for some brands, the origin and vision stories are too difficult to get through company bureaucracy or don't make sense for the situation. In those cases, focus on the transformation and value stories.

The transformation stories will help the Tribe understand what it is you do for them and what it looks like before, during, and after working with your brand, and it will help them connect with you and your sales process.

Conclusion

The future of marketing is not hard to predict. The rate of technological change will continue to increase. Virtual reality, augmented reality, and likely an emergent technology that hasn't been invented yet, will surface, and alter some of the ways content can be accessed online and in the home.

What won't change are the people themselves. They will still love stories like they always have. Their primal urges and emotions will also be the same, and they will continue to buy emotionally and then attempt to justify their decisions with logic. The structure of stories and how they connect with the human language will also remain constant.

One thing will change, and the marketing world is just now starting to wake up to this new reality. Audiences will grow increasingly immune to brand advertising that is blatantly promotional and has no connecting story or message. Brands that don't adapt to this new reality will face becoming ignored and irrelevant.

Brand storytellers who understand the primal nature of their audiences and are experts in the structure of stories will be in hot demand for many years to come.



Anthony Butler is the founder of the digital marketing agency Can-Do Ideas and the creator of the Primal Storytelling content system. A highly regarded expert in brand storytelling and digital marketing, Anthony graduated from the United States Military Academy at West Point and the US Army Ranger School. He is a combat veteran and commanded an infantry company in Iraq during the invasion of Baghdad. He is also a Brazilian Jiu-Jitsu blackbelt and currently resides in Montana with his wife and two sons.

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· Book 63 of 106 ·

Purple Cow

Seth Godin

SOUNDVIEW Executive Book Summaries®

FILE: MARKETING



By Seth Godin

CONTENTS

Not Enough *P*s
Page 2

Did You Notice The Revolution?
Pages 2, 3

Why You Need The Purple Cow
Page 3

Consider the Beetle
Page 4

Ideas That Spread, Win
Page 5

The Problem With the Cow
Pages 5, 6

The Benefits of Being the Cow
Page 6

The Process and the Plan
Page 7

The Magic Cycle of the Cow
Page 7

What it Means to Be A Marketer Today
Page 8

Salt is not Boring — Ways to Bring the Cow to Work
Page 8

…and much more!

Transform Your Business by Being Remarkable

PURPLE COW

THE SUMMARY IN BRIEF

Following the traditional rules of marketing just isn't enough anymore. In today's competitive economy, companies that want to create a successful new product must create a remarkable new product.

According to bestselling author and marketing guru Seth Godin, such a product is a Purple Cow, a product or service that is worth making a remark about.

The impact of advertising in newspapers and magazines is fading — people are overwhelmed with information and have stopped paying attention to most media messages. To create Purple Cow products, Godin advises companies to stop advertising and start innovating.

Godin recommends that marketers target a niche, and he describes (through an assortment of case studies) effective ways to spread your idea to the consumers who are most likely to buy your product.

Godin claims there isn't a shortage of remarkable ideas — every business has opportunities to do great things — there's a shortage of the will to execute those ideas.

What You'll Learn In This Summary

✓ What makes a product or service worth mentioning.

✓ How to build things into your product or service that are worth noticing.

✓ How companies can win when they value the attention of their prospective customers.

✓ Why individuals and businesses have stopped paying attention to newspaper and television advertising.

✓ Why it is important to find and seduce "sneezers" — people who launch and spread an "ideavirus" by telling their colleagues and friends about a new product or service that they're knowledgeable about.

✓ Why boring is almost always the most risky strategy.

✓ How to milk your Purple Cow for everything it is worth by figuring out how to extend its lifespan and profit from it for as long as possible.

✓ What to do when the benefits of your Purple Cow start to wane.

✓ What you should do when nothing else is working.

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PURPLE COW

by Seth Godin

— THE *COMPLETE* SUMMARY

Not Enough *P*s

For many years, marketers have used the five (or more) *P*s as guidelines for selling their product and achieving their company's goals. Some of the *P*s include:

- **Product**
- **Promotion**
- **Publicity**
- **Permission**
- **Pricing**
- **Positioning**
- **Packaging**
- **Pass-along**

According to the popular theory, if these elements aren't all in place, the marketing message is unclear and ineffective.

Making the right marketing moves does not guarantee success, but the prevailing wisdom used to be that if your *P*s were right, you had a better chance of succeeding in the marketplace.

But at a certain point in the evolution of marketing, it became clear that following the *P*s just isn't enough. This book tells about a new *P* — Purple Cow — that is extremely important to marketers in today's fast-paced, highly competitive business environment. Purple Cow refers to a product or service that is different from the rest and somehow remarkable. *Purple Cow* tells about the why, the what, and the how of *remarkable*. ■

Boldfaced Words and Gutsy Assertions

Remarkable marketing is the process of building things into your product or service that are worth noticing. Not adding marketing to your product or service at the last minute, but understanding that if what you're offering isn't remarkable, it is invisible in the marketplace.

The **TV-industrial complex** refers to the symbiotic relationship between consumer demand, TV advertising and growing companies that depend on ever-increasing spending on marketing.

The **post-consumption consumer** has run out of things to buy. Most of us have what we need, we don't want much, and we're too busy to spend a lot of time doing research about the products or services that have been created for us.

The **marketing department** bases its efforts on an existing product, spending money to tell the target audience about its special benefits. This approach doesn't work anymore.

At this point in time, companies can no longer market directly to the masses because in today's world most products are invisible. Leading business writers have noted that over the past two decades, the dynamic of marketing has changed. The traditional approaches are now obsolete, and alternative approaches aren't a novelty — they are all we've got left.

Companies must create products and services that are remarkable — Purple Cows — and they must stop advertising and start innovating. ■

Did You Notice the Revolution?

Over the past 20 years, some people have changed the way they think about marketing. Business guru Tom Peters presented his vision of the "new marketing" with his book *The Pursuit of Wow*, a book that claims the only products with a future are those created by passionate people. Peters laments that, too often, big companies are scared companies, and they actually try to restrict change, including the good change that happens when people who care create something remarkable.

In their book *One to One Future*, Don Peppers and Martha Rogers focus on a simple truth — that it is cheaper to keep an old customer than to make the effort to get a new one — and provide the blueprint for the entire field of customer relationship management. Peppers and Rogers conclude that there are only four kinds of people

(continued on page 3)

The author: Seth Godin is the worldwide bestselling author of *Permission Marketing, Unleashing the Ideavirus,* and *Survival Is Not Enough*. He is a renowned public speaker, has started several successful companies, and is a contributing editor at *Fast Company* magazine.

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For Additional Information on the author, go to: http://my.summary.com

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Did You Notice the Revolution?

(continued from page 2)

(prospects, customers, loyal customers and former customers), and that loyal customers will usually continue to spend money on products and services they like.

In Geoff Moore's book *Crossing the Chasm*, he describes how new products and ideas reach different groups of people, first the innovators and early adopters, then the majority, then the laggards. Moore's premise applies to almost every product or service offered to any audience.

And in *Permission Marketing*, *Purple Cow* author Seth Godin outlines the public's growing attention deficit that marketers must overcome. He describes how companies win when they value the attention of their prospects and don't treat it as a disposable resource to be used and abandoned. ■

Why You Need the Purple Cow

Whether you are marketing a product or service to consumers or corporations, the sad truths about marketing are that:

- Most people can't buy your product — they don't have the money, don't have the time, or simply don't want it.
- If consumers don't have enough money to buy what you are selling at the price you are selling it for, you don't have a market for your product or service.
- If consumers don't have time to listen to and understand your marketing pitch, your product or service is invisible to them.
- If consumers take the time to hear your pitch but decide they don't want what you are selling, you are not going to be successful.

So Many Options

Most people who might buy your product or service will never hear about it. These days, people have so many options for getting information that they aren't easily reached by the mass media. Busy consumers ignore unwanted messages.

A remarkable idea that spreads like a virus — an "ideavirus" — is hard to spread to consumers who are satisfied. And since marketers have overwhelmed consumers with too much of everything, people are less likely to tell a friend about a product unless they are sure the friend wants to hear about it.

This holds true for business and industrial products as well as for consumer products. People who buy for businesses — whether it is advertising, parts, service, insurance, or real estate — simply aren't as needy as they used to be. The marketers who got to them before you have a huge advantage — they are already there, and the customer is satisfied. If you want to grow your market share or launch something new, you face some daunting challenges:

- Consumers aren't as likely to have obvious, easily solved problems that your product or service will fix.
- Consumers are hard to reach because they are overwhelmed with information and will tend to ignore you.
- Satisfied customers are less likely to tell their friends. ■

The Death of the TV-Industrial Complex

The TV-industrial complex is dying, and that should worry us. We built a large part of our economy on this process of companies spending huge amounts on advertising to reach consumers, and now that process is going away. The death of the TV-industrial complex has caused a lot of the turmoil at our companies today.

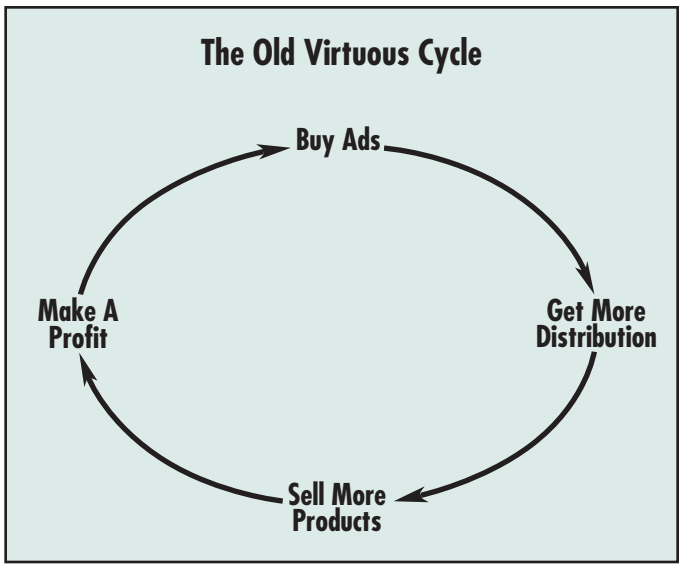
The process is simple — find a market niche that needs to be filled; build a plant to make a product to fill that niche; buy a lot of television ads to promote the product; the ads will lead to retail distribution and sales; the sales will keep the factory busy and create profits.

A Successful Cycle

Smart companies used the profits to fund more distribution and more factories. Before long, this successful cycle built a large, profitable brand.

And as the brand became larger and larger, it commanded a higher price, which brought larger profits and more money for more TV ads. Consumers eventually believed that products "seen on TV" were of high quality,

(continued on page 4)



The Death of the TV-Industrial Complex

(continued from page 3)

so they used television to look for products. Brands that were not advertised on television lost distribution and, ultimately, profits.

TV commercials are the most effective selling tool ever devised. A large part of America's economic success in this century is due to the fact that our companies have perfected this medium and used it extensively.

Cars, cigarettes, clothing, food — anything that was advertised well on television was changed by the medium. Marketers not only used television to promote products, but television changed the way products were created and marketed. Because of this, the marketing *P*s were changed to take advantage of the dynamic between creating products and capturing consumers' attention on television.

The impact of advertising in newspapers and magazines is fading too, just like any form of media that interrupts any form of consumer activity. Individuals and businesses have just stopped paying attention.

That's the problem. The TV-industrial complex is going away, and most marketers don't know what to do about it. Every day, companies spend millions trying to re-create the TV-industrial complex. And every day they fail.

The old rule was: **CREATE SAFE, ORDINARY PRODUCTS AND COMBINE THEM WITH GREAT MARKETING.**

The new rule is: **CREATE REMARKABLE PRODUCTS THAT THE RIGHT PEOPLE SEEK OUT.** ■

Consider the Beetle

Remember the original Volkswagen Beetle? When it was first introduced to the public, it wasn't an immediate hit. It sold poorly until some brilliant advertising saved it. Because of this great TV and print ad campaign, the Beetle was profitable in the United States for more than 15 years.

The story of the original Beetle — and how advertising made it successful — is a perfect illustration of the power of the TV-industrial complex.

A Different Story

The new Beetle is a different story. It became successful because of how it looked and how it felt to drive. It also earned good reviews from the auto industry, received great word of mouth from satisfied owners, and had a distinctive shape that appealed to car buyers. Every time the cute little Beetle drove down a street clogged by boxy SUVs, it was marketing itself. ■

Competing in the Up and Down Elevator Market

Elevators are not a typical consumer product — they can cost more than $1 million, they are usually installed when a building is constructed, and they are not very useful unless the building is over three or four stories high.

So how does an elevator company compete? Until recently, selling in the elevator business involved a lot of wining and dining clients and long-term relationships with real estate purchasing agents.

But Schindler Elevator Corp. has dramatically changed this by developing a Purple Cow product.

Waiting for an elevator that stops on every floor can be time-consuming and frustrating. The obvious solution is for a building to install more elevators to handle more passengers. But that solution is very expensive and takes time to implement.

Every Elevator Is an Express

Schindler created an exceptional solution to this problem for the Cap Gemini Co. in Times Square. When you approach the company's elevators, you key in your floor on a centralized control panel, and the panel tells you which elevator is available to take you there.

The elevator system at Cap Gemini has turned every elevator into an express — it takes a passenger immediately to his or her floor, then races back to the lobby. This Purple Cow product, implemented at a remarkably low cost, means that the building needs fewer elevators for a given number of people and passengers don't have to wait very long for a lift.

The Will and the Way

There isn't a shortage of remarkable ideas — every business has opportunities to do great things — there's a shortage of the will to execute them.

Since the old ways of doing things have become obsolete, it's actually safer to take the risk inherent in trying to create remarkable things. Your best bet is to take the steps necessary to create Purple Cows.

Takeaway Ideas

Even the best excuses, such as, "We don't have the ability to find the great idea," or, "We can't distinguish the great idea from the lousy ones," can be overcome by brainstorming, ideation and creativity techniques. These can be used to find the takeaway ideas, the specific things that can be done tomorrow to start a company on its way to the Purple Cow. If you've got the will, you'll find the way. ■

Ideas That Spread, Win

Until an actual product or service is created, a brand or new product is nothing more than an idea. Ideas that spread rapidly — "ideaviruses" — are more likely to succeed than ideas that don't.

"Sneezers" are the people who launch and spread an ideavirus. These people are the experts who tell all their colleagues and friends about a new product or service that they are knowledgeable about. Every market has a few sneezers — finding and seducing these sneezers is essential to creating an ideavirus.

Capture Their Interest

To create an idea (and a product or service) that spreads, don't try to make a product for everybody, because that is a product for nobody. Since the sneezers in today's huge marketplace have too many choices and are fairly satisfied, an "everybody" product probably won't capture their interest.

To connect with the mainstream, you must target a niche instead of a huge market. In targeting a niche, you approach a segment of the mainstream and create an ideavirus so focused that it overwhelms that small section of the market and those people will respond. The sneezers in this niche are more likely to talk about your product, and best of all, the market is small enough that just a few sneezers can spread the word to the number of people you need to create an ideavirus.

It is no accident that some products catch on and some don't. When an ideavirus happens, it is usually because all the pieces have come together and produced that result. ■

Who's Listening?

The death of the TV-industrial complex has made some people predict that all mass media will die. And because ads aren't as effective as they used to be, it is easy to conclude that ads don't work at all, and that every consumer avoids and ignores them all.

Of course, this isn't true. Ads do work — not as well as they used to, and perhaps not cost-effectively, but they do attract attention and generate sales. Targeted ads are much more cost-effective than untargeted ads, but most advertising and marketing efforts are completely untargeted. They are like hurricanes, moving across a landscape of consumers and touching everyone in the same way, regardless of who they are and what they want.

But in any given market there are still some people who are all ears — they want to hear from you. They look through the Yellow Pages, subscribe to trade magazines, and visit Web sites looking for more information. Some of these people will eventually buy.

So the big idea is this: **IT IS USELESS TO ADVERTISE TO ANYONE — EXCEPT INTERESTED SNEEZERS WITH INFLUENCE**.

Advertise at the Right Time

You must do your advertising at the right time (when these consumers are looking for help), and in the right place (where they'll find you). Advertising to one interested person is a good idea, but the real success happens when the person listening is a sneezer who will probably tell his or her friends and colleagues.

When you are not marketing your product or service to the right people, you must be investing in the Purple Cow — products, services and techniques so useful, interesting and noteworthy that the market will want to listen to what you have to say. ■

The Problem with the Cow

The problem with creating Purple Cow products is actually a problem with fear. Some folks will tell you that there are too few great ideas or that their product, industry or company can't support a great idea. This is

(continued on page 6)

Introducing the $750 Office Chair

Before Herman Miller got into office chairs, they were practically an invisible item. A desk chair was acquired by the purchasing or human resources department and you probably didn't even notice the difference between one desk chair and another.

The buyers of desk chairs were looking for a safe, easy choice. Chair manufacturers listened to the buyers and made safe and easy products.

When Herman Miller introduced the $750 Aeron chair in 1994, the company took a huge risk — the chair looked different, worked differently and was very expensive. But the chair proved to be a Purple Cow product.

Sitting in the Aeron chair sent a message about who you were, and buying the chairs for your company sent a message to employees as well.

The Aeron chair story isn't a matter of inventing a gimmick as an example of the rarely achieved "viral" marketing; it's about putting the marketing investment into the product instead of into the media. Millions of Aeron chairs have been sold since its introduction, and the chair is now in the permanent collection of the Museum of Modern Art.

The Problem with the Cow

(continued from page 5)

not true. People have a problem creating a Purple Cow product because they are afraid.

If you are remarkable, some people won't like you. Nobody gets unanimous praise, ever, and criticism always comes to those who stand out. So the timid try their best not to stand out.

A Great Opportunity

The good news is that since almost everyone else is petrified of creating a Purple Cow product, you can be remarkable with much less effort. It is just common sense that if successful new products are the ones that stand out, and most people don't want to stand out, you've got a great opportunity.

The lesson here is simple — since boring always leads to failure, boring is almost always the most risky strategy. Smart businesspeople realize this, and they work to minimize — *but not eliminate* — the risk from the process. ■

Krispy Kreme's Secret Recipe

Many people think the soaring popularity of Krispy Kreme donuts is a recent phenomenon, but the business actually got its start in 1937 when Vernon Rudolph bought a secret yeast-raised donut recipe from a French chef from New Orleans, rented a historic building in Winston-Salem, N.C., and started selling Krispy Kreme donuts to local grocery stores.

Krispy Kreme has come a long way since then. In April 2000, the company held an initial public offering of common stock. Krispy Kreme opened its first international store in Canada near Toronto and will expand into other countries soon.

Krispy Kreme makes a good donut, but is it worth driving many miles to get one? Clearly, donut devotees believe it is. There is something very visceral about the obsession that donut fans feel about Krispy Kreme, and discovering and leveraging that feeling is at the heart of the company's marketing efforts. This remarkable fact is the key to Krispy Kreme's success.

Free Donuts

When a Krispy Kreme store opens in a new location, employees start by giving away thousands of donuts. The people most likely to show up for a free hot donut are those who have heard the legend of Krispy Kreme and are delighted that the company is finally in town. These people spread the word. They tell their friends and even bring them to a Krispy Kreme store. That's when Krispy Kreme works its marketing magic by dominating the donut "conversation" — they rush to create partnerships with gas stations, coffee shops and delis to make it easy for someone to encounter their product.

If the product remains a Purple Cow, some of the newly converted Krispy Kreme fans will spread the word in a new town until the chain arrives there.

The lesson here is: Find the market niche first, and then make the remarkable product — not the other way around.

The Benefits of Being the Cow

As being remarkable continues to show its incredible value in the marketplace, the rewards earned by the Purple Cow increase.

Whether you develop a revolutionary new insurance policy, record the song of the year, or write a best-selling, groundbreaking book, the money, prestige, power and satisfaction that follow are incredible.

Huge Rewards

In exchange for taking the risk — the risk of failure, ridicule or unfulfilled dreams — the creator of the Purple Cow gets a huge reward when he or she gets it right.

Once you've managed to create a truly remarkable product or service, it is important to do two things simultaneously:

Milk your Purple Cow for everything it's worth. Figure out how to extend its lifespan and profit from it as long as possible.

Create a working environment in which you have a good chance of inventing another Purple Cow in time to replace the first one when its benefits start to wane. ■

Cutting Into the Bandage Market

When Curad wanted to challenge the Band-Aid brand for the market for adhesive bandages, most people thought it was crazy. Band-Aid was a household institution, a name so well known that it was practically generic. And the Band-Aid product was terrific. What could Curad hope to accomplish?

But Curad developed a Purple Cow product — bandages with characters printed on them. Kids, who are the largest consumers of small bandages, loved them. So did parents who wanted to make cuts and scrapes heal faster.

And of course, when the first kid with Curads wore them to school, every other kid wanted them, too.

It didn't take very long for Curad to take a piece of market share away from Band-Aid.

The Process and the Plan

Is there a foolproof way to create Purple Cow products over and over again? A secret formula you can use to increase your creativity while creating a product that will meet consumers' real-life needs? Of course not.

There is, however, a process. A system that has no definite tactics but still gets results.

Go for the Edges

The process can be summed up very simply: Go for the edges. Challenge yourself and your team to describe what those edges are by reviewing the other *P*s — your pricing, your packaging, and so forth — and sketch out where your edges are, and where you competition is. If you don't understand this landscape, you can't go to the next step and figure out which innovations you can attempt.

For example, it would be remarkable if a health spa offered all its services for free, but without a financial model that supports that offer, the spa probably would not last very long. JetBlue, on the other hand, figured out how to get to the edge of both service and pricing with a business that was also profitable.

It's not the tactics or the plan that joins Purple Cow products together. The process a company uses to discover the fringes makes a product remarkable. ■

The Postal Service's Purple Cow

Because it serves a host of large, conservative customers, it is very difficult for the U.S. Postal Service to innovate. The big direct marketers have learned to thrive under the Postal Service's current system, and they don't want that system to change. Most individuals don't want to change their mailing habits, either.

Many companies are so afraid of offending consumers or appearing ridiculous that they steer far away from innovation entirely. When a committee discusses a new, different product, each well-meaning participant warns that his or her constituency might not like it. So the company sticks to products that are safe ... and boring.

Most new-policy initiatives at the U.S. Postal Service are either ignored or rejected. But ZIP+4, the addition of four digits to the end of the customary five-digit ZIP code, was a huge success. Within a few years, the Postal Service disseminated a new idea that changed billions of address records in thousands of databases. How did they do it?

Worth the Time

First, it was a very beneficial innovation. ZIP+4 makes it much easier for marketers to target neighborhoods, and much faster and easier to deliver the mail. The product was a Purple Cow, completely changing the way customers and the Postal Service deal with bulk mail. ZIP+4 offered both dramatically increased delivery speed and a much lower cost for bulk mailers. These benefits made it worth the time it took for mailers to pay attention. The cost of ignoring the innovation would immediately affect customers' bottom line.

Second, the Postal Service spread the word to workers who are knowledgeable about technology and sensitive to pricing and speed issues. These "early adopters" were in a position to communicate the benefits to other, less astute, mailers.

The lesson here is simple: The more intransigent your market, the more crowded your marketplace, the busier your customers, the more you need the Purple Cow. Half-measures will fail. Overhauling the product by making dramatic improvements in things the right customers care about can have a big payoff.

The Magic Cycle of the Cow

In this chaotic world, must your efforts to bring new ideas to the marketplace be chaotic as well? To be successful, do companies need to continually invent remarkable products for an ever-changing roster of potential customers?

The answer is no, and the reason is because many consumers don't change their roles very often. Sneezers love to talk about new products, and they are often open to hearing from marketers who repeatedly, reliably create Purple Cows. And if we respect the sneezers, they will listen.

Four Steps to Creating a Purple Cow

Take these four steps to accomplish this:

- **Get permission from people you impressed the first time to alert them the next time you might have another Purple Cow.**
- **Work with the sneezers to make it easier for them to help your idea reach your target audience.** Give them the tools and the story they will need to sell your idea.
- **Once you've progressed from remarkable product to profitable business, let a different team take over.** Try to create many variations of your Purple Cow product. But don't believe your own press releases — this will cause the inevitable downward slide to mediocrity. Milk your Purple Cow for all it's worth, and fast!
- **Reinvest and launch another Purple Cow — to the same audience.** Fail and fail and fail again. Assume that what was remarkable the first time won't be remarkable this time. ■

What it Means To Be A Marketer Today

If Purple Cow is now one of the *P*s of marketing, it has profound implications for the enterprise: It changes the definition of marketing.

It used to be that engineering invented, manufacturing built, marketing marketed and sales sold. There was a clear division of labor, and the president managed the whole company. The marketer got a budget and bought ads with it.

Marketing was about communicating the values of a product after it had been developed and manufactured.

The Act of Inventing the Product

That's clearly not a valid strategy in today's world, where product attributes (everything from service to design) are now at the heart of what it means to be a marketer. These days, marketing is the act of inventing the product; the effort of designing it; the craft of producing it; the art of picturing it; and the technique of selling it. So how can a Purple Cow company not be run by a marketer?

Companies that create Purple Cows — companies like JetBlue, Starbucks, Hasbro and Poland Spring — have to be run by marketers. The CEO of JetBlue made one critical decision when the company began: He got the head of marketing involved in product design and training, and it shows. Everything JetBlue does that adds value is marketing.

Isn't the same true for a local restaurant? In a world where just about anything we need is available and satisfying, and where just about all the profit comes from the Purple Cow, we're all marketers!

If a company is failing, it is the fault of top-level management, and the problem is probably this: They're running a company, not marketing a product. ■

Is It About Passion?

The idea of having passion in our efforts to create remarkable new products appeals to many of us, but the skeptics among us think that passion thing is unrealistic. They don't care about passion, about the *why* of creating Purple Cows — they just want to do what's going to work.

And that's an important point about the Purple Cow. You don't have to like it; you don't have to be a new-product guru; you don't have to be a make-work-matter apostle. You just have to realize that nothing else is working.

Purple Cow Thinking

The well-known companies have shown that this is true. The big brands, the big successes, the profitable start-ups (big and small, worldwide and local) have mostly been about Purple Cow products and services.

You don't need passion to create a Purple Cow, and you don't need a lot of creativity. What you do need is the insight to realize that you have no other choice but to grow your business or launch your product with Purple Cow thinking. *Nothing else is going to work.* ■

Salt is not Boring — Ways to Bring The Cow to Work

For fifty years, Morton has made salt a boring product. People at the company's headquarters would happily agree there is no chance of a Purple Cow at Morton.

The people in France who create handmade salt from seawater didn't know that: They regularly get $20 a pound for their amazing salt. A group of Hawaiians has entered the salt business as well, providing new varieties used in gourmet restaurants. And previously boring Diamond Kosher salt will earn millions of dollars in increased annual sales — because their salt tastes better on food.

Come up With a List

Is your product more boring than salt? Probably not. So come up with a list of ten ways to change the product (not the hype) to make it appeal to a segment of your audience.

- **Think small.** One remnant of the TV-industrial complex is the need to think "mass." If it doesn't appeal to everyone, the thinking goes, it's not worth it. That's no longer true. Think of the smallest conceivable market and describe a product that overwhelms it with its "remarkability."
- **Outsource.** If the factory is giving you a hard time about jazzing up the product, go elsewhere. There are plenty of job shops that would be delighted to take on your product. After it works, the factory will probably be happy to take the product back.
- **Build and use a permission asset.** Once you have the ability to talk directly to your most loyal customers, it becomes much easier to develop and sell amazing things.
- **Copy, not from your industry, but from any other industry.** Find an industry more dull than yours, discover who's remarkable in it and do what it did.
- **Identify a competitor who's generally regarded as "at the edges," and outdo it.** Whatever it is known for, do that thing even better.
- **Ask, "Why not?"** Almost everything you don't do is the result of fear or inertia or a historical lack of someone asking, "Why not?" ■

· Book 64 of 106 ·

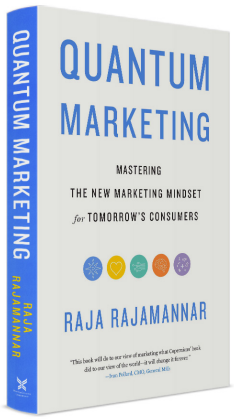
Quantum Marketing

Raja Rajamannar

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Executive Book Summaries®

Quantum Marketing

Mastering the New Marketing Mindset for Tomorrow's Customers



by **Raja Rajamannar**

Contents

Marketing's Journey
Page 2

The Fifth Paradigm
Page 3

Reset the Mission of Marketing
Page 3

The Data Dilemma
Page 4

Technology's Big Bang
Page 5

We Are Not Consumers; We Are People
Page 6

Marketing Through Crisis
Page 7

The Quantum CEO
Page 8

THE SUMMARY IN BRIEF

As technology has evolved in the last several decades, marketing has had to change with it, evolving through four significant stages that build on the strategies and tools of the previous era. What happens next in the fifth stage, or Fifth Paradigm, will not be an evolution but a revolution.

Almost everything about how marketing is done today, including the very notion of a brand itself, will require a complete re-imagination. In ***Quantum Marketing***, Chief Marketing Officer of Mastercard Raja Rajamannar shares the forward-thinking ways all businesses must rethink their entire marketing landscape to remain relevant and be successful.

Quantum Marketing is for all business people who seek to understand how rapidly marketing is evolving, what some of the smartest people in the discipline are doing to get ready for this dramatic shift, and what the new world will look like for companies, consumers, and society as the race to develop revolutionary marketing strategies reaches a whole new level.

IN THIS SUMMARY, YOU WILL LEARN:

- To reset the mission of marketing in the Fifth Paradigm.
- To mobilize data and technology through Quantum Marketing.
- To embrace brand karma and operate ethically.
- The key features of a Quantum CEO.

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Introduction

Currently, marketing is in a crisis. A large number of blue-chip marketing companies are fragmenting the 4 Ps of marketing (price, place, product, and promotion) and distributing them across multiple areas outside of marketing. Many companies are cutting marketing budgets year after year, while reducing full-time employees in marketing continually, even laying off entire marketing departments.

Many CEOs don't see value in marketing or the value that marketing is bringing to the table, and marketers' presence at the CEO table continues to dwindle.

However, marketing is entering its most exciting inflection point ever, the Fifth Paradigm of Marketing, or Quantum Marketing. New technologies like artificial intelligence, augmented reality, 5G connectivity, the Internet of Things, smart speakers, wearables, and blockchains are poised to transform consumers' lives and potentially take marketing's impact to entirely new levels.

The entire function and discipline of marketing can leapfrog toward astonishing levels of consumer insights, real-time interactions, and hyper-targeted, hyper-relevant consumer engagement. Never has the marketing toolbox been more powerful than now. And the ability of marketing to drive business results in the face of brutal competition is not only extraordinary but vital for a business's future survival.

In this kind of a fiery cauldron, companies need a total reboot of marketing to succeed and thrive. Quantum Marketing is about reinventing, reimagining, and reinvigorating marketing, to make it an even stronger force that drives the business momentum, i.e., to be a real, demonstrable force multiplier for any business.

The last five years have seen more change in marketing than the previous 50. And the next five years will outpace all of them put together. It is both exciting and daunting.

Marketing's Journey

We've moved through four paradigms of marketing. The First Paradigm was driven by the product as hero, based on the simple premise that consumers make logical purchasing decisions. Marketers had a defined purpose and a simple strategy: Make your product better than your competitors. And let the consumers know about it.

The Second Paradigm delved into the emotional realms of consumers. It was largely a reaction to the difficulty of attaining differentiation purely based on product functions and benefits. And many times, the emotion itself was doing the job, even to the conspicuous absence of the product.

Relationships, affinity, status, attractiveness, happiness, joy, success—all of these became mythical qualities that the consumer could attain like the membership benefits in a secret club. Think Coca-Cola and their promise that "Things go better with Coke," or Pepsi as the soft drink for a New Generation.

The Internet Era

The Third Paradigm was the era of internet and data-driven marketing. Data analytics brought in a new layer of understanding and depth to marketing that spanned all the way from digital targeting to new campaign measurement metrics to calculating lifetime customer relationship values. And the internet was the platform that allowed marketers to understand consumer interests and intentions, serving them with the right messages economically.

But not everything was digital. The Third Paradigm also saw a dramatic increase in direct mail, direct response advertising, and the promise of the "segment of one." In other words, every consumer was recognized and treated as unique, and highly individualized marketing messages could be conveyed to them in customized, memorable, and impactful ways.

Consumers, too, were empowered by the internet. They searched for products, searched for one another, and found they wanted more of everything.

The internet was hardly being digested when two new dimensions were being created, both of which would come to define the Fourth Paradigm. From October 2007 to August 2008, a college-based variation on message boards called Facebook spiked from 50 to 100 million users, and social media was born.

Alongside this, the iPhone was released on June 29, 2007. Mobile phones and mobile devices totally altered the consumer landscape once and for all. The mobile phone virtually became an extension of the human body, with consumers going to bed and waking up with it. Now, marketers had a medium available through which they reached consumers anytime. Marketers followed along digital channels and social networks.

It is time that we bring the glory and gravitas of marketing back. Let's start with a clear mission.

The Fifth Paradigm

Now we stand at the precipice of the Fifth Paradigm. This is the era of Quantum Marketing. In general scientific terms, "quantum" describes an effect that cannot be explained by classical approaches. It has also come to mean an unmeasurable jump in speed or volume. Both of these describe marketing in the Fifth Paradigm—Quantum Marketing.

The Fifth Paradigm will feel like a whole new planet for marketers. Crazy new technologies, an extraordinary quantum of data, an opportunity or threat of real-time actions, the collapse of the purchase funnels and other classical theories and frameworks—all of these will totally alter the marketing landscape, and marketers will have to reimagine their strategies, structures, and talent.

In the Fifth Paradigm, brands will create excitement, engagement, and inspiration for their products and services using new technologies, new media, new frameworks, and new insights. Consumers will expect not only great products and experiences, but they will demand marketers use all the resources available to make a positive difference to society.

Success in the Fifth Paradigm

The key factors that determine success are authenticity, immersive interactions and experiences, real-time marketing, sensible and sensitive marketing through the consumer life cycle, and remote delivery and management of everything, from the more obvious logistics, to experiences, to product demos, to training and development of the marketing teams to learn and stay at the cutting edge of the fields that impact marketing.

To survive and thrive in the Fifth Paradigm, marketers will need open-mindedness and technological savvy. For the consumer, the Fifth Paradigm will be a labyrinth of content, messaging, imaging, new devices, and automation, all happening at new levels of intensity and complexity. As any marketing executive will know, marketing must meet the consumer, now and forever. That intersection will be crowded and noisy. That intersection is the Fifth Paradigm.

Reset the Mission of Marketing

There has been an explosion of mobile technology, saturation of internet penetration, and a social media tsunami. Marketers have not been able to keep pace with the dramatic advancements in technology and data.

In this context, classical marketers were quickly overtaken by a new breed of technologists who dove deeply into marketing and saw opportunities wide open, unexploited, and underleveraged. Real digital marketing was born and started setting the pace, processes, and methodologies completely outside of marketers' purview.

In this day and age, if marketers don't know how to maneuver data, how to leverage data, how to navigate data analytics, they run the risk of becoming obsolete and irrelevant.

The Fourfold Mission of Quantum Marketing

It is time that we bring the glory and gravitas of marketing back. Let's start with a clear mission.

Brand building. In this day and age, the brand is not only sacred but vital for differentiation, value perception, and competitive advantage. Marketers are brand stewards and need to build it for the future, irrespective of whether their business partners can fully appreciate it or not.

Reputation management. In a world where a ton of negative talk and fake news happens, many brands are going to get talked about in a poor light, sooner or later. Marketers absolutely need to have plans to defend their brands and protect their reputation and not let consumer trust erode. Whether it is brand building or managing a brand's reputation, it is brand management at the end of the day; and that is at the core of a Quantum Marketer.

Driving business growth. In a company that is not really marketing driven, like the majority of organizations, unless the marketer takes on the responsibility for business growth and is really fueling the business, they will not be taken seriously.

Creating platforms for sustained competitive advantage. This is about building a sustainable competitive

advantage via platforms, partnerships, intellectual property (IP), and so on. This is going to be a very significant and important part of marketers' roles, particularly in contexts where they do not control all of the 4 Ps.

The Data Dilemma

Data is the precious commodity in the Fifth Paradigm. Let's talk about some aspects of data that a marketer needs to be aware of.

If marketers thought they were already drowning in a tidal wave of data, just wait. Connected devices are everywhere, with many, many more to come. A mobile phone is a sensor on many levels. We use our mobile phones for everything from making calls to shopping, even tracking our health metrics. To a consumer, it is a virtual window to the world. And to the marketer, it is a virtual window into the consumer's life and lifestyle!

The sheer quantum nature of data and the speed with which it is being spewed out is mind boggling. Companies need to rethink their entire data strategies and technology architecture for this imminent future. Which data is relevant and which is mere clutter?

The availability of real-time data could be a real boon but only if it is acted upon in real time. Marketers will probably stand to gain a lot competitively if they address consumers' contextual reality in real time, without being intrusive. Here are some ways to do so.

Take the lead. No other group of professionals has the volume of data collection on consumers, day to day, as marketers do. And a significant part of the data ecosystem is funded out of marketing dollars. Marketers, therefore, have to play a front and center role and drive the evolution, as opposed to sitting in a corner and letting others define the future.

Educate yourself. Marketers need to understand the current policies and regulations across the entire value chain they deal with. They need to understand how data is collected, organized, and analyzed in real time, with or without the help of AI. Marketers don't need to become data experts overnight, but they need to educate themselves at least to the extent of being able to ask the right questions and grasp the right answers.

Invest in the right partnerships—internal and external. Strike deep partnerships with IT colleagues who manage the data infrastructure and processes, as well as legal department colleagues to help navigate this complex ecosystem soundly and safely. Marketers' accountability doesn't end with protecting consumer data within their company; it also extends to the data that their vendors are collecting, analyzing, and leveraging on their behalf.

Quantify, quantify, quantify. Even if you have a futuristic AI program, if you don't diligently measure marketing actions, your company will not understand their contribution to sales, overall revenue, or the overall business. Be ready with credible numbers, not words.

Don't let data overshadow creativity. Don't forget that it is about the brand, the business, and the competitive platform. Technology and data are absolute priorities, but not at the cost of creativity, instinct, and judgment.

AI: The Ultimate Propellant of Quantum Marketing

AI is going to be a game changer in every aspect of marketing. AI will never replace marketers. But marketers who resist it will be replaced by those who understand its power.

Artificial intelligence is a machine capability created by training machines to be able to think like human beings or even surpass them. That includes various forms of recognition, reasoning, judgment, decision-making, and so on.

AI Brings Richness

In marketing parlance, AI can bring richness to every step of the marketing life cycle. It brings a deeper level of understanding not hitherto possible. For example, before AI, we would do correlation analysis or causal analysis, trying to find out which promotion or what level of discount or some other feature works best to drive the most conversions. These were done via surveys, test marketing, factor analysis, past campaign response metrics, past promotion and so on.

But these were typically done at a segment level or at an aggregated level. Using AI, a company can analyze your past behavior, current propensity to buy in the category, and your behavior in other categories. This analysis is done in real time, and the company will be able to send you a highly personalized offer that is good for you and great for the company.

In the Fifth Paradigm everything will have a sensor, from watches to shoes, to cars, golf clubs, thermostats . . . everything. Every single second, the sensors are capturing data. All that data will be fed into AI machines. And it can throw out

amazing patterns and insights from that macrocosm of data.

This can help marketers if they can hook into that stream of insights and act on them in real time, to catch consumers at the most optimal parts of their daily life journey and offer them highly personalized products, services, promotions, and messages in a highly relevant fashion. The company can go from one OTM (opportunity to market) to the next OTM in a seamless, nonintrusive, nonannoying fashion.

Some of the other areas AI will involve are chatbots, virtual assistants, search, targeting and personalization, media buying, content creation, and ROI computation.

Marketers don't need to become AI experts themselves, but they do need to know how to leverage AI. There are several online executive education programs from Harvard, MIT, and the University of California at Berkeley, to name a few.

The IT department in a company has a significant role to play in this AI journey. Marketers absolutely need to partner with their IT colleagues to be collectively successful.

Technology's Big Bang

As AI fuels the explosion of data insights for marketers, get ready for a series of new technologies that will add new challenges and new opportunities. Beyond artificial intelligence, machine learning, and deep learning, here is what we have in store: 5G, augmented reality, virtual reality, smart speakers, holographic projection, the Internet of Things, wearables, 3-D printing.

The Promise of 5G

For example, 5G is maybe 50 to 100 times faster than 4G, with download speeds that could be as high as a hundred gigabits per second. 5G can connect with more devices at once. It has very low latency. This means that there is no delay between a command at one end of the network and when it is executed on the other end.

What are the implications for marketers? Interactions and engagement strategies with consumers will be in real time. A consumer is shopping in a market. Based on her data, picked up with her permission, a company can make offers that are most relevant to what she is doing at this moment.

Another example is augmented reality (AR). AR is still very nascent, but it is going to become very big, very soon. In augmented reality, there is an overlay of digital information on a physical environment.

Marketers don't need to become AI experts themselves, but they do need to know how to leverage AI.

For example, Google demonstrated at a conference how Google Maps will go to a different level by deploying what they call the Visual Positioning System, or VPS. When the smartphone's camera is pointed at the street, the Google Maps application will overlay the street scene with the map and an extra layer of information, such as a label or a flag indicating a coffee shop in one of the buildings up ahead.

Along with the names of shops, just about any other piece of information can be overlaid in the visual frame. Example: there is a sale going on in this shop; there is a special offer in this other shop; this is happy hour at this bar . . . You get the sense. There is a new richness in terms of consumers' ability to interact with their physical environment.

The Internet of Things

Then there is the Internet of Things. Every device at home and work, and those on the way, will be connected in the Fifth Paradigm. Every connected device could be a marketing medium. Home appliances, thermostats, home locks, cars, scales, suitcases, and on and on will all be gathering data, and many will even provide interfaces for interaction via voice or visual or both.

Since every connected device gathers data, marketers need to be able to pull it all together, make sense out of it, arrive at actionable insights, and act upon them. It could be as simple as serving a personalized ad on the refrigerator screen (Samsung already has such a refrigerator with a screen), or on the dashboard of a connected car or over its speakers.

Advertising (As We Know It) Is Dead!

Everyone has a multiplicity of screens they are continually immersed in—tablets, smartphones, e-readers, and, of course, the trusty old TV or movie screen. This is changing the physiology of the human brain and is reducing

people's attention span. Today, it is estimated that the average human's attention span is slightly less than that of a goldfish, at under eight seconds!

A marketer needs to compete for the consumers' attention against anywhere between 3,000 and 5,000 other messages every day, trying to cut through the clutter, inform them about their brand, product, or service, and inspire them to feel favorably and decide in their brand's favor.

People have discovered ad blockers. When activated, ad blockers prevent ads from appearing on their screens. Today, the estimates for the number of consumers who use ad-blocking software range anywhere from 600 million up to 2 billion, which is roughly a fourth of the world's population. Marketers have to recognize that the traditional advertising model has to change.

The Quantum Marketing Solution

First and foremost, look at other ways of attracting and engaging consumers. One very effective method is good old word of mouth. Marketers want people to talk about their brands and products.

The idea is to make sure that people become spokespersons, ambassadors, promoters, or advocates of the brands, in a non-salesy fashion. The key challenge is—how to do it economically and at scale.

Enter Quantum Experiential Marketing (QEM). The idea with QEM is to create and curate a combination of physical and digital experiences, coupled with a combination of traditional, digital, and social communication tactics.

In this approach, first reach out to high-influence consumers, opinion leaders, or "prosumers" (a prospective consumer involved in or providing input into a product's design and development). Grab their attention and captivate their imagination with some unique experiences. These experiences should be flawless, leaving a lasting impression in their minds and hearts.

When that happens, they have a very high propensity to tell the story of their experience to others. And weaved within that story is that the experience was enabled by a brand, in a subtle, credible, and appropriate way. Then, try to amplify that story.

We Are Not Consumers; We Are People

For any individual, consumption is but a sliver of their total life. In reality, what happens outside that sliver affects consumption much more than what happens inside that sliver.

Therefore, when marketers focus on optimizing consumer experience or consumer preference for their brands, they are focusing on the incremental and smaller opportunity of consumer behavior, as opposed to gaining substantial new ground by focusing on human behavior.

Quantum Marketers look at the total life of their consumers and try to understand how they can add value. Once they take that approach and gain some insight, they then look at their product or service and assess whether they have the right offering or whether they need to create a new one or modify the existing one.

Other Major Shifts in the Fifth Paradigm

Historically, marketers would try to understand the purchase funnel and consumers' mindsets before, during, and after a purchase. A huge shift is going to happen in the Fifth Paradigm. Marketers will do everything to make the purchase process disappear altogether.

Already, companies are trying to eliminate the need for a checkout line, as Amazon has done in their Amazon Go stores. A person can simply choose the items they want from the shelves, load up their shopping carts, and walk out.

Yet another mega disruption in the purchase funnel is automatic ordering via connected appliances. For example, Samsung has launched a smart refrigerator that knows what and how much the owners consume, and it reorders those items for them from the grocery store, thus unburdening them of this low-level tedium.

With the purchase process and funnel getting so disrupted, Quantum Marketers have to figure out how they will deal with consumer situations in the context of their life situations. Here are some critical components of their strategy:

Instant brand reassurance and instant brand motivation. These will be ever more crucial in these automated purchase processes.

Understanding the purchase channel dynamics. Leverage them smartly, as opposed to letting them marginalize the brands. This needs deep knowledge in emerging digital technologies (like the Internet of Things and smart speakers), algorithms behind the recommendation engines of these various devices or platforms, preference drivers, real-time offer optimization methodologies via AI, and so on.

Understanding a brand's potential moats. These

This is brand karma. Embrace an ethical approach and operate with complete integrity, and the team and the brand will blossom.

need to stay relevant and competitively advantaged. These would be less about the products themselves and more about the surrounding systems, packaging, intellectual property, emotional hooks, and so on.

Ethics and Brand Karma

It is shocking that only 34 percent of consumers trust the brands they buy. Put another way, two-thirds of consumers don't trust the brands they buy. Companies that make ethics their top priority outperform those who don't.

Data ethics is about responsible, transparent, and fair use of data, with a strong sense of accountability. The World Federation of Advertisers has brilliantly summarized data ethics into a pithy statement: "There should not be a gap between what we could do with data and what we should do with data."

What Do We Do in This Quantum Chaos?

Quantum Marketers must first realize that trust will be a gigantic competitive advantage. The relevance and importance of brands in people's lives is on the wane. Against this backdrop, the brand that is trusted will stand tall for a long time. So, it is up to the marketers to build that trust.

We should follow straightforward practices, in spirit, word, and deed. Deceptive practices, whether advertising or pricing or packaging, will be sniffed out by the consumers from a mile away. And when they do it, will they be committed to such brands? They will always find alternatives, even if you think this brand has a monopoly.

- Our advertisements have to be authentic and truthful. Don't miss opportunities to advertise and connect, but don't lead with opportunism.
- As a Quantum Marketer, be a consumer and a decent human being first and foremost. Don't do to the consumer what you don't want to be done to you.
- Respect the privacy of consumers. A brand has no right to snoop, and without consumers' explicit permission, to sell.
- Marketers should also look at all their partners and hold them accountable. Whether it is agencies or publishers or other partners and vendors, they should make sure that their practices are ethical.

As is the case with the rest of our lives, doing bad things might tend to give a positive advantage in the immediate or short term. But it will catch up in the long run, for sure. This is brand karma. Embrace an ethical approach and operate with complete integrity, and the team and the brand will blossom, slowly and surely. And it will make all the difference in the Fifth Paradigm.

Marketing Through Crisis

In the last few decades, no one has witnessed the kind of havoc that COVID-19 wreaked around the world. Everything came to a grinding halt, leading to a situation in which not just some companies but entire industries were shut down.

People have been forced to alter their lifestyles for the shutdown period, and those changes will have a profound impact. Consumers may not go back to all pre-crisis scenarios.

For example, online shopping became the new habit of many who had never shopped online before. People were literally forced to try out new ways (online shopping, streaming video channels), new products (hand sanitizers), new ways of interacting socially (Zoom parties), new ways to work (remotely), and so on.

Risk Management

Historically, marketers would typically treat as the main risks some blowback of a poorly conceived campaign or a PR disaster. But since marketing is going to be heavily enabled by technology and data, new types of risks will emerge that need to be addressed appropriately.

Most large and mid-sized companies have a risk matrix or a risk heat map at a company level that they present to their boards. They have a process by which a company identifies all the risks they may be subjected to, the probability of it happening, the likely impact if it does indeed

happen, and so on. Visually, it lays out all the risks and draws focus on the key ones.

Marketers need to plot risk maps, and crisis management plans should always be updated and kept ready. Should disaster strike, the management team should know exactly who does what and when.

Serving Versus Selling

There is a time to sell and there is a time to serve. A crisis is the time to serve. For example, during a crisis, there may be a shortfall of some items, or people may need some items very badly. There may be an easy opportunity to jack up the price and gouge the consumers. They will buy it still, because they may not have a choice. But they will remember. When good times come or when the brand needs them, they will show the brand the way out.

At times of crisis, the PR or communications team will play an absolutely crucial role. Nothing is more important than to let all key stakeholders, both internal or external, know exactly what is happening, what the brand is doing about it, and why they should feel comfortable that the brand is doing the right things to control as much of the situation as possible.

The speed and scale of the Fifth Paradigm will inevitably result in its fair share of crises. Expect them and be ready to tackle them.

The Quantum CEO

As we enter the Fifth Paradigm, now more than ever, marketing's role is incredibly valuable and very powerful for a company's success. What will differentiate a company's offerings is not product design or functionality. Not price. Not simplistic and copycat promotions.

Here is where the Quantum CMO comes in. And here are what characterize Quantum CMOs:

Quantum CMOs are like Leonardo Da Vinci. They are multifaceted and multitalented, excelling at the art, science, and the technology of marketing. They are primarily business leaders. They are true general managers, with deep marketing expertise, as opposed to being pure marketing specialists.

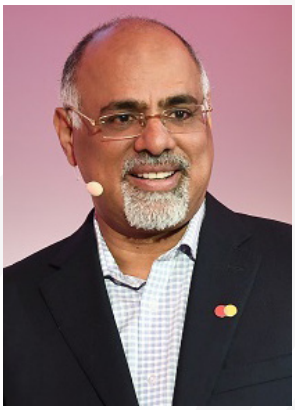
They are strong leaders. They are incredibly knowledgeable about the foundational and classical aspects of marketing. They are technologically savvy. They connect the dots between marketing activities and business outcomes. They are inspiring leaders with a big vision. They are team builders and have a global mindset.

In a world where everything will be at parity, you need marketing to differentiate your offerings and build lasting trust, aspiration, and affinity for your brand. You need someone with knowledge, experience, versatility, a business mindset, and the other factors listed above.

You need a Quantum CMO.

IF YOU LIKED THIS SUMMARY, YOU MIGHT ALSO LIKE:

- ***From Individual to Empire: A Guide to Building an Authentic and Powerful Brand*** by Laura Bull
- ***Think. Do. Say. How to Seize Attention and Build Trust in a Busy, Busy World*** by Ron Tite



Raja Rajamannar is the chief marketing and communications officer of Mastercard and is also the president of the company's healthcare business. He is an accomplished global executive with more than three decades of experience in various parts of the world. He has been listed as one of the World's Most Influential CMOs by Forbes, one of the Most Innovative CMOs in the World by Business Insider, and as one of the most tech-savvy CMOs by Adweek. Raja has been named as the 2018 World Federation of Advertisers Global Marketer of the Year and the 2019 ANA Educational Foundation Marketer of the Year.

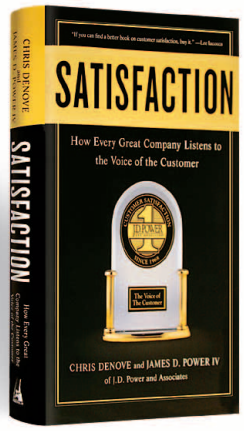
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· Book 65 of 106 ·

Satisfaction

Chris Denove and James D. Power IV of J.D. Power and Associates

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How Every Great Company Listens to the Voice of the Customer

SATISFACTION

By Chris Denove and James D. Power IV of J.D. Power and Associates

CONTENTS

Show Me the Money
Pages 2, 3

Loyalty and Other Ways Satisfaction Drives Profits
Page 3

The Good, the Bad and the Advocates
Pages 3, 4

Different Companies, Different Touchpoints
Pages 4, 5

Promises, Promises
Page 5

A Message From the Top
Pages 5, 6

Hitting the Jackpot From the Bottom Up
Pages 6, 7

The Internet: The New Water Cooler
Page 7

Voice of the Customer
Page 8

THE SUMMARY IN BRIEF

Despite their rhetoric, most organizations have not made a significant and sustained commitment to customer satisfaction. This lack of attention to customer satisfaction costs companies money because there is an intractable connection between high levels of customer satisfaction and increased shareholder value.

For nearly four decades, J.D. Power and Associates has been measuring customer satisfaction and helping businesses improve profits by paying attention to what customers really want. Their annual awards are widely publicized and valued worldwide for what they say about a company's commitment to its customers. Now, the company has created a definitive guide on how to boost profits by increasing customer satisfaction.

Although most businesses pay lip service to putting customers first, few actually listen to the voice of the customer and use it as a tangible asset. In this summary, J.D. Power and Associates provides an insider's perspective on some of the most successful companies in the world.

This summary opens the vaults on years of J.D. Power data, quantifying the elusive links between satisfaction, customer loyalty, market share and profits. It provides extensive coverage of the varying touchpoints of customer satisfaction and shows companies in detail how to make a commitment to consumers at the highest levels and translate this commitment into strategies and practices.

In addition, you will also learn:

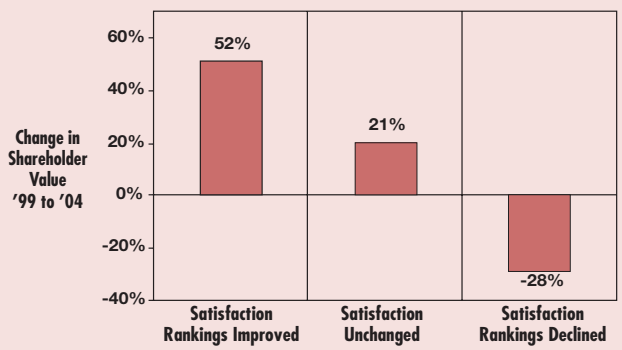
- ✓ ***How satisfied customers translate into profitable business.***
- ✓ ***How to reap the rewards that come when businesses truly put the customer first.***
- ✓ ***How the voice of the customer has been transformed by the Internet and the availability of knowledge into a power broker.***
- ✓ ***How to improve customer satisfaction levels.***
- ✓ ***How the customer's voice is louder and clearer than ever and attention must be paid to them.***
- ✓ ***How customer satisfaction is a moving target.***
- ✓ ***How the customer has changed throughout the last decade.***

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Show Me the Money

Anecdotal evidence abounds to support the theory that high customer satisfaction is important, but most chief executives need more than a good story to prod them into action. When it comes to spending on intangibles like customer satisfaction, CEOs inevitably return to that memorable line from the film *Jerry Maguire*: "Show me the money!"

Unless customer satisfaction pays off in the form of increased profits, it is nothing more than a buzzword destined to be cast out among a long list of business theories that came before it. The literal bottom line is shareholder value.



The Relationship Between Satisfaction and Shareholder Value

The relationship between customer satisfaction and a desirable business outcome isn't just visible, it's paramount! To illustrate this point, publicly traded companies were divided into three groups; those whose customer satisfaction ranking over a five year period: 1) improved, 2) declined, or 3) stayed the same. The companies that improved customer satisfaction more than doubled their shareholder value! And those whose rank declined lost more than a fourth of their value.

More importantly, we've found this same relationship in nearly every industry. The automotive brands with the highest customer satisfaction have grown sales and market share faster, while at the same time are able to charge a price premium over their competitors. High-satisfaction insurance companies not only have higher renewal rates, they grow faster. The list goes on and on.

But, before a company can use customer satisfaction as a tool to drive profitability, it must understand what customer satisfaction is and isn't. Customer satisfaction is not a goal in itself, for customer satisfaction is only important because it drives buyer behavior. It's a simple formula, but one that is often misunderstood. Your company does something (modifies a product, policy or procedure). This change impacts the customer experience (i.e., customer satisfaction), which in turn impacts purchase behavior. This is important, because behavior is key, not feelings.

You Can Lead a Horse to Water

Here are two simple truths:

- **No organization will improve customer satisfaction unless it truly *wants* to.**
- **No company will want to make the commitment to improve until it sees the link between customer satisfaction and the bottom line.**

We are all customers and we all yearn for the same thing in our daily encounters: courtesy, efficiency, empathy and, if we're lucky, a genuine smile. Unfortunately, too few companies have a sustained commitment to improving customer satisfaction because they do not see the link between satisfaction and profits.

(continued on page 3)

The authors: Chris Denove is a vice president at J.D. Power and Associates. James D. Power IV is an executive vice president at J.D. Power and Associates. Both authors live near Los Angeles, Calif.

J.D. Power and Associates, founded in 1968, is a global-marketing information firm that conducts independent and unbiased surveys of customer satisfaction, product quality and buyer behavior for many industries. J.D. Power and Associates is a business unit of the McGraw-Hill Companies.

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Show Me the Money

(continued from page 2)

For this reason, one of the first things we try to help clients understand is how customer satisfaction is likely to impact their bottom line. ■

Loyalty and the Other Ways Satisfaction Drives Profits

Loyalty is the most obvious link between customer satisfaction and profits. Across all industries, research shows that satisfied customers are in fact more likely to return. But customer satisfaction is only one of many factors that determine actual loyalty. Factors such as the number of available competitors, the amount of information about those competitors, and the ease of switching to a different company all impact the loyalty rate.

Therefore, before you assess how important customer satisfaction is to the loyalty of your customers, it is imperative you consider these other influencing factors. But, research shows that even in a near monopolistic industry, dissatisfied customers will find an alternative to doing business with low-satisfaction companies. Just take DirecTV, a company that found a waiting audience largely because consumers had become fed up with cable companies that treated them poorly, knowing customers had nowhere else to turn.

In addition to paying more for brands that offer great customer satisfaction, consumers entrust those brands with a greater share of their wallet.

Other Benefits to Great Customer Satisfaction

Loyalty is only one of the ways that customer satisfaction drives profits. J.D. Power and Associates' research shows that consumers will pay a hefty price premium to do business with a company that has a reputation for delivering high levels of customer satisfaction. This even holds true where the choices are otherwise objectively similar. Not only will satisfied customers pay more to do business with you, they will give you a higher share of their wallet. This is important, because across most industries consumers spread their business across multiple companies.

Word of mouth is another key benefit to having satisfied customers. Research shows that your most satisfied customers go out of their way to actively try to convince others to do business with you. Unfortunately, dissatisfied customers make it a point to tell others to stay away, and dissatisfied customers are significantly more vocal. ■

For additional information on loyalty, customer satisfaction and DirecTV go to: http://my.summary.com

Customer Satisfaction Across Branch Locations

Companies that touch their customers through multiple locations or branches have the additional challenge of maintaining a consistent customer experience across branches. This is more challenging than it may seem because research shows that over time, each branch develops its own personality, which is why the customer satisfaction of individual branches varies significantly. This is true even among the highest-rated companies.

Customer Satisfaction and Branch Performance

Enterprise Rent-A-Car has more than 60,000 employees and came from almost nowhere to become the largest rental car company in North America, and arguably the world. The company managed its growth by giving each branch manager tremendous autonomy. Each manager has very specific targets, both in terms of profits and customer satisfaction, but how a manager reaches those targets is left up to the individual. In this way the individual branch managers operate as entrepreneurs running their own small businesses.

Unfortunately, Enterprise found there were significant differences in the customer satisfaction of each of its branches. But, what the company really found intriguing was that there was a close relationship between each branch's satisfaction and its profitability. To Enterprise the message was clear: Narrow the performance gap between each branch and overall customer satisfaction will improve. As a result, Enterprise began focusing on the special needs of its lowest performing branches while allowing its top performers to continue doing what they do best.

The result was impressive. By fixing their lower performing branches, Enterprise not only raised its national satisfaction scores, but increased profitability in the process. To prove the point, consider that Enterprise consistently earns J.D. Power and Associates' award for rental car satisfaction.

This same relationship has been measured across a wide range of industries from automobile dealerships to insurance agencies. Maximizing customer satisfaction while minimizing the variance between branches is a key driver of success. ■

The Good, the Bad and the Advocates

Every company's customers can be divided into three categories: 1) Advocates, 2) Apathetics and 3) Assassins. Advocates will do anything to do business with you; they will travel farther, pay more and offer copious amounts of free advertising. Assassins, by comparison, will suffer inconveniences just to avoid doing business with you again; and they'll do everything in their power to make

(continued on page 4)

The Good, the Bad and the Advocates

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sure everyone around them feels the same way.

Apathetics, which statistically make up the largest group, are not necessarily dissatisfied, but just don't feel the same bond or commitment as advocates. As a result, apathetics will continue to do business with you as long as someone doesn't come around with a better offer – which in today's environment is just about every day.

No company can have all advocates, just as no company can avoid finding itself in the crosshairs of the occasional assassin. The key is to maximize the number of the former while minimizing the latter. This, however, does not mean that companies should do everything within their power to make customers as happy as possible. To do so isn't cost effective. Companies must learn to evaluate customer satisfaction in the same way they evaluate capital investments. This is called "analyzing the ROI of CSI," and it holds the key to making customer satisfaction work for you.

ROI of CSI (return on investment to any customer satisfaction initiative) is analogous to how economists analyze supply and demand to determine optimal pricing strategies: What is the optimal wait time for a customer in a call center, the optimal grade of leather for a car seat, the optimal content of an airline meal?

The Ritz Carlton and Motel 6

In the eyes of the customer, best is always better than good. Providing the best, however, just isn't always economically feasible. Not every company can be The Ritz-Carlton; someone has to be the Holiday Inn, and someone even needs to be Motel 6. You just need to balance the financial benefits of any action against the cost.

Just because you're Motel 6 doesn't mean that you shouldn't spend money to improve customer satisfaction. You may find that providing coffee and donuts in the morning is cheap compared to the resulting increase in satisfaction, but that installing down comforters in every room is not. The analysis required to properly make these decisions isn't that difficult; it just requires looking at things a different way:

- **Determine how a change will impact the way your customers feel about your products or services.**
- **Determine how the resulting change in customer satisfaction will impact how your customers behave.**

Profit-Generating Behavior

The mistake companies make is that they balance the cost of an initiative against the technical benefit — reduced waiting time in the call center queue — instead of measuring the cost against the increase in customer satisfaction (and ultimately how increased satisfaction will impact profits). The problem is that some benefits, while appearing to be objectively significant, may have only a limited effect on satisfaction and behavior. The key is getting the most bang for your customer satisfaction buck. ■

Too Much of a Good Thing

Our satisfaction with a product or service is a function of two separate factors:

- ✓ **Our expectations going into a business encounter.**
- ✓ **The actual experience itself.**

The fact that expectations play such an important role in determining customer satisfaction carries numerous important ramifications for businesses:

Consumers have learned to continually expect more, which means that customer satisfaction is a moving target. Standing still is not an option.

Consumers have heightened expectations for each touchpoint. It is not enough to improve product quality; companies must also offer exciting new features and better service.

Today's "wow" factor is tomorrow's standard equipment. A company can gain a short-term bump in customer satisfaction and sales by introducing a new service or product feature, but soon enough the competition will introduce the same or better.

Different Companies, Different Touchpoints

Although the relationship between customer satisfaction and profits holds true for every type of business, different types of companies touch (i.e., satisfy) their customers in different ways. To illustrate this point, consider three broad categories of companies: 1) service providers, 2) product manufacturers and 3) retailers.

Service Providers

When evaluating customer satisfaction with a service provider, it is critical to differentiate between the tangible quality of the service provided and satisfaction with how the service was provided. In the cases of doctors, this can be thought of as the distinction between the medical outcome and the doctor's bedside manner.

Mike Diamond is an entrepreneurial plumber who found that the way he went about his business impacted his customers more than the quality of his work. This is because the technical skill of most plumbers is quite similar. Diamond, who grew from one truck to become the largest residential plumbing contractor in Los Angeles, used this information to create his now famous "Smell Good" campaign. When his plumbers check in with their supervisors each morning, they must be clean-shaven, well-groomed and showered or they don't go out that day.

(continued on page 5)

Different Companies, Different Touchpoints

(continued from page 4)

If the customer detects an odor, the service call is free.

The formula to success for other service providers may be very different, especially if there are large differences in the technical quality of the services provided. The winners find the right targets by listening to their customers, evaluating each touchpoint and deciding which will have the greatest impact on customer satisfaction – in other words, which will ultimately determine buying behavior. And once they find their target, they don't hesitate to muster their resources, take aim and fire.

Product Manufacturers

For product manufacturers there are two primary touchpoints: 1) produce execution, and 2) product quality. Although both are important, they are completely independent. A company may do great on one, but terrible on the other. For example, an automaker may have great execution (design, features, performance), but the quality is so poor that you need to be on a first name basis with your mechanic.

Which is more important? It depends. The answer is different for each type of product, and may be different for each customer. The key is listening to the voice of your customer so that you are able to hit the right target on both, or at least focus on the one that drives behavior.

Some products have secondary touchpoints for the sales and service experience. The sales experience comes into play when the company is in control of its own distribution, such as Dell Computers. The service experience can be critical to customer satisfaction, but only applies to those more complex products that are actually serviced, as opposed to simply being thrown away when they cease operating.

Retailers

When choosing a retailer, every consumer evaluates four key factors before coming to a decision: location, availability, price and shopping experience. The first three factors are easy to define. The fourth factor – the shopping experience – is more difficult to define, let alone quantify. Yet the shopping experience – or your expectation of what you believe the shopping experience will be like – can be the most critical factor in choosing where to shop.

The shopping experience is itself broken down into three individual touchpoints:

- Ambiance of the physical facility
- Interpersonal experience
- Store policies (returns, exchanges, hours, etc.)

It is from these three touchpoints that our customer satisfaction with a retailer is primarily defined. It should be noted that price, inventory and location play a significant role in deciding which retailers to visit, but have only a relatively minor impact on customer satisfaction. ■

For additional information on Lexus and Customer Satisfaction, go to: http://my.summary.com

Promises, Promises

One surefire way to send your customer satisfaction scores plummeting is to overpromise and underdeliver. In a society overwhelmed by ceaseless marketing messages and unremitting hype, consumers have become wary of unfulfilled promises that dash their expectations.

Broken promises can occur because of many things. On one end of the spectrum there is company sponsored deceit, most often resulting from sales pitches that mislead the customer. J.D. Power and Associates found that the companies that earn the top spots in studies refuse to mortgage their future and their reputations for a short-term bump in sales. These companies are very clear that short-term profits are meaningless if they come at the expense of a hard-earned spotless reputation.

The more innocent (and more common) broken promise is the one made with the intention — or at least the hope — that it will be fulfilled. These "best-case scenario promises" are promises that are likely to be broken because there will always be some little glitch that throws the schedule off kilter.

Companies need to learn how to avoid making best-case promises. To do this, they first need to address the reasons these promises occur in the first place. Is there a breakdown in processes, or is it simply the result of employees who avoid conflict by telling the customer what he or she wants to hear?

To avoid best-case scenario promises, just don't do it! Train your people to be conservative in their commitments. As Larry Kellner, the current CEO of Continental, says, "When you don't know something, tell the customer you don't know." ■

A Message From the Top

On August 24, 1987, Toyota announced the unthinkable. It would create Lexus, an entirely new division dedicated to building and selling what they said would be the best luxury vehicles in the world. The German car companies scoffed, "How could a Japanese economy car maker possibly sell a luxury vehicle?"

The cars sold well initially, but a few months into the program the one thing happened that Lexus feared most: A couple cars began to experience a problem. It seems that two customers in different parts of the country complained about a glitch in the cruise control.

Lexus faced a decision. It could quietly fix those two

(continued on page 6)

cars and wait to see whether others surfaced with similar problems. Or, it could issue a recall and let the world know that Lexus engineers were human after all. Since Lexus was counting on its dealers to deliver a level of service head and shoulders above other automotive brands, it decided to set an example, one that is still talked about among automotive insiders today.

The Meaning of Luxury

Lexus recalled every LS 400 it sold. But, the real story was how they handled the recall. Every notice included an apology letter from the company, and even a promise that if needed, the dealer would come to the customers home, pick up the vehicle, and deliver it back completely washed and with a full tank of gas.

We believe this recall marked the day that Lexus was truly born, and not the day it sold its first car. This is because the recall was the day that Lexus showed the world the real meaning of luxury, to be customer-focused. And they haven't stopped since. At one point or another Lexus has won nearly every J.D. Power and Associates' award. And they've done it with a commitment to customer satisfaction in both words and actions that theirs is a company that will not compromise. Lexus doesn't hesitate to spend resources today knowing that it may be years before that investment is fully recouped.

In the quest for turning the merely satisfied into advocates, the winners understand a few critical truths:

- **Customer satisfaction must become an integral part of the corporate culture.**
- **Companies can't just mouth the words, they have to sing the song ... loudly.**
- **Employees must understand that the customer satisfaction push is not just a passing phase; it is here to stay.**
- **Financial as well as strategic decisions must be made based on generating long-term customer satisfaction, even at the expense of short-term profits.**
- **The customer satisfaction commitment flows like a waterfall from the top.**

The single biggest reason customer initiatives fail at most companies is the fact that employees do not believe that management is fully committed to the concept. ■

Hitting the Jackpot From the Bottom Up

For the 1,500 residents of Jackpot, Nev., gambling is not only the town's lifeline and economic foundation, it is the reason Jackpot exists. And at the center of it stands Cactus Petes with five restaurants and 26,000 square feet of casino space. Cactus Petes is not only Jackpot's largest casino, it is the birthplace of its parent company, Ameristar Casinos.

According to the property's management, the secret to Cactus Petes success is providing an atmosphere that is so outwardly friendly that no one would ever confuse the experience with a traditional Vegas-style casino. It is a level of service so friendly that it not only is visible on the surveys that Ameristar conducts every month, but is immediately apparent to anyone who walks through the door. In contrast to most casinos, Ameristar encourages its dealers to engage their customers in conversation, to get to know customers by their first names and to create an atmosphere akin to a popular neighborhood bar.

The Blackjack Experiment

By encouraging dealers to interact with customers, the blackjack tables at Cactus Petes become a Petri dish for testing a key principle; customer satisfaction not only requires a consistent commitment from management, but that the real heavy lifting is done by the employees who interact with customers on a daily basis.

This simple principle holds true for any customer encounter. Management can do everything within its power to establish processes designed to maximize efficiency and customer satisfaction, but all its efforts will evaporate if a customer encounters a rude employee charged with carrying out those processes (or an employee who is only going through the motions).

Our research finds that the companies who score highest in our surveys pay fanatical attention to hiring employees who are naturally wired to interact well with others. This compares to most companies that focus more on finding the cheapest labor capable of performing the technical aspects of the job, which in the case of most lower level customer facing positions, isn't too difficult.

The reason that more companies don't focus on personality is simple; the monetary value of a great personality is difficult to measure. In preparation for this book, an attempt was made to calculate the present value of an engaging personality with an experiment using two blackjack tables at Cactus Petes. One table featured gregarious dealers who went out of their way to engage customers in friendly banter. The other table featured a typical no-nonsense Las Vegas-style dealer who, although polite, was anything but outgoing.

While most casinos don't have anything against outgoing personalities per se, the concern is that idle chatter will slow down the pace of play, and fewer hands means less revenue. Our hypothesis was that although the pace of play might be a little slower, more players would be attracted to the party atmosphere created by a gregarious dealer, and maybe even play a little longer and bet a little more.

After the final hand was dealt and the money counted, the interactive table dropped 13 percent more player cash into the casino's coffers than the traditional table. This is just one of many pieces of evidence that one of the most

(continued on page 7)

Hitting the Jackpot

(continued from page 6)

cost effective ways to improve customer satisfaction and revenues is to make sure your customers encounter employees who are as focused on their experience as they are with the technical aspects of the job. ■

Trusting Employees to Do the Right Thing

Once a company makes the effort to hire employees who are wired to care about their customers, it must take a step back and give those employees the freedom to do the right thing. Empowerment, it seems, is another one of the fundamental differences that set apart the companies that earn J.D. Power and Associates awards.

For small companies, empowerment is a scary proposition. Small business owners who have always managed the details of their operations find it difficult to give up control. Large corporations also find it difficult to empower lower level employees, preferring instead to centralize control over decision making within management.

If a company is to become a customer satisfaction leader it must learn to trust its employees to make the right decision, even if those decisions allow employees to open up the company's checkbook. Not only do the customer satisfaction leaders such as Nordstrom give great freedom to lower level employees, but research shows that frustration over "red tape" and "hoops" to get a question answered or problem resolved is a very common cause of customer dissatisfaction.

Research also shows that companies need not be overly concerned that empowered employees will run amok and give away the store. In fact, companies interviewed for the book said that their biggest challenge is getting their employees to freely use the power granted to them.

Listen to Complaints

Too many well meaning companies take the easy way out by trying to buy their way out of a bad situation. Don't just automatically offer a $25 gift certificate to every customer who walks up with a legitimate beef. Take the time to really listen to your customers when they complain. Sure, for many customers the correct, and perhaps only, course of action is to incur the cost to make the problem go away. But, for others, by listening and trying to find the root cause of their discomfort, you will not only be able to do a better job of building advocacy, you may be able to save money in the process. ■

For additional information on turning bad customer encounters into wins, go to: http://my.summary.com

Four Keys of Successful Hiring

Companies with top satisfaction surveys have hiring policies founded on the following key tenets:

1. They focus on personality rather than the technical skills of the potential employee with whom their customers will spend most of the time.
2. When necessary, they will pay above market average sometimes well above – to attract the absolute best candidates from which to choose.
3. They attract career-minded individuals who will care about the long-term satisfaction of their customers by making it widely known they are a company that believes in promoting from within.
4. They search out creative employee benefits that create a more desirable working environment.

The Internet: The New Water Cooler

In the past a typical consumer's influence was limited to family members and a small circle of friends and coworkers. Not so today. The Internet gives every consumer immediate access to a worldwide audience. But, what really makes the Internet so important is that more and more consumers are turning to it for help in making purchase decisions.

It used to be that people only searched the Web for information about high ticket items like cars. Today, consumers turn to the Internet for advice on all types of goods and services from what restaurant will provide the right atmosphere for a romantic anniversary dinner to which movie to see.

The Internet has something for every consumer. Some turn to professional review sites that provide expert opinions about which products are best. Others prefer to go to sites that allow them to read about the experiences of others just like themselves. Whichever type of site they go to, the result is the same; companies are losing control of their ability to manage their own image. A company can shout about its great quality until it's blue in the face, but if they don't back it up in fact, the truth will quickly come out online.

The Internet impacts purchases in two ways. For some it is a tool of exclusion. Once a customer establishes a consideration set of alternate choices, they go online to narrow their decision. But, the Internet is also becoming a tool of inclusion whereby prospective customers go online to find out about possible alternatives they may not have been aware of previously. Whichever avenue your customers take, one thing is certain. Because of the Internet's unique ability to pass along information, it is more important than ever that companies satisfy their customers. If they don't, everyone will know. ■

Building a Community

High-satisfaction organizations build communities by embracing a few crucial rules:

✓ Never underestimate the emotional power of human nature and the desire to belong.

✓ Reach out to your customers and don't wait for them to contact you.

✓ If the product or service quality fails to consistently meet its own high standards, the community will dissipate faster than it was formed.

✓ Building a sense of community does not require formal clubs and mandatory joining.

To illustrate this last point, consider JetBlue. Once the pilots complete their post-flight checklists, they climb out of the cockpit to help the flight attendants clean up the plane. By taking on these tasks, JetBlue cut costly maintenance crews and showed that every employee plays for the same team.

Manage the Store, Not the Score

As companies place more focus on customer satisfaction, their employees sometimes lose focus on the real goal (building customer advocates) and focus instead on the messenger (the surveys and their resulting scores). This is called, "managing the score instead of the store," and it is becoming a very real problem at many companies.

When your employees become too concerned with their customer satisfaction score, they take their eyes off of the real goal. In addition, they are tempted to pester customers to answer surveys in a favorable way. This results in just the opposite of what you were after when you began surveying your customers; frustrating the very people you were trying to satisfy.

To avoid this problem, make sure your employees understand the real goal. It is also important to be careful how you provide incentives to employees for customer satisfaction. Take precautions to avoid tools and programs that are easy to manipulate. ■

For additional information on managing the store, not the score, go to: http://my.summary.com

Voice of the Customer

Thus far this book has discussed many of the key differences that separate leading customer satisfaction companies from the pack. Attributes such as a commitment from the top, focus on hiring employees with great personalities and empowering employees to do the right thing are all important. But, there is one more thing the leading customer satisfaction companies have in common; something that serves as a fabric that ties everything together. Great companies incorporate the voice of the customer in everything they do from product design to service delivery.

There are two critical elements required to achieve that level of greatness. The first is information. In today's competitive business environment, information serves as the fuel that powers the customer satisfaction machine. Does your company possess the information to answer each of the following questions?

- Do you know how satisfied your customers are relative to those of your competitors?
- Do you measure how well each individual branch or department satisfies its customers?
- Do you understand your customers' needs?
- Do you know exactly how closely customer satisfaction is tied to your bottom line?

But, even if your company collects the right information, it needs to have an infrastructure in place to analyze the information it collects, and then make sure that it gets into the hands of those who need it to make decisions. This may sound obvious, but this is an area in which many otherwise great companies fail.

To illustrate the point, consider the number of times that J.D. Power and Associates has received a frantic telephone call from a client asking for an immediate customer study, only to be told that the firm already delivered a similar study to someone else at the company a few months ago. Too much valuable information sits unused simply because the company lacks an effective VOC (Voice Of the Consumer) infrastructure.

And finally, companies must trust the voice of their customers by acting on what its customers are trying to say. Some of the biggest marketing blunders in history are the result of companies thinking they know what's right for their customers, even when their customers are doing everything possible to tell them to go in another direction. Ford's ill-fated Edsel is one of the more notorious examples.

Conclusion

Corporate profits are directly correlated to customer satisfaction. When it comes to your customers, perception is reality, and ultimately your company is nothing more than what your customers say it is. ■

SOUNDVIEW RECOMMENDED READING LIST

If you liked *Satisfaction* you'll also like:

1. ***Executive Intelligence*** **by Justin Menkes.** Strong business leadership rests on executive intelligence. Can this be developed?
2. ***The Ultimate Question*** **by Fred Reichheld.** Most people appreciate the importance of customer satisfaction in business. This book takes the idea to extremes.
3. ***Hard Facts, Dangerous Half-Truths and Total Nonsense*** **by Jeffrey Pfeffer and Robert I. Sutton.** Analyzing modern management practices using surveys and studies, these authors debunk the common protocols.
4. ***Managing Customers as Investments*** **by Sunil Gupta and Donald Lehmann.** Gupta and Lehmann bring together the customer and financial views of marketing.
5. ***Small Giants*** **by Bo Burlingham.** There are many excellent, privately held companies marching to the beat of a different drum.

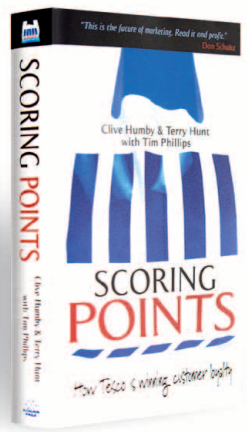
· Book 66 of 106 ·

Scoring Points

Clive Humby and Terry Hunt with Tim Phillips

SOUNDVIEW Executive Book Summaries®

FILE: MARKETING



How Tesco Is Winning Customer Loyalty

SCORING POINTS

By Clive Humby and Terry Hunt with Tim Phillips

CONTENTS

Questions of Loyalty
Pages 2, 3

Because We Can
Pages 3, 4

Data, Lovely Data
Pages 4, 5

Four Christmases a Year
Page 5

The Quarterly Me
Pages 5, 6

You Are What You Eat
Pages 6, 7

Lifestyles Become Habits
Page 7

Launching a Bank
Page 7

Babies, Beauty and Wine
Page 8

From Mouse to House
Page 8

THE SUMMARY IN BRIEF

Launched in 1995, Tesco Clubcard is the world's most successful retail loyalty program. Since then, Tesco has transformed its relationship with its customers. Today, Tesco is the United Kingdom's most successful retailer and the world's most successful Internet supermarket. It is also a leader in the financial services market and perhaps the best retailer in the world at managing customer relations. In this summary, you will learn how Tesco went from being just one of three grocery chains in Great Britain, fighting for its share of customers and their wallets, to the undisputed leader. You will see the action behind the scenes as Tesco begins to learn exactly why customers shop at Tesco and what they want from the retailer. By creating the world's leading customer relationship management program, Tesco has learned a lot about what it takes to retain those customers and induce them to spend more. Through its innovative Clubcard, Tesco has learned that rewarding good customers is great for business. What Tesco has learned from its program can serve as inspiration for others just now launching loyalty programs or trying to leverage the information theirs provides into sales.

What You'll Learn In This Summary

✓ How a loyalty program can lead to $200 million in incremental sales every year.
✓ How a loyalty program can help you identify and relate to the needs of millions of customers.
✓ How to design a loyalty program that customers want to join and use.
✓ How to turn what you learn from customers into useful information rather then information overload.
✓ Why getting to know your customers can lead to greater sales and more profit.
✓ Why paying attention to segmentation makes good business sense.
✓ Why you need a loyalty program to compete today.
✓ When it makes sense to expand into related enterprises and how to decide which path is right for your customers.

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Questions of Loyalty

Loyalty, in day-to-day life, implies monogamy: one choice above all others. Retail loyalty isn't like that. There isn't a customer alive who will consider using one shop for every need. When retailers look at winning and keeping loyal customers, the best they can hope for is a little extra goodwill, a slight margin of preference, and an incremental shift in buying behavior. Together, however, these benefits can add up to a massive contribution to a business' financial success.

Types of Loyalty

There are four types of loyalty on which retailers have come to rely. The first is "purge" loyalty in which the retailer slashes prices to make itself the preferred place to shop. The second is "pure" loyalty, which is dependent on a two-way dialogue between the retailer and customer. Next, "pull" loyalty depends on attracting customers by giving a related special offer with a purchase, such as a buy-one-get-one-free deal. It's an inducement to create sales by encouraging customers to buy new items. Finally, "push" loyalty means creating a program to encourage customers to use a way of shopping they haven't used before, such as offering a combined credit card and loyalty card or making prices cheaper on a Web site. Push loyalty is what loyalty programs are all about.

Creating Value

Loyalty programs produce positive results in six ways:

- **Customers make purchases more often, having made a conscious choice to commit to your brand in exchange for a reward when they sign up.**
- **Loyalty programs give you the ability to mass-customize marketing communications.** Using customer transaction data, you can individually target marketing.
- **Loyalty program information is very valuable if it is analyzed.** The data is exact and becomes a high-value asset itself.
- **Loyalty programs let you track trends, giving you early warning of significant changes in how customers are shopping, what they are choosing and what they aren't doing.**
- **Loyalty programs minimize waste by targeting offers to those who are most likely to want them.**
- **Loyalty programs promote trust and open the way to an expanded relationship when it's time to add services and products to the marketing mix.**

Making Loyalty Pay

Loyalty programs aren't cheap — they require a substantial investment in cash. For a large retailer, startup costs can run $30 million in the first year, and annual costs will run between $5 million and $10 million.

Loyalty programs also require a huge investment in time and IT resources. For example, Tesco employs nearly 100 people whose main job is to manage its Clubcard process.

And before you start, consider the cost of stopping. If you don't get it right and have to end the program, customers may perceive your actions as breaking the bargain. Once customers embrace a program, they are likely to be very reluctant to have it taken away. Customers quite reasonably consider that the benefits they received are theirs by right, and react poorly to any perceived reduction in the value they receive from your company.

A related problem is split loyalty. What happens if all your competitors also start loyalty programs? Will customers carry a second and third card, all from the com-

(continued on page 3)

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Questions of Loyalty

(continued from page 2)

petition? The result may be that customers don't have a preference, but all the competitors are saddled with the cost of running the programs.

This may be less of a problem than it first appears. After all, it is unlikely that any customer will never shop at another store. All a loyalty program should expect to achieve is a slightly larger share of what customers would spend without the program. Persuading a customer to use the pharmacy or to buy three bottles of soda rather than one is a small change in behavior, but can considerably boost sales and profitability.

Loyalty Program Basics

Before you decide on a loyalty program, consider the different ways you can structure one. First, you must decide whether the plan will be opt-in or automatic. Generally, you are better off with an opt-in program rather than signing up everyone whose name and address you already know. (This may violate privacy laws in some jurisdictions.)

Next, decide whether the program will be anonymous or personalized. For example, a coffee shop that uses a discount card entitling the holder to the 11th cup free may not need the customer's name and address — its success will be measured in whether there is an increase in sales. A grocery store, on the other hand, may want to gather as much information as possible to better target shoppers.

Will your program be flat-rate or top-down? Flat-rate programs reward all customers while top-down programs give greater rewards to those who spend the most. A top-down example is British Airways, which rewards the most frequent flyers with more and greater benefits, like faster check-ins and better upgrades. Just be sure to think through your approach first — you risk upsetting customers if next year they don't reach the same reward level.

Finally, decide whether your program will feature rewards on demand or on cumulative value. The risk with the second approach is that you can carry, as some airlines do, a large financial liability for accumulated points. But if you use an on-demand system that gives customers a periodic reward, such as a discount at checkout, you don't accumulate long-term liability.

You will also have to decide which rewards customers most value. If you use a points system that allows customers to accumulate miles, points or another unit measure toward rewards, remember that the units they save will have a perceived currency value. If you make changes to the reward plan that devalue the "currency," you will face angry customers.

Another approach is to offer a discount at the register to those in your rewards program. Simply put, you will have two price lists — one for members and another higher price for everyone else. Yet another approach is to offer information as the reward, such as a newsletter tailored to the customer's interests. Finally, you can give rewards, such as special shopping days or free snacks at the airport. ■

Clubcard on Trial

In November 1993, the British press began following the introduction of Clubcard at Tesco. The press reported that soon after a test launch, over 50 percent of customers in test locations elected to join the program. Soon, rumors spread that a Clubcard national launch was imminent. Until then, the grocery chain was struggling to keep up with the industry leaders and needed something to give it a boost.

Tesco tried a rewards program in the 1960s, when it introduced Green Shield Stamps. Though successful for a decade, the gimmick ran its course and became an expensive distraction. Customers began valuing low prices and didn't want to lick stamps for rewards. But the grocer had trouble letting go of the program. Finally the program was replaced by price cuts and larger stores and the public was delighted. Management vowed to continue innovating.

Tesco launched the pilot Clubcard program and was surprised at the results. Within three months, Tesco analyzed the test results and launched a national program. It already had the technology to track every item purchased at all stores and at what price and time. All they needed to capture were the name and address of who bought the goods. Clubcard did that.

Because We Can

Tesco's experiment with its loyalty program, Clubcard, has been extremely successful. After a pilot program began generating detailed statistics about who spent what, and when and how those customers responded to personalized offers, it became clear the program was an opportunity to overtake the competition. The plan went ahead when executives announced, "We ought to do this because we can."

So urgent was the desire to take advantage of what had been learned in the pilot program that the small group working on the program was asked to expand from a 14-store pilot to all 600 stores within three months. The race for first-mover advantage was on.

To make the 12-week deadline, the team worked over Christmas and in secret. Rumor had it that Tesco's two major competitors, Safeway and Sainsbury's, were also considering loyalty programs. Plans included having

(continued on page 4)

Because We Can

(continued from page 3)

over 10 million cards ready for anticipated demand and setting up the system so that every customer who signed up had the card immediately.

Tesco worked hard to impress on staff how important the program was going to be. With staff enthusiasm, management calculated that far more customers would sign up. Everyone from managers to check-out clerks was expected to tell customers about Clubcard.

The last challenge was to get press attention. Three days before the national rollout, the press heard about the national launch for the first time. "Tesco says 'Thank You' to customers," read the press release. A media frenzy followed with radio and television coverage all across Great Britain.

Within days, over 70 percent of all Tesco sales were being recorded and matched to Clubcard holders — 3.5 million transactions a day. Two weeks later, 7 million cards had been delivered to stores, yet supplies were nearly exhausted.

Tesco had calculated that it needed to see a sales increase of 1.6 percent to cover the costs of the launch and the membership cards. The initial sales spike was near 4 percent and then settled well above 2 percent, making the launch a stunning success.

What Made the Launch a Success?

Clubcard is a case study in how to roll out a large marketing initiative quickly, efficiently and with maximum impact. Here are the reasons why:

- **Momentum:** By accepting management's challenge to move ahead quickly, the team gained first-mover advantage.
- **Simplicity:** The message was right: "Save on your shopping today." It was simple and direct and a perfect match to the company slogan: "Every Little Helps."
- **Control:** The team in charge was given the freedom to create the program based on the trial data.
- **Involvement:** Everyone, including the front-line staff, was involved.
- **Preparation:** Everything was in place, including phone help lines and the IT infrastructure.
- **Ambition:** Clubcard had to prove itself big to convince shareholders and management that it would work over the long term. It set ambitious yet reachable goals based on early testing.
- **Commitment:** The Tesco board was enthusiastic and committed to making the program work. ■

The Clubcard Effect

Tesco Clubcard team members hoped for a few months to establish the program before their biggest competitor, Sainsbury's, retaliated with its own offering. It didn't happen for 18 months. Meanwhile, customers spent 28 percent more at Tesco and cut spending at Sainsbury's by 16 percent.

The 18 months following the introduction of Clubcard won Tesco time and turned customer data into knowledge it could use to take on the competition. The program let Tesco build customer loyalty by demonstrating that it appreciated their business.

Data, Lovely Data

Clubcard could have been little more than a targeted discount, as many retail loyalty programs were. But they didn't survive. The true value of Clubcard is in the data it generates. Tesco recognized that and used it to change the way it does business.

However, making the data Clubcard provided useable was a challenge. At first, there was too much data and too little time — the challenge of analyzing every purchase from every cardholder was wholly beyond the technology available. IT's technology simply wasn't there yet. But today, Tesco has the capacity to take the information from every shopping basket processed through its checkouts and use it to drive marketing and management decisions.

The first thing the team did was to create a matrix of data samples to achieve a statistically valid picture of customer behavior. It took 10 percent of the data once a week, processed it, and applied the findings to the other 90 percent. After a few years, the company created a "Customer Insight Unit" filled with geographers, who are statisticians, who have spent a lot of time applying statistics to understand how customers behave. They could crunch through the sample data, see patterns, and then make recommendations.

Measuring Customer Loyalty

Creating a successful loyalty program requires you to match good marketing skills and commercial pragmatism with a hard-headed attitude toward data. This is especially clear in the way loyalty is measured. The basic measurement is known as RFV — recency, frequency and value. Any shopper regularly using a loyalty card can be measured by monitoring how he or she behaves according to a mix of those criteria.

Recency is a simple measure — recording when the customer last shopped. A true sign of customers deserting a retailer is a decrease in a group of customers'

(continued on page 5)

Data, Lovely Data

(continued from page 4)

recency behavior. But recency alone is a poor measure of loyalty. It must be combined with a measurement of the type of shopping the customer does.

Frequency is a simple measure of how often you shop — and is a rough guide to how robust the relationship is between the customer and the brand. But it, too, is an incomplete measure.

Value is an indication of the profitability of your customer base. A decline means a smaller basket size, which means more purchases are being made elsewhere. It is more than a measure of the value of a shopping trip — it is a measure of how much "value" the customer perceived the retailer is providing.

The advantage of RFV is that it can be quantified accurately and the information it provides can lead to action. For example, RFV analysis can highlight a group of vulnerable customers that needs more attention.

What Tesco Learned About Data

Instead of building the largest data store it could, Tesco set out to build the smallest store of data that would give useful information. It simply wanted a useable resource to better understand what customers did and to predict what they might do in the future.

Tesco started not from "What would we like to do?" but from "What can we realistically do and still make a profit?" Clubcard became a massive consumer behavior laboratory. Retailers have always experimented with price and range to see what works; now Tesco could measure exactly what worked in any store. When it did something wrong, it knew it in days. When it did something right, it could implement it nationwide in weeks.

Perhaps most useful was segmenting shoppers so that Tesco could target refund offers and coupons to those who really wanted them. In fact, after Clubcard, redemption for coupon mailings went from 3 percent to over 70 percent. ■

For Additional Information about the challenges of using data you collect, go to: http://my.summary.com

Four Christmases a Year

One of the most popular features of Clubcard is the quarterly check that customers get as a rebate/reward for buying at Tesco. Four times a year, loyal customers get refund vouchers. Each mailing gives Tesco a sales bump similar to what retailers see at Easter and Christmas. The first mailing to 5 million Tesco customers was an expensive leap of faith which paid off handsomely.

Banana Man

Who in their right mind would buy a half-ton of bananas at their local grocery store? That's what Phil Calcot did in January 1997. He was a Tesco Clubcard customer who responded to a special offer the grocer made on the fruit. The store offered extra points to be added to the reward voucher customers receive four times a year. Buy a 3 pound bunch, and you would get an extra 25 points on your account. That made the bananas better than free — he earned a profit on each bunch. He bought 942 pounds of bananas and had fun giving them away for free in the neighborhood. When he got his bonus check at the end of the quarter, he had a $50 profit.

Each mailing includes the earned rewards voucher and additional discounts on individual products targeted at specific groups of consumers. These product coupons achieve redemption rates as high as 70 percent — not bad when you consider that direct mail marketing responses rarely climb over single-figure percentages.

The decision to give customers their rewards through direct mail worked well. Tesco looked at its established retail calendar and integrated Clubcard mailings into it. This way, store managers could gear up with special stock and customers wouldn't take the benefits for granted. Instead, they would eagerly anticipate their quarterly mailing.

As time went on, the mailings became more complex. For example, the fifth mailing had 100 different letters targeting different customer segments and preferences. By 1999, there were 145,000 variations. Today, the mailings are truly individual with each mailing customized to the specific customer. And each packet contains coupons for four items the customer already buys and two for related products the customer hasn't bought yet, but which other customers with similar buying profiles have bought. ■

The Quarterly Me

The largest circulating magazine in the United Kingdom isn't a standard like *Cosmopolitan* or *Reader's Digest*. Instead, it is *Clubcard Magazine* — with a print run of 8.5 million, four times a year. It's part of a trend. In 2003, eight out of the 10 highest-circulation magazines in the United Kingdom were titles published by brands as part of their marketing and customer relationship management programs.

Tesco's emergence as a major media owner happened in much the same way as it became the leader in loyalty

(continued on page 6)

The Quarterly Me

(continued from page 5)

programs — it wasn't the first, but it was the most single-minded. It used its new customer knowledge to launch a highly successful magazine. Advertisers are happy to pay five or six times what they would pay to advertise in a regular national magazine.

The magazine is sent free with the quarterly mailing, and is again customized to the segment the customer belongs to. Because it targets the front cover, some of the articles, and the ads to specific groups, it has become known as the "Quarterly Me" magazine.

Advertisers see the value of the expensive space Tesco sells because the grocer can give them real data on the effectiveness of the ad buy. Tesco tracks the product sales before the magazine mailing and after so it can demonstrate the short- and long-term effect. Sales increases by brand run anywhere from 1 to 27 percent.

The first full magazine mailing came in May 1996. Customers didn't know it, but there were five different versions — for students, families, young adults, older adults and those over 60 — depending on the information provided when the customer signed up for Clubcard. The only issue that failed was the student-focused one — mainly because students move too often for the mailing to make sense. To give an idea of how the magazines differed, one Christmas issue aimed at over-60 readers offered a chance to win a trip to the theater and tips on winter gardening, while the issue aimed at young adults offered a chance at a trip to Thailand and a guide to curing hangovers. ■

You Are What You Eat

Tesco encountered some problems along the way. A few years into the program, management was ready to address five main business problems. These were:

- **Price Sensitivity.** How could Clubcard help Tesco set competitive price levels that generated significant sales without starting a price war?
- **Ranging for Customers.** How could Clubcard help Tesco determine the range of goods to make available at stores to satisfy what customers wanted to buy?
- **Range Creation.** Could Clubcard data help Tesco lead rather than respond to emerging customer tastes?
- **Promotions.** How could Clubcard data help Tesco see if promotions were working or whether customers were cherry-picking the best deals?
- **Competitive Attack.** How could Tesco use Clubcard data to take aim at the competition?

The common denominator of these challenges was the need for better quality knowledge of customers. The analysts knew they had to create robust new groupings of customers, new ways to predict behavior, and a shared language that could easily describe customers.

The Loyalty Cube

Imagine that all a company's customers can be placed at some point in a three-dimensional cube. The first axis of the cube has to be the customer's profitability today. For example, a retiree who cooks from scratch may be very loyal but not as profitable as a less loyal customer who drops by twice a week for a prepared meal and a bottle of wine. The second axis measures future value and contains two elements: how likely a customer will remain a customer and headroom — how much potential there is for the customer to become more valuable in the future. Finally, there is the last axis: championing. Customers can serve as ambassadors for the brand.

Tesco concluded that the differences among customers existed in each shopper's basket: the choices, the brands, the preferences and the trade-offs each made in managing his or her grocery budget. The basket could tell a lot about two dimensions of the loyalty cube. First, it could quantify contribution simply by looking at the profit margins of the goods each chose. Second, by calculating the calories in the cart, it could measure headroom. Just how much of a customer's food needs did Tesco provide?

Tesco set about examining the details of each cart on the presumption that "you are what you eat" and that it was possible to reconstruct the life of a customer by examining the shopping data. The first hurdle was that one cart was not enough since the purchase might indicate a birthday party or a rare dinner party. Tesco used a 10 percent sample of data to model customers from their shopping behavior.

Baskets Become Buckets

Tesco analysts pondered the task of analyzing baskets and came up with a solution — they would analyze a "Bucket." The Bucket was the combination of products that appeared from the make-up of a customer's regular shopping baskets. Each Bucket was defined by a "marker": a high-volume product that had a particular attribute. It might typify indulgence, or thrift, or indicate a tendency to buy in bulk. They then searched for other items bought more often than would be expected in combination with one of the markers. The end result was 80 different Buckets.

Each customer's Bucket score was used as a measure of how he or she liked to shop. Using cluster analysis (a statistical method), Tesco grouped customers with simi-

(continued on page 7)

For Additional Information on the Loyalty Cube, go to:
http://my.summary.com

You Are What You Eat

(continued from page 6)

lar profiles over a number of variables. Putting the data into three dimensions, Tesco analysts could place the score in three Buckets as a point inside a cube. If those three Buckets suggested a type of customer, then they could see similar shopping patterns.

The next step was to get insight into why customer behavior fit into a particular Bucket. By looking at the clusters, they could answer the why. In all, there were 27 different clusters identified. These became known as the Tesco Lifestyles. ■

For Additional Information about Tesco Lifestyles, go to: http://my.summary.com

Lifestyles Become Habits

Lifestyles was not a perfect program. One weakness was that a few of the product Buckets did not seem to help decide which customers were in which clusters. If a product Bucket is going to define you, it should be a significant part of what you shop for, and not all 80 Buckets were equally important. In effect, 80 Buckets and 27 Lifestyles may have broken customers down too much.

The next challenge was to create new customer groupings that were large enough to be cost-effective to use, but with a richness of common interest to paint a meaningful picture. Tesco came up with a plan that it dubbed the "Rolling Ball."

Project Rolling Ball set about assigning attributes to the food in shopping carts, such as "adventurous." First, the team defined a few products themselves. Olive oil and the ingredients for Malaysian curries were "adventurous." The team then looked at who bought these ingredients or foods, and what else they bought, after excluding the items just about everyone buys (bananas and milk, for example). Eventually, every Tesco item received a grade in one of 20 attributes. A food that only the adventurous bought received a high adventurous rating. Eventually, 400 products might earn an adventurous rating, but the last 50 products found by the analysts might have a higher rating in another attribute, such as "fresh." The statistical ball had rolled into another new attribute category, if you will, and it was thus time to start focusing on finding products for this new attribute.

Grading the foods allowed Tesco to cluster customers into Lifestyle segments. But Tesco went one step further when it discovered that when customers shopped was also important. Adding this data to the mix created an extra segmentation to understand customers — a segmentation that used not only what people bought, but when people shopped. This segmentation was called Shopping Habits.

Avoiding the Big Brother Label

Any time you collect data on people, some will raise privacy concerns. To avoid the allegation that you are becoming some sort of Big Brother spy into private lives, you may have to do some proactive public relations work. Tesco understood this from the beginning.

One approach Tesco took was to publicize the good that went with learning what people were buying. For example, Tesco was able to demonstrate that it was using the information it collected to do good. Tesco used demographic data to:

- **Track sales of allergy-free products and then persuaded the manufacturer to expand the product line;**
- **Track what non-organic products organic shoppers bought and added to the product line based on actual need;**
- **Add over 7,000 local products by learning where shoppers preferred locally produced alternatives.** ■

Launching a Bank

The next step for Tesco was to launch Clubcard Plus. The idea came from listening to customers who wanted to pay with their Clubcards, too. Tesco's development team came up with a unique idea — a card that let customers prepay and paid interest on the balance in the account. Clubcard Plus became an interest-bearing savings account. Basically, customers were able to debit money from their other accounts into Clubcard Plus, based on their average shopping bill. The reward was additional loyalty points for using the account to buy groceries and a modest overdraft provision letting customers borrow a month's worth of purchases at low interest. The plan ended up being the first step in the Tesco Personal Finance program.

To run the new "bank," Tesco partnered with an established bank. Tesco offered the program to its most credit-worthy one million customers even though its credit risk was minimal (it didn't want to risk alienating customers by rejecting their applications). The program was a success, with over 60,000 people signing up in the first few months. Those customers then began spending more per trip. Publicity about the program's interest payments (which were higher than most banks) lead to new customers opening accounts.

Unfortunately, the program didn't sustain its early success owing to the increasing popularity of bank debit cards that could be used everywhere. Some Tesco customers still use the card, but the company has since expanded into more traditional banking products. It now offers a Visa credit card and loans. The credit card lets shoppers earn extra Clubcard points for all their purchases. ■

Babies, Beauty and Wine

When Tesco looked at the information it was collecting through Clubcard, it discovered that families with babies who bought baby products at Tesco were more valuable than those with babies who didn't. It then set out to covert the non-buyers. It discovered that those non-buyers were spending their baby-product budgets at a leading drugstore, even though they were paying about 20 percent more. To make matters worse, the drugstore began offering its own loyalty program, and because its prices were much higher, it could offer a bigger discount.

To convert the non-buyers, Tesco tried something different — it appealed to the emotional needs of new parents rather than to their rational side. The result was the Tesco Baby Club. Baby Club was opt-in and a soft sell. It positioned Tesco as an expert on baby care. Advice and special offers were targeted to each mother's pregnancy and the age of her child up until 24 months. The result was excellent. In the first two years, 37 percent of all British parents-to-be joined and the retailer increased its share of the baby market by 24 percent. ■

For Additional Information about Tesco's special clubs, go to: http://my.summary.com

From Mouse to House

Customers want convenience as well as good prices. To meet that need, Tesco has begun using the Internet as a channel, letting customers order online through Tesco.com. By 2003, Tesco online had 1.3 million monthly visitors to the site that offers 20,000 grocery items and wines, as well as travel and financial services. Customers can also buy books and CDs, as well as electronics, all delivered by 800 Tesco.com branded delivery vans.

Tesco is now the largest Internet grocery retailer in the world. Tesco experimented with reviving home delivery starting in 1996. The major problem Tesco ran into was that customers were put off by the amount of time it took to prepare the first order.

To solve the problems, Tesco signed on with Microsoft and became the first full-service Internet grocery store. Selecting the order was made as easy as possible. Tesco also chose not to build special warehouses for its online division. Instead, Tesco provides a personal touch — using "personal shoppers" who shop the local Tesco. These shoppers use a special instruction sheet produced by a custom-designed software system that allows them to fulfill six orders at a time, taking the shortest route through the store. The goods are then delivered to customers at their convenience.

Tesco has learned that it takes two shopping sessions before customers become committed online grocery buyers. But the efforts are clearly worth it. Today, Tesco.com has 380,000 active customers. Of those, only about one-third are replacing regular trips to brick-and-mortar Tesco stores. Another third were regular customers, but now they are spending more per year at Tesco. The rest are entirely new customers.

With the success of its online grocery business, Tesco is looking into expanding its offerings online. It wants to sell more books, music and electronics. Clubcard remains an important part of this marketing strategy because Tesco knows its customers very well. Using Clubcard data, Tesco has been able to look at the similarities and differences between virtual shoppers and those who come in the stores.

What's Next for Tesco?

Tesco has begun expanding its stores into Ireland, Europe and Asia. For example, in South Korea, Tesco has teamed up with Samsung and is offering electronics as well as groceries. In the United States, Tesco is teaming up with Kroger — the fifth largest retailer in the world. The two companies are working to expand Kroger's loyalty program by applying the lessons learned from Clubcard to the American market.

Tesco continues to face challenges. First, it is focusing attention on a segment of its shoppers who haven't benefited greatly from promotions and special offers — those loyal customers who still make meals from scratch. Tesco wants to please these customers with deals relevant to their needs.

Tesco is also experimenting with checkout coupons. Clubcard members receive coupons they can immediately use for items in their carts. The coupons serve as an instant reminder of the value of Clubcard. ■

A Bigger Deal

Gradually, it became apparent that getting a coupon for a modest amount off your grocery bill four times a year was not enough. Customers wanted something more exciting, so more excitement they got. In 1999, Tesco announced that Clubcard points could be spent on seasonal Clubcard Deals — on anything from hotels to movies. The program launched with publicity boasting "a million cheap tickets" with partners from KLM, Virgin, Eurostar and Disney. High-spending customers could quadruple the value of their points by using them on Clubcard Deals.

· Book 67 of 106 ·

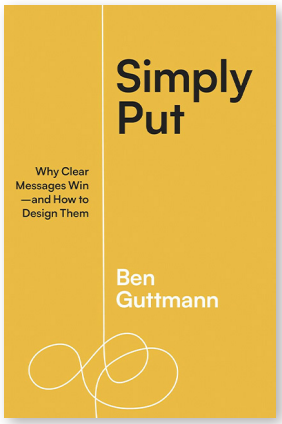
Simply Put

Ben Guttmann

soundview
Executive Book Summaries®

Simply Put

Why Clear Messages Win–and How to Design Them



by **Ben Guttmann**

Contents

Why Simple Wins
Page 2

The Case for Simplicity
Page 2

The Crime of Complicated
Page 2

Principle 1: Beneficial
Page 3

Principle 2: Focused
Page 4

Principle 3: Salient
Page 4

Principle 4: Empathy
Page 5

Principle 5: Minimal
Page 5

THE SUMMARY IN BRIEF

Think about the most powerful message you've ever heard. Picture the most life-changing piece of advice from a mentor, the most stirring call to action in a stump speech, or the stickiest slogan splashed across a commercial. Author Ben Guttmann set out to answer a basic question he's been trying to answer his entire career. "Why do some messages work when others don't?" Regardless if these messages are trying to get your dollars, your votes, or just your thoughts, the most effective messages all share one thing: They are simple.

We can know *what* works pretty easily, but knowing *why* things work and knowing *how* to create messages that work is a different thing altogether. In ***Simply Put: Why Clear Messages Win—and How to Design Them***, Guttmann explores science and history, lessons from the world's most captivating leaders and innovative companies, and tools that can harness the power of simplicity to connect and communicate. This book is for anyone who wants to break through the noise in a world of great complexity, to tell the world their stories by getting better at doing the hard work of getting simple.

IN THIS SUMMARY, YOU WILL LEARN:

- Why simple messaging wins.
- The impact of the busy world on our stupid brains.
- How compilation is a crime in communication.
- The five principles of simple messages.

Part 1: Why Simple Wins

Simple: When a message is easily perceived, understood, and acted upon.

Simple messages have five attributes: beneficial, focused, salient, empathetic, and minimal. But in the battle for simplicity we meet our nemesis: the complicated. We often have a bias to add, an easy retreat into complexity, and a fear of taking big swings. The complicated is attractive because it doesn't require sacrifice or hard choices. But, as we'll see, when we cower into the path of least resistance and fail to communicate clearly, we can pay a devastating price.

Our Stupid Brains in Our Busy World

Our minds aren't precise computers recording and processing everything in perfect precision–they are deeply flawed, fleshy machines. Despite these limitations, we get along pretty okay most of the time. We're good, talented users of the world around us. We run into trouble, though, when we're thrust into the other role: when we become somebody who has something to say, build, or share. That's when everything breaks down.

Most of our communications rely on a foundational idea: we are smart, caring, rational actors who pay attention and understand what other people are saying–in all the ways all the time. But because of our nature and the world we've built around us, that simply isn't the case. This is the problem. This is why so many of our messages don't get through. To put it bluntly, we're stupid, and we're busy.

We ignore and forget because it helps us live our lives. Subconsciously filtering out unnecessary details has been evolutionarily advantageous in our development as a species. Imagine how exhausting it would be to consciously process and consider every single thing that comes before us. But as many a marketer knows, this propensity to filter is bad if you're trying to get somebody's attention.

Our attention is precious and finite, and we prefer to spend it on what matters to us. We notice information that is tied to our goals and helps us survive and thrive. And often that means failing to notice most of the messages bombarding us at any given moment.

On top of that, our memory capabilities are quite limited. The first three stages of memory–sensory, short, and working–are all small and brief in storage. In the short run, our attention and capacity to retain information are much more limited than we would like to think. On top of that, our memory decays–fast. Some stuff makes it to our long-term memory storage, but the vast majority doesn't. These shortcomings play out every time we communicate. At every step of the process of taking information out in the world and getting it into our thick heads, we face problems. Each sliver of attention and focus is a tiny miracle.

The problem is we've built a world that isn't built for us. Our devices cry out constantly, jolting our minds from one urgent thing to the next. And the pace is only quickening. We live in the golden age of distraction, and piercing through this noise is harder than ever.

The Case for Simplicity

If you want to be heard, you need to simplify what you say–and we can use the brains that got us into this mess to help us get out. Simplicity is a function of what scientists call *fluency*, which can be distilled down to two buckets:

- Perceptual fluency: How easily do we notice things?
- Processing fluency: How easily do we understand things?

Simplicity is not new; it is tested. Across science, medicine, and history, when we look for explanations for what happens around us, we continually see that the right answer is the simplest one, the one with fewer assumptions and the least number of hoops to jump through. In every era, when faced with challenge and uncertainty, we return to that same principle. What wins, what we want, and what moves us is just that: less is better.

Simplicity, by being focused on the receiver, is a form of kindness. Valuing other people's time and desires is generous. Simplicity, by its nature, is also efficient. Simplicity requires that we strip away the excess and leave only what works. When we do that, we cut out the costs associated with all that fluff and ultimately get the most bang for our buck.

When we pay for messaging, such as in advertising, that is self-serving, complicated, and not squarely focused on the customer and their needs, then we're flushing money down the toilet. And all of this would be for nothing if simple didn't work. Good thing it does. A massive body of research proves it. But it's not easy. We must first face a familiar foe.

The Crime of Complicated

If you've ever worked on a team at work, in school, or in your community, you likely know (and have suffered from) somebody who complicates matters. Maybe we've even

A simple message, when executed properly, is dumbfounding. It's inescapable. Unarguable. It makes you go, "Well, yeah."

been the culprit ourselves–intentionally or not. When we're bad communicators and we complicate or jumble our message, we're sabotaging ourselves. This is how communication fails.

We *complicate* as a verb. Complicated is when things are too long, cumbersome, and too confusing. Complicated causes friction because complicated is unfinished. Complicated things work, but they take work. You really don't want your message to take work. The problem is, we are programmed to complicate and it's our greatest weakness when seeking to connect and communicate.

We are subject to a complexity bias, by which we are predisposed to push ideas toward that end of the spectrum–to complicate them. This complexity is so attractive to us because, paradoxically, dealing with a complex task is easier than a simple one. Complexity allows us to focus on the little things, to distract ourselves in the nuance of details instead of dealing with one large truth. When a challenge has lots of little parts, we have lots of places to put our attention. When we have only one big thing to deal with, we can't help but notice it.

We complicate when we are afraid or we complicate when we don't know our stuff and want to hide behind a wall of words. We use complicated language to compensate for our shortcomings. We think that if we use the right buzzwords and acronyms, maybe we can fool the audience into thinking we know what we're talking about. Plausible–that's the secret of complication. complicated gives us a plausible way out of our responsibility to ourselves and our audience.

A simple message, when executed properly, is dumbfounding. It's inescapable. Unarguable. It makes you go, "Well, yeah." It offers no room to hide. It's refreshing. Your brain sparkles when you understand something that clearly. When we look to psychology and biology, history and culture, economics and business, we see that simplicity is the key that unlocks our full ability to connect and truly reach others. In an age of disconnected connection, it's the most valuable thing we can do.

Part 2: How to Get Simple

Now that we know the challenges we face to get our point across and how vital simplicity is in our mission to connect, we're going to dispel the mystique and show how anybody can use this powerful idea in their own work and lives. We'll pull out the five-part tool kit for developing simple messages, empowering you to break through and become a world-class leader and communicator.

Beneficial: The Hole, Not the Drill

Let's say you work for a Big Tool Company. The engineers worked hard to design a new drill with more torque and the most ergonomic grip you've ever felt, so you write an ad based on those facts. It says, "Now with 20% more power, a new ultra-comfort silicone grip, and improved 8-hour battery life, the Simple Drill 3000 is the best tool for homeowners and construction workers alike."

Although the facts are true, and the product is better than ever, an ad like that sucks. An ad like that doesn't understand why people buy drills. That's a message that comes from just opening up the window of the five senses, taking in a few facts, and seeing what comes out. But we don't buy drills because they have more torque, comfortable handles, or a longer battery life. Why do we buy drills? Legendary marketing Professor Theodore Levitt best summarizes the reason: "People don't want to buy a quarter-inch drill. They want a quarter inch hole!" We don't want the thing, we want what the thing does for us. Understanding this is the first step in our blueprint.

The drill and the hole illustrate a fundamental truth about how we make decisions. Every single time somebody has ever tried to get you to do anything, be it buy a product, vote for a candidate, donate to a cause, or even just take out the overflowing garbage bag, a voice in your head is asking one question: "What's in it for me?" Sometimes the "me" is ourselves, while other times the "me" is our community. Sometimes that voice is screaming, and other times it speaks at just a whisper. Ultimately, we only ever do things because we somehow want the *result* of that thing.

In all our choices, we seek benefits, not features. Features exist in the five senses. Benefits are how those features bring value to our lives. When we frame our messaging around benefits, we tell people why they should give a damn.

The good news is, we can easily uncover the benefits of anything we're trying to pitch by asking a simple question: "So what?" Let's look at the drill example. The drill has a longer battery life. "So what?" The drill's longer battery life means you can drill more holes without stopping. That already feels more vivid and enticing than the ad before. But here's what the most effective communicators do: they ask that question again. "So what?" The drill's longer battery life means you can drill more holes without stopping, which means you can get those family photos on the wall sooner.

With these changes, we see what's in it for us. These features aren't just bullet points on a brochure, they are keys to us having a better life. Digging deeper helps us connect deeper.

Focused: Fighting the Frankenstein Idea

In Mary Shelley's pioneering horror novel, Dr. Frankenstein deliberately picked beautiful individual pieces of anatomy, but when he assembled this collection of mismatched components, what awoke was a hideous monster. Each part formed a "horrid contrast" with the others, and the whole was far worse than the sum of its parts.

The same mad science happens whenever groups of people are brought together to form ideas. Somebody throws out the thought of using influencers, another person shouts drones, AI enters the conversation, and three different hashtags appear on the whiteboard. The deadline comes, everything is mashed together, and the final project is a seven-headed monster that makes little to no sense. These never work. Frankenstein ideas are fundamentally unfocused.

When you have one big point, people can't help but notice it. But when you have four or five crammed in there, they can easily lose the plot. This isn't just a problem of losing a little bit of effectiveness though. It's a problem of losing focus.

Our brains just aren't wired to give attention to multiple inputs simultaneously. When you force divided attention by failing to focus your message, you fail to connect all together. Focus requires us to make choices, manage trade-offs, and sell our ideas. To reach our receiver, we need to do the internal work of becoming a focused sender.

In our fight for simplicity, the word *and* is the enemy. And shoots too wide; *and* means "something else." Instead, in your planning and thinking, replace it with *so*. *So* means that one idea flows from another and that a direct causal relationship and lineage exists between your big idea and how you bring it to life.

The goal "We are going to develop a loyalty program for our cafe and release a line of collectible coffee mugs" sounds like it makes sense. But replace the "and" with "so" and listen again. "We're going to develop a loyalty program for our cafe, so we'll release a line of collectible coffee mugs." A flag goes up in our heads and we realize those two things aren't really related.

You can attach a lot of ideas that don't go together with *and*. Frankenstein's monster is sewn together by *ands*. But *so* makes you think. *So* means that you need to develop a clear path from the first idea you say to the second one. If your story doesn't make sense with a so, it just doesn't make sense.

Salient: Constraints Breed Creativity

Our perception of the world around us is largely determined by what's salient. And what's salient is determined not by the message or object itself, but by how it differs from its environment. You need both the figure and its background to achieve contrast.

The best way to achieve salience is by doing something that others aren't. And the best way to do something different is to play by rules others don't. This is the incredible creative power of constraints.

Anybody who has stared at a blank canvas or silently blinking cursor knows that the expanse doesn't represent freedom but rather houses the crushing weight of the infinite. Without limitations, we fall into our well-worn creative grooves. But a good limitation can put up a wall that blocks business as usual and forces you down a new and unfamiliar path. This leads us toward different, innovative, and maybe even brilliant new ideas. Constraints make us exercise our creative muscles.

There are three spheres in which we can use the power of constraints to help us craft more salient messages.

1. Limit your Space: In brevity, there is clarity. Limitations on our space aren't a jail, they're a frame. They are a forcing mechanism that pushes us to make decisions–what stays and what goes. And when we make that decision, they showcase the beauty and value of that intention. When we limit how many characters, words, inches, or pixels we can use, we find creative

Minimal is about having everything you need, but only what you need.

and effective ways to make the most of them.

2. Limit your Time: The more time we're given to do something, the longer that task takes. If we can cut down the time we allow, it both saves that precious finite resource of ours and results in us doing our best work. But this suggestion comes with a warning: not too much, not too little. When it comes to creative pressure, there's a Goldilocks zone where we thrive.

3. Limit your Options: Before the age of streaming, production companies' limited budgets led to the *bottle episode* format, which uses limited cast and sets. The results are such iconic episodes as *Seinfeld's* "The Chinese Restaurant," where the characters grow increasingly frustrated waiting for a table. Going deep instead of wide unlocks a level of creativity and excellence previously unreached. If your idea works and your message sticks, it will stick in even the most spartan conditions.

Empathy: Welcoming the Enlightened Idiot

Insular groups can develop their own language of references and assumptions that make it impossible for outsiders to understand. Anybody who has ever sat through a corporate meeting knows it can contain an alphabet soup of acronyms and a heaping helping of jargon. This insider language can help groups work and communicate, but it breaks down when we have to reach those outside our walls.

Effective communication is based on a shared understanding, a common ground of language, values, and experiences between the sender and the receiver. We can achieve that level of connection only when we are earnestly empathetic with our audience.

We can harness the power of empathy by a welcoming character we'll call the *Enlightened Idiot*. The word idiot sounds rough, and indeed people often use it today as an insult–but here we mean it with love. In ancient Greek origins, it means "common man." As for the use of *enlightened*, that's defined as "being free of misinformation and bias."

The Enlightened Idiot is a stand-in for everybody else. They are somebody who doesn't know as much about what you're saying–and frankly they probably don't care as much about what you're saying as you do. They embody your boss's busy aloofness and your kindergartner's gentle ignorance. In other words, they're your audience.

We're all Enlightened Idiots sometimes, just like we're all experts sometimes. If you're Jill, a brilliant scientist holding a Ted Talk on your latest advances in genomics, it helps to bring in Jack from the accounting department for your rehearsals to see if he gets it. It doesn't matter that they both have advanced degrees; both Jack and Jill can be Enlightened Idiots.

Outsiders expose our preconceived notions, bring fresh ideas, and can shake us out of our bubble of ignorance. They see things we can't, and they know things we don't. Their welcomed perspective enlightens the rest of us. The most obvious and most overlooked tool in our empathy tool kit is testing your message on other people.

Building empathy into our communications requires that we get out of our own space and occupy the perspective of our receiver. A company that doesn't communicate with its users is dead in the water, and a communicator who doesn't talk to their audience is just as helpless.

Minimal: Say Shit without the Bullshit

The last of our five principles is *minimal*, and that placement is deliberate. Minimal is about having everything you need, but only what you need. This determination can come only after we make sure that our communication is beneficial, focused, salient, and empathetic. Those conditions are all necessary before we can know what is essential and what is not. Brevity in length is a common trait of minimal messages, but it's not the definition. We put on our engineering hats and treat minimal messaging as the design challenge that it is. We're focused on avoiding off-ramps and ensuring structural integrity. Off-ramps are ways in which our message gets distracted or diluted. Structurally sound messages can hold up to the challenges of our environment.

Straight to the point messages say shit without the bullshit. Bullshit is an off-ramp. Unnecessarily complicated language

or words and terms without clear meanings become opportunities for the receiver to pull off and check out. Adding a bucket of syllables doesn't mean you win a battle of wits and, as the victor, you'll have earned the purchase, vote, donation, or whatever else it was you were hoping for. Instead, you're much more likely to make yourself look like a dummy.

Big words are less fluent. When something is harder to read or understand, that struggle turns into distrust and dislike. When we use big words to cover small ideas, we're increasing friction and turning off the people we're trying to reach, and in the process making that off-ramp look awfully tempting.

Communication works only when you use language that meets the following basic criteria:

- The sender understands it.
- The receiver understands it.

If both ends of the equation understand the language that makes up your message, then you're cooking. If they don't, then you failed right at the get-go. Doesn't matter how good of a commercial you've crafted, if it's full of industry buzzwords or acronyms, you've lost me. The message is not structurally sound and it collapses.

Each additional component in a message is another source of possible failure, or at least a point of friction. Don't make your receiver work for it–because they won't. If we take apart what we want to say into its basic building blocks, we can assemble a message that hits all the necessary notes without getting distracted by things that don't serve our mission.

People like to have reasons for doing the things they do. Even when their decisions are emotional or irrational, people like to think they have a logical reason for why they buy what they buy, vote for who they vote for, and donate to who they donate to. So give it to them.

The art of figuring out this answer is called *positioning*, and you can begin to find yours by answering three basic questions:

- Who is your stuff for?
- What problem do they have that you solve?
- Why are you better than all the other ways to solve that problem?

Asking yourself these questions defines where you are positioned in the market, and thus where you are in the mind of the receiver. This building block keeps you focused and on the right path as you move forward.

Simplicity requires certainty, or at least conviction. Simplicity is about finding a perfect fit in your message, when it all clicks and you create that moment of lift. When the five principles–beneficial, focused, salient, empathetic, and minimal–are taken together, simple messages allow us to inform, persuade, and connect in a world that so often pushes back the other way.



Ben Guttmann is a marketing entrepreneur and educator who has helped hundreds of clients, ranging from the NFL to Nobel Laureates, from I Love NY to #1 New York Times best-selling authors. He is co-founder of Digital Natives Group, which has worked with more than 60 authors. Since 2014, he has taught at Baruch College and has been a fulltime community leader in New York City, active in Long Island City Partnership, Queens Economic Development Corporation, Queens Community Board and Queens Tech Night.

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· Book 68 of 106 ·

Six Pixels of Separation

Mitch Joel

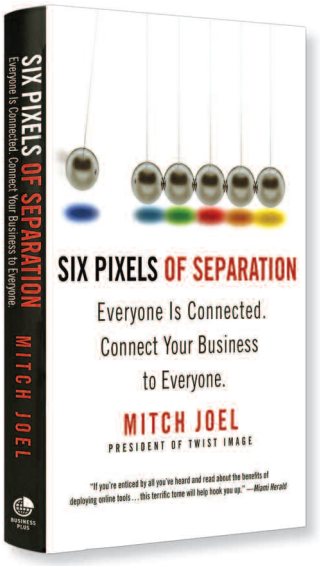
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Technology

Six Pixels of Separation

Everyone Is Connected. Connect Your Business to Everyone.



by Mitch Joel

THE SUMMARY IN BRIEF

Is it important to be connected? Well, consider this: If Facebook were a country, it would have the third-largest population in the world.

The truth is, we no longer live in a world of six degrees of separation. In fact, we're now down to only six pixels of separation, which changes everything we know about doing business.

In *Six Pixels of Separation*, digital marketing expert Mitch Joel integrates digital marketing, social media, personal branding and entrepreneurship in a clear, entertaining and instructive way that everyone can understand and apply. Through the use of timely case studies and fascinating stories, he offers a complete set of the latest tactics, insights and tools that will empower you to reach a global audience and consumer base — and, best yet, you can do this pretty much for free.

In today's world of constant tweeting, pinging, poking and Facebooking, connecting your business to your customers is essential. Whether you are a Fortune 500 CEO, an entrepreneur or a college kid dreaming about starting your own business, *Six Pixels of Separation* is an essential road map to intricate and complex social situations.

Everyone is connected. Isn't it time for you and your company to connect to everyone? This summary will show you how.

IN THIS SUMMARY, YOU WILL LEARN:

- How real companies carry out powerful transformations.
- How to market in a post-Web 2.0 age.
- What it means to connect online with your customers, your colleagues and even your competitors.
- How to turn conventional wisdom on its head.

CONTENTS

I Google You ... Just Like You Google Me
Page 2

The Trust Economy
Page 3

Entrepreneurship 2.0
Page 4

From Mass Media to Mass Content
Page 5

From Mass Media to 'Me' Media
Page 6

Burn the Ships
Page 7

Participation 2.0
Page 8

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THE COMPLETE SUMMARY: **SIX PIXELS OF SEPARATION**

by Mitch Joel

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Six Pixels of Separation: Everyone Is Connected. Connect Your Business to Everyone by Mitch Joel. Copyright © 2009 by Mitch Joel. Summarized by permission of the publisher, Grand Central Publishing, New York, N.Y. All rights reserved. 288 pages, $16.99, ISBN 978-0-446-54822-9. To purchase this book, go to www.amazon.com or www.bn.com.

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Introduction

Most businesspeople still see the digital channel as a joke. They don't take it seriously. They think it's nothing more than a time suck. The good news is that the more people think like that, the wider the opportunity is for you to do your thing, make your own noise and grow your online community and business while they look around wondering what's happening to their market share.

Whether the economy is still in a slump or clawing its way back to life, one thing will still be certain: All of us are going to be doing a lot more with a lot less. The digital channels were meant to do just that. Your business has been forced to change over the past couple of years. As a result, there has never been a more important time to understand the myriad digital channels and free publishing tools that are right here in front of you — at your fingertips — and are relatively cheap, or free, and easy to use.

By understanding how this information flows online, by being engaged and connected, and by creating your own content, you will begin to unravel how much more efficient you can be as a business.

From Degrees to Pixels

We all know the story of the six degrees of separation: the idea that we are all connected through fewer than six degrees — meaning that I know someone, who knows someone, who knows someone, who knows someone, who knows someone, who knows someone — who knows you. The theory has been around for ages. It has been tested, refined and tinkered with over the years, but it is no longer relevant. *In the digital world there are no degrees of separation between you and your customers.* You are connected. You're even connected to those who are potential customers.

The Internet, many online social networks and new media tools have taken the degrees away — and we're down to pixels. This changes everything we know about business and how you can connect your brands, products and services to your community.

Everyone is connected. It's time to connect your business to everyone.

I Google You … Just Like You Google Me

On June 20, 2004, Juan Mann was feeling low. So he did something about it. He made a simple sign that said "Free Hugs" and walked through the Pitt Street Mall in Sydney, Australia, holding it over his head. For about 15 minutes people walked by, stared, snickered and muttered words behind his back.

Then someone — a total stranger — came forward and took him up on his offer. Suddenly, all sorts of people started to follow suit. Folks throughout the mall started to hug spouses, kids, whomever.

Free Hugs

After Mann walked around the open market with the "Free Hugs" sign, other strangers began making their own signs and handing out free hugs alongside him. The movement continued to grow until the authorities stepped in and forced the antics to stop because these people had not acquired the proper permit and licensing. But after accumulating 10,000 names on a petition, the

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free hugs movement was allowed to continue.

Shimon Moore was fascinated with what was happening and spent close to two months video recording the free hugs (and the petition process). To go with hours of footage that he was editing down to just a few minutes, Moore layered over the video a song that his own band, Sick Puppies, had recorded, titled "All the Same." Ultimately, that video was uploaded to YouTube.

To date, the video has had more than 40 million views and has sparked free hug movements in places like Taipei; Tel Aviv; Boulder, Colorado; Korea; Jordan; and just about anywhere and everywhere in between.

Spread the Message

Like Juan Mann, you and your business have a mission. Juan's core brand values were about directly connecting to real people in a day and age when people were separating themselves from one another. He decided to use the Pitt Street Mall as a focus group to test-drive his idea and started offering his free hugs to anyone who would take one. Once you know that your product or service resonates with its intended audience, the next phase is to spread the message far and wide.

Mann and Moore did something very interesting. They leveraged the power of the many free and easy-to-use tools online to spread their message to anyone and everyone who would be willing to listen. They used online tools and empowered the people who were connecting with their message to spread it further. They set up groups, responded to comments and became active participants in their self-created community.

One of the biggest challenges that every business faces is figuring out who the target audience is, how to connect to it and how to build on those relationships. ●

The Trust Economy

Those who are part of the *participatory culture* (and give abundantly) tend to build powerful and respected personal brands. They are connected through intricate networks based on information and content as the currency, and their ability to provide value translates into their status in the disjointed hierarchy online. Among all communities, individuals hope to achieve some level of status and reputation. The pecking order online is simply bigger, and it has no face.

This unique trust economy is counter to everything you ever thought about how a business grows. A great salesperson knows that the ultimate customer is one who has given you his or her trust. Trust is earned by an overall great experience with a foundation of authenticity, open communication, knowledge and value from that customer's perspective.

The Channels, the Opportunities

The primary objectives are, and should be, to drive customers to take action and to keep them engaged. This is accomplished by bringing them from one of the social channels either to your website or to your business in the real world.

The two pillars for building your business through the digital channels will be:

1. Permission: Having consumers give you their explicit permission to connect. When somebody says something in the space you are connected in, treat the conversation as if it were private — even if, in reality, there's nothing that could be more public about it.

Eight New Channels

While it is important to understand the more traditional advertising channels, such as display advertising, cross-channel promotion, and e-mail marketing, the more conversational channels include:

1. **Blog:** Blogs are typically chatty, informative, provocative and written in a very human voice.
2. **Micro-Blog:** Twitter, Jaiku and Identi.ca are the better-known micro-blogging platforms. These spaces allow people to communicate one short message.
3. **Podcast:** These are exactly like blogs, only they come in either audio or video formats.
4. **Online Social Network:** From Facebook and MySpace to LinkedIn, online social networks are where most of the people online are connecting.
5. **Sharing Sites:** You can upload a video to YouTube or do the same thing with your pictures on Flickr.
6. **User-generated Content:** One of the highest forms of flattery occurs when your consumers create their own content — it could be text, audio, video or images — about your brand on their own, without your permission.
7. **Wiki:** A wiki is a website that anybody can edit. Wikipedia is probably one of the best-known wiki-based initiatives.
8. **Widgets:** A widget is a small application that can be added onto an existing website or blog, downloaded onto your desktop as a stand-alone application, or put on your mobile device.

2. Content: Your ability to create compelling text, audio, video and images is going to build your story and get people excited about staying connected to you. ●

Entrepreneurship 2.0

As you know, the digital revolution has reinvented what it means to be an entrepreneur. We've gone from slugging it out on a local level for small contracts to build credibility to a world where people can make the choice to break clean from a corporate gig, fire up their laptop, develop a website, start joining more social spaces to demonstrate their industry knowledge, hook themselves into some key online social networks to connect with like-minded individuals and even advertise using their specific keywords on a pay-per-click basis on one (or all) of the major search engines. Without even an office or a business card, your business (and your brand) is linked to millions of people and connected to thousands of potential business opportunities.

Global Scale

The big telecom companies are not winning the VoIP (voice over Internet protocol) war; a small startup called Skype is (it was acquired by eBay for $2.6 billion). Barnes & Noble and Borders do not own the selling of books online; Amazon.com does. And, at last look, people aren't letting their fingers do the walking through the Yellow Pages when they need to find something online — they're clearly using Google, Microsoft or Yahoo!

All of these businesses were once very small startups that saw a change in a certain industry and, without caring about what the No. 1 or No. 2 player in the industry thought, they went after it and used the online channels not only to build their businesses but to communicate and connect.

As an entrepreneur, you don't need to be a pure-play online business, but you do need to be better at creating an online experience. You do need to get more engaged with the online community. ●

Faith-based Initiatives, Viral Expansion Loops and the Long Road

Avinash Kaushik borrowed the term "faith-based initiative" from former U.S. President George W. Bush and then tweaked it. As an analytics evangelist at Google, Kaushik helps Google define which metrics are important to measure in all of their product offerings, and he helps promote Google Analytics, a free tool for measuring traffic to your website.

Why would Google give away, for free, a tool like Google Analytics?

Google understands the power of a strong faith-based initiative. By giving you, the general public, a free and easy-to-use tool that will help you better understand who is coming to your website, what they are doing, what search engine keywords drive traffic and who is linking to your website, Google realizes that you are more likely to improve how your website converts traffic into consumers. Once you start optimizing your website, odds are that your next logical step will be to advertise with Google. Google has faith that the smarter they make you and the more tools they give you to help you improve your own situation, the more loyal you will be and the more likely you will be to spend money with them.

The secret in creating compelling faith-based initiatives is to forget about how you're going to make money initially and focus instead on what tool or application you can create and give away to add value to the lives of others.

Viral Expansion Loops

A viral expansion loop is what rapidly makes one consumer become 15, or two become 64, or four become 28. A viral expansion loop is enormous growth because it expands through networks. It's what Facebook, MySpace and other hugely successful digital businesses — think eBay, Skype, Twitter and Google — are premised on. It's a dynamic model for growing revenue and market valuation, and for generating more brand evangelists who, in turn, keep growing revenue. ●

Know Control

In May 2007 "Engadget" reported in a blog post that it had received an internal e-mail memo that was leaked from Apple stating that the initial debut of the iPhone, along with the launch of their new operating system, Leopard, would both be delayed. "Engadget" is regarded as one of the highest-trafficked blogs in the world and has the attention of many mainstream media folk. This blog post got passed around to the mass media and sent Apple's stock into a downward tumble that resulted in a loss of more than $100 million in market value.

Once "Engadget" was informed that the internal memo (which was legit) was retracted shortly thereafter and that there was no delay for Apple's products, the

blog issued a posting titled "False Alarm: iPhone NOT Delayed Until October, Leopard NOT Delayed Again Until January." Apple's stock bounced back within 24 hours.

The Moral of the Story

The Internet used to have brushfires that did not cross over into the real world. Even if bad things were being said, you could dismiss them as coming from those "crazy people on the Internet." But life on the Internet has changed in a few years. Had Apple not reacted and moved on this blog news, who knows how bad and prolonged the damage could have been? Most companies are doing everything they can to monitor and react to whatever is happening online. A simple glance at Apple's story demonstrates why it is increasingly important for your business to be paying attention to online channels and even more important to respond when something does flare up. Even the speed at which companies should respond is evolving as the channels evolve. ●

The Real World

There is now a new kind of conference. They're being created by people who are organizing online but meeting up in the real world. These are not your typical conferences. These are called "unconferences."

According to Wikipedia, an unconference is "a facilitated participant-driven conference centered on a theme or purpose. The term "unconference" has been applied, or self-applied, to a wide range of gatherings that try to avoid one or more aspects of a conventional conference such as high fees and sponsored presentations."

Unconferences

Unconferences were created with the sole vision to make meeting up in the real world a valuable networking, learning and sharing experience combined.

One of the first kinds of unconferences was called BarCamp, where people in Silicon Valley decided to come together to discuss technology. This happened back in 2005 and attracted close to 200 people. Since then, BarCamps have been held in more than 350 cities all over the world (some unconferences have had close to 1,000 participants), and the concept has expanded beyond the topics of technology — well beyond. There have been unconferences on marketing, entrepreneurship, the environment, the banking industry and many more subjects.

Unconferences are not just about attending. Everyone knows that the person speaking gets all the attention, and an unconference is a great place for you to teach the community or to share a case study. *Be forewarned: If you intend to do any kind of sales pitch or self-promotional type of presentations, you will be booted off the stage.*

Think of an unconference as a public meeting: Anyone and everyone is welcome to attend and encouraged to participate. ●

You Are Media

Now more than ever, our personal brand is something all of us need to pay a lot more attention to. *In this digital age, your personal brand will be your most powerful ally (or enemy).*

There's no trick to nurturing and developing your personal brand. Be yourself. It's not about being fake. Use digital channels to align yourself with others who are similar or complementary to you. If we've learned anything so far, it's that you have to be able to find that specific online niche that will be the perfect place for you to be you and grow your business accordingly.

In the end, what we're learning is that the brand comes from within. A strong brand shines when the core values and belief systems of why it was created are as obvious as the logo, packaging, website and supporting marketing materials.

You Can't Fake Sincerity

As we build our personal brands through the digital channels, it is incumbent on us to know the types of people who fit with our brand and what we are doing and, on a daily basis, to engage with those types of people.

What's the first step? Live your brand every day by focusing on what you bring to the lives of others, from co-workers and community to clients and customers. That is the culmination of a personal brand, and that is what people feel, think and say about you when others ask. It is also what they will receive when they look you up online or see what you have created.

Your personal brand is unique to you. It is your internal fingerprint and your digital footprint. ●

From Mass Media to Mass Content

Are you going to create a blog, share photography, a video or an audio podcast? Are you going to join the latest and hottest online social networks? Are you going to create your own personal profile and/or make a page

or a group around your business and brands? *Whatever choice you make, focus initially on where your passion truly lies.*

If you love writing or have a knack for words, consider a blog, Twitter or writing peer reviews. If you love taking pictures, shooting video or creating audio, you now know where you can start planting some seeds. Also, don't focus too much on what others have done or have not done. This space is still relatively new (you will be hard-pressed to find many industry-specific best practices, and even if you do, following in those similar footsteps won't get you where you need to go).

Six Rules for a Healthy Blog

Here are six general rules for a healthy blog (or another form of online content):

1. Be a good community citizen.
2. Respond to comments on your space and on others' spaces quickly.
3. Define your level of privacy — know what you're willing to put out there, and make sure you respect the privacy of your community as well (their level may be different from yours).
4. Some people may be mean and nasty. If you set up a clear blog policy (and post it on your blog) and people don't respect your rules, you can delete, ban or unpublish them.
5. Embrace the long tail of content. Be aware that everything you create will be online forever.
6. Be consistent. Start, continue and finish what you started.

Digital Darwinism

Darwin's theory of evolution has been morphed and adapted for any and every type of situation (including business). In the pre-social-media Web, where all you could do was read, look at images and click on links to other pages with similar limitations, websites and companies online "evolved" by adding in functionality. For a time, it was Flash movies that introduced the site (this has become a huge faux pas). Then for a while it was adding video. While all of those tactics worked to keep visitors' attention for a longer period of time, perhaps even encouraging additional clicks on other pages or gathering user information via registering for a white paper, these types of information-acquisition tactics were how corporate brands evolved online. It was the first phase of digital evolution as we pushed our brands beyond being an online corporate brochure.

As these new channels for communicating, connecting and creating began to take hold, we continued on the same path. The general ideology was that if you added Twitter or a blog into the mix, you were able to evolve your digital property by the simple act of having these new channels as a part of your digital ecosystem.

But here's the catch: Digital Darwinism favors the community, not the creator or enabler of the content.

Allow your consumers to connect to one another, with your company being the conduit and the enabler to make this connection. There is no doubt that this is still the primary and best course of action for you to take as you build these new marketing channels. The challenge is this: Digital Darwinism will work for you (as evolution, not extinction) based on what your users, community members and readers do with your content. If you don't have any of those, you won't evolve. If you have readers and users but they're not active (taking part, reading, adding their own comments, passing your information around), again, you will become extinct.

From Mass Media to 'Me' Media

In a world where online content choices are endless, being generic or covering too wide a breadth of content holds no strategic advantage. *The real winners in business are the ones who are building and leading communities from micro-niches that expand and grow as more and more people come online.*

"Do one thing great" is, without a doubt, the biggest lesson you should apply to your online endeavors. Even if you're successful at a multitude of products and brands, choose one passion, nurture it and work it.

Develop Your Niche

When developing your niche, remember:

- Take the time to develop your own niche. Be the Cirque du Soleil of your industry.
- Use the cloud. The Internet can and should be one of the most powerful channels to convey your ideas and thoughts.
- Embrace the wisdom of crowds. All of us are smarter than any one of us is.
- Be agnostic (not in the religious way). If an avenue doesn't work for you, drop it and move on to one that does.
- Get beyond text. Use everything — images, video, audio and, yes, text too.
- Make the search engines love you. Make sure that whatever you create can be found through the search engines.

Gems

Yes, Technorati tracks over 130 million blogs. Sure, some of them are pure spam, but there are tons of gems. Thousands of individuals are building their business by sharing their unique thoughts and perspectives.

The win is not in creating something that appeals to the masses. Your personal win will be in leveraging the power of a very specific and unique niche that you can serve, protect and call your own. Your personal brand builds your business. You find your own "mass" in your niches. ●

Burn the Ships

In the 1500s, Hernando Cortez was the captain of 11 ships with more than 500 soldiers headed for Mexico to conquer the Aztecs and bring back gold and treasures. As you can well imagine, after Cortez's ships arrived in Mexico, the sailors and soldiers were not in the best of shape. Some of them fell ill on the journey, some had lost their motivation and their quarters were not exactly shipshape. Several of Cortez's crewmates wondered what would happen to them in this strange new land. If they faced challenges or resistance, how would the crew return home? The crew asked Cortez what the plan would be to get back home. The captain had the perfect response: He burned the ships.

There was no going back.

The only direction to go was forward.

The old ways of doing things were about to be rethought.

In fact, there were no more "old ways of doing things"; a new way had to be defined.

The story of Hernando Cortez and the burning of the ships ripples through to the present time. So much has changed in terms of what it means to be a business owner, the global economy, how we connect to our consumers and the marketing and communications we create to connect more effectively with them. As we enter this new world of new business, we, as the next breed of entrepreneurs, must do what we can to burn the ships. Every time a new business opportunity arises, be it through blogs, podcasts or Twitter, we are far too fast to look at ways to monetize and commercialize the channel as though it were print, radio or TV (the more traditional media).

New channels and new tools, like new lands, call for new strategies. ●

Tribal Knowledge

"Web 2.0," "social media" and "online communities" are not just buzzwords. Most business owners are still getting used to banners, search engine marketing, affiliate programs and e-mail marketing. Now we're all forced to understand better what happens when user-amassed wisdom forms in the shape of communities and meets through the power of technology.

It's nice to know you can download and listen to a podcast for free, but how does that company really win and make money?

Facebook has a big valuation (some say close to $15 billion), and when founder Mark Zuckerberg was interviewed on *60 Minutes*, he said that advertising would be the way Facebook would make its money and be able to continue to provide the services it provides for free. Google makes its money from advertising, so it must be the right way.

Think about that for a moment.

Most people will tell you they hate advertising. And most people will tell you that they also expect all of this online stuff to be free.

If that's the case, advertising eventually will not work.

What does work? Content.

Invest in Content

Investing in creating content — text, images, audio, video — gives consumers not only the information that adds value to their lives, but also food for thought. It keeps them engaged for much longer than a 30-second spot, and it's a lot easier to remember than that billboard they whizzed by on the freeway. People also like to talk about stuff they've read, seen or heard. That's really what we mean when we use the word "conversation." Through these digital tubes, we can reach a lot more people than just the person next door. Through these conversations and collaborative environments, we're seeing the initial formation of real communities in virtual spaces.

The business growth comes because people who are enjoying the valuable content you provide for free are also inclined to follow the theory of reciprocity. It's built into us. For the first few years, e-commerce models were built around providing the lowest prices with no fee for shipping. This is shifting as well. Consumers are always willing to pay a premium online if what they're getting has added value.

You need to see and embrace collaboration as a business opportunity, a business development strategy and as part of your long-term growth. ●

Digital Nomad

Mobile is going to be critical to your business, and there's no time like the present to start thinking about what your mobile strategy needs to be. If you think about it logically, the availability of very high-speed mobile access everywhere is the last mile. Think about the mobile devices you've seen in the past. The limitations were glaringly obvious. Now think about the newer devices. The hardware is there; all that's really missing is the access everywhere.

Because of this mobile usage and the proliferation of connectivity in the standard Internet channels, we're seeing more and more people becoming digital nomads in their professional lives.

Many people are quick to dismiss the power of the mobile device because of its small screen, use of mostly text and very limited graphics. But from the BlackBerry to the iPhone, the next level of engagement and connecting to your customers won't come from a fancy website; it's going to happen in the palms of our hands.

It's Not Mobile Advertising — It's Mobile Marketing

For mobile marketing to truly work, each and every time you run a marketing program, it has to be treated like its own little viral marketing campaign.

Airborne Mobile President and CMO Andy Nulman created his mobile marketing success program in three simple steps. He calls it his N.O.W. system:

1. **Nearby:** Customers need to be in your radius, close and local. People using their mobile devices are looking for things in their vicinity.
2. **Only:** There has to be a select limit to the offer. While scarcity has always been used as a marketing ploy, in the mobile landscape it has to be immediate, mostly because that is the nature of how the device is used.
3. **Wow:** Make it a surprisingly compelling offer (50 percent off everything in the store!) It has to be a jaw-dropper.

No mobile marketing offer can have anything less than all three steps that are 100 percent complete. ●

Participation 2.0

Lulu does not see themselves as book publishers. In fact, their corporate profile states, "It's a digital marketplace guided by a vision of empowerment and accessibility, and built on a business model that has proven wildly successful. … Lulu eliminates traditional entry barriers to publishing, and enables content creators and owners — authors and educators, videographers and musicians, businesses and nonprofits, professionals and amateurs — to bring their work directly to their audience." Through Lulu anyone can have his work published into a legitimate book. Lulu does not publish one book for 10 million people; Lulu sells 10 million books to 10 million people.

Lulu looked at the shifts in the markets and how consumers were behaving, and then it laid that against how most businesses were fielding the needs and decided on some form of new business model that would be more in line with how consumers were acting.

Welcome to Participation 2.0

Prior to mass media, how did messages spread? People shared stories, they got together, they connected and participated in one another's actual lives.

Welcome to Participation 2.0. Welcome to this very unique moment in time — it's just a pixel past mass media — and now the technology exists to express ourselves freely and to connect not just within our geographical social circles but with anyone, anywhere in the world, who shares our values and thoughts.

The story of six pixels of separation is not about how you can connect your business more efficiently in these online channels to be successful. It's too late for that. We are all intrinsically connected. *In this world of interconnectedness, the bigger question is, How are you going to spread your story, connect and add value to your life and the people whose lives you touch?* How are you going to add tremendous value to a brand, product or service that can always be made cheaper and faster by someone else? How are you going to connect and stay connected?

Everyone is connected. Connect your business to everyone. ●

RECOMMENDED READING LIST

If you liked *Six Pixels of Separation*, you'll also like:

1. ***Viral Loop* by Adam L. Penenberg.** All kinds of businesses can use the paradigm-busting power of viral loops to enable their businesses through technology.
2. ***Trust Agents* by Chris Brogan and Julien Smith.** Trust agents are digitally savvy people who use the Web to humanize businesses, using transparency. This summary shows you how to build relationships with them.
3. ***Everyone Communicates, Few Connect* by John C. Maxwell.** Maxwell offers readers his proven method — Five Principles and Five Practices — so anyone can connect one-on-one, in a group or with an audience.

· Book 69 of 106 ·

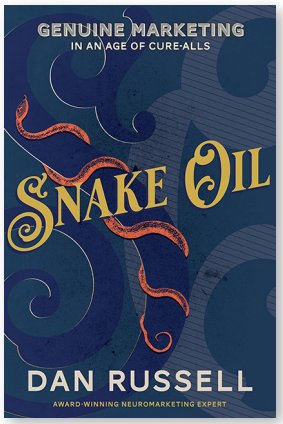
Snake Oil

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Snake Oil

Genuine Marketing in an Age of Cure-Alls



by **Dan Russell**

Contents

Introduction
Page 2

Part 1 – Clark Stanley, Fat Sacks, and Chinese Icy Hot
Page 2

Part 2 – The Age of the Marketing Scientist
Page 2

Conclusion
Page 5

THE SUMMARY IN BRIEF

Has the evolution of digital marketing placed businesses at the mercy of software companies? Or is there a path forward for businesses that want to regain their independence and create great marketing again?

Digital marketing has been around for over twenty years, yet businesses today are more baffled, bloodied, and battle-scarred than ever. Marketing scientist Dan Russell wrote ***Snake Oil: Genuine Marketing in an Age of Cure-Alls*** to provide an entertaining and enlightening joyride back down the hockey stick of digital marketing's growth over the past two decades. Russell takes readers through the deserts of the Western frontier, flying over a budding Silicon Valley and visiting Einstein's study in order to discover the secrets to becoming a marketing scientist.

With the knowledge contained in Snake Oil, entrepreneurs and business owners will be able to navigate the murky waters of digital marketing, squeeze more profit from their sales funnels, focus on projects that are verifiably important, and build a highly scalable marketing operating system inside their business.

IN THIS SUMMARY, YOU WILL LEARN:

- How to navigate the process of digital marketing.
- How to get more profit out of sales funnels.
- How to focus on projects that are verifiably important.
- How to build a highly scalable marketing operating system inside a business.
- The right steps to reinforce knowledge of marketing and conversion principles.

Introduction

If you're a business owner or marketing executive, this book will show you how to evaluate the marketers you hire and build a marketing operating system. If you're a marketer, this book will show you the hard-won insights from hundreds of my conversion rate optimization campaigns. It will give you the right steps to reinforce your knowledge base of marketing and conversion principles.

Part One – Clark Stanley, Fat Sacks, and Chinese Icy Hot

A Special Breed

Despite how bleak this sounds, there actually is a way to navigate this "wild west" of marketing. It starts with, first and foremost, getting clear on the types of characters you'll encounter on the road toward marketing success. Once you know them, you can avoid their traps and start investing your time and money in better ways.

Keep Your Hands and Feet Inside the Vehicle at all Times

In 2000, if you had a product that made money, you could spend as much as you could raise until the cost of advertising rises higher than your cost of goods. Companies like eBay and Amazon and thousands of others started pouring money into advertisements on AdWords. Google became insanely rich, the advertisers became insanely rich, and the customers were happy they found solutions to their problems. Enter stage left: The internet marketer.

The Age of Chaos

The creation of micro-niches is at an all-time high level of intensity and complexity. There's no way to standardize the education of cutting-edge micro-niches, which means there's no reliable way to verify someone's marketing skills.

The Carousel and the Big Idea

When you "do" marketing, you're setting out with the primary goal of finding some combination of words and imagery that add up to create an idea in your customers' minds. These aren't ordinary ideas. They're not something that comes to you naturally. That's what makes them unique. That's why I call them Big Ideas.

There Are No Shortcuts to a Big Idea

The thing that differentiates companies that can find their Big Ideas from those that can't is a willingness to sit in the painful, uncertain feeling of questioning the value of their products. Your Big Idea is the driving force behind your messaging. Without it, people aren't going to connect to your marketing. If your customers don't feel an emotional connection to your brand, they won't buy from you.

Part Two – The Age of the Marketing Scientist

The Marketing Operating System

A marketing operating system, in its most basic form, is simply a machine you install into your business. An engine. And like any good engine, it can speed up and slow down; it can tell you when something needs attention, and it can run without you thinking about it all the time. It's built of many complex parts that work together seamlessly to provide a simple and highly scalable outcome. In the case of a marketing operating system, that outcome is sales.

The following four chapters comprise the components of the marketing operating system:

Finding Your Customers - You need to know your customers better than they know themselves. More specifically, you need to understand the problems your customers are facing better than they can describe the problems to themselves.

Demographics - Ways of describing your audience with raw data such as age, gender, location, and income. Think about the data that a census collects— those are demographics. Another way to think of demographics is how your audience looks from the outside.

Psychographics - Ways of describing the behaviors and interests of your audience, such as buying habits, hobbies, and interests. Another way to think of psychographics is to consider how your audience looks from the inside.

Minimum Viable Audience - Generally speaking, the more specific your audience targeting is, the fewer people your audience will contain. If you are too specific, your campaign won't reach enough people, and if you are too wide in your targeting, your campaign won't convert your audience.

What's a Marketing Campaign (Really?)

A marketing campaign doesn't begin with the 'Create Campaign' button in your ads manager. It begins with the

process we just completed over the last few chapters—finding your customers—and continues with the creation of a well-planned marketing campaign. That campaign (and not the platforms) will dictate where and when your content will appear, as well as whether it will appear in a paid advertisement at all.

The Campaign Car Wash Part 1: Style

Having a content strategy means that every word you write and every video you create has a purpose. The campaign creation process is like going through a car wash. I call it the Campaign Car Wash. Each step is focused on building the right content that will drive your campaign.

Content Style – This step comprises the following three chapters of the book:

- Educational Content - Educational content is built to share information that your audience would not otherwise think of or be able to access themselves.
- Inspirational Content - Inspirational content is designed to lead your audience to change their beliefs around a given topic.
- Entertaining Content - The major differentiator of Entertaining content is that it is designed to keep your audience's attention using comedy or drama.

Content Medium – This step is explained in The Campaign Car Wash Part 2: Medium

Content Exposure – This step is explained in The Campaign Car Wash Part 3: Exposure

By the time you've finished the process, you'll have turned an abstract Big Idea into a squeaky-clean, hyper-specific content strategy that feeds your overall business goals.

The Campaign Car Wash Part 2: Medium

Your Big Idea and content style make up your campaign's soul, and your medium makes up your campaign's body. It determines how your campaign looks, sounds, tastes, feels, and smells. A marketer has four primary mediums that can be used to give birth to a campaign, which make up the following four chapters of the book:

Written Content - Written content is simple, easily accessible, and cheap to produce. But, despite its simplicity, it remains a powerful medium.

Auditory Content - While the written word is the more efficient form of communication, the spoken word is our longest held. It is also our most celebrated.

Multimedia Content - While the spoken word can evoke emotion over the course of a conversation, episode, track, or sound clip, pictures and videos can evoke an even more intense emotional response in a matter of seconds. Seeing something with your own eyes can cut through the inefficiencies of letting your audience's imagination do all the work and, as a result, it can end up being a more immersive experience.

Experiential Content - This style of marketing is different from the others because it focuses on creating a brand experience that goes beyond the auditory and visual realms and spreads across three or more senses.

The Campaign Car Wash Part 3: The Exposure

Exposure, the final step of the Campaign Car Wash, is the process of getting your audience's attention. This means we must figure out where your audience is—where they are spending their time. The next few chapters contain the steps that most people start with.

Owned Channels

Owned Channels are communication methods that you control, such as email. Owned channels give you direct lines of communication with your audience and allow you to build long-term relationships without relying on anyone else to get the word out for you. They also have the highest longevity out of the three types of channels.

Paid Channels

Paid Channels are methods of reaching your audience through advertisements and other paid placements like sponsorships. The single greatest advantage of using paid channels is scalability. You can increase and decrease your ad budget very quickly, which means when a channel is working well, you can put more money into it immediately and see immediate results.

Earned Channels

Earned channels include any form of exposure that has been given to you as a result of PR (public relations) efforts, partnerships, or joint ventures. These are all unpaid, although in some cases like a Joint Venture Speaking Gig, profit-sharing agreements can be put in place on the "backend" of the channel.

The Campaign Briefing

Think about what Call To Action (CTA) you'd like to use in your campaign. If you already have a sales funnel in place, your CTA should direct people to the first funnel step, whether through a click, a text message, a phone call, or something else.

Conversions: Let's Start at the Very Beginning

This is where the third and final piece of your marketing operating system comes in—Conversions. Your marketing campaign will get peoples' attention long enough to point them in a direction (via your CTA), whether it is to visit a booth at the back of the room, click a link, or watch a video. Everything from that point forward falls under the authority of your sales funnel. Your sales funnel picks up where your campaign leaves off by converting your audience's attention into sales.

The Anatomy of a Funnel

If a conversion rate represents the act of someone moving from one step in your customer journey to the next, a sales funnel represents your customer journey. A funnel is an easy metaphor that describes how one step in the customer journey follows another one with a conversion rate at each step. Since conversion rates are less than 100%, fewer and fewer people make their way to later stages in the funnel, with the smallest group of people ending at the bottom of the funnel to ultimately become customers.

The Flaw in Sales Funnels

Over the years, I have created an easy way around this problem called the Funnel Grid. This is a simple, back-of-the-napkin method for making funnel calculations. The ability to make funnel calculations will help you speak intelligently with smart marketers and spot unskilled marketers a mile away.

The Marketer's Scientific Method

Conversion Rate Optimization (CRO) is the process of finding and fixing bottlenecks in your funnel. As you spot funnel steps that have lower conversion rates than you would like, you can use CRO techniques to raise them. CRO techniques are entirely based on running split tests, which are experiments designed to "try out" new forms of your copywriting, design, and customer experience on specific steps of your funnel. These split tests (also known as A/B tests) are carried out using the tried-and-true research process known as the scientific method:

Step One: Ask the Right Question - The key to asking the right question is to think ahead to the target data point, or Key Performance Indicator (KPI) that you want the question to affect, and then to decide what you are going to change in order to test your theory—that is known as your variable.

Step Two: Do Your Research - Once you have identified your question, you will have to conduct research to inform the structure of your experiment. The depth of this research depends on the source of your question.

Step Three: Form Your Hypothesis - Forming a hypothesis is simply a matter of choosing a side. The hypothesis causes us to view the experiment in the correct context. It helps us pay attention to the right things and draw a line in the sand in terms of our expectations of what will happen.

Step Four: Conduct Your Experiment - As you begin the creation of your experiment, you will use your split testing tool to duplicate your control and make changes to the variable to create your variant(s). Once you do that, you may also be asked to set up your goal.

Step Five: Analyze Your Data - Your experiment is complete when you have collected enough data to draw a proper conclusion. As soon as your split test reaches a 95% level of statistical significance, you can move on to the final step of the scientific method: drawing your conclusions.

Step Six: And the Winner Is… - If they passed the analysis stage, your split test results will be as clear as day. You will have one variant, or your control, that outperformed by a large enough margin to be predictable.

The NeuroTactic Library

Depending on the NeuroTactic's marketing application, it will be categorized into one of five buckets, which comprise the following five chapters:

Desire - This category of NeuroTactics is designed to activate the "buy button" in our brains known as the ventro-medial prefrontal cortex (vmPFC). These NeuroTactics have been extensively tested in fields from psychology to behavioral economics.

Routing - This is the process of creating an experience that feels personalized or otherwise "fitting" to the individual.

Emotion - Emotional engagement is at the core of great marketing campaigns and customer journeys. I encourage you to use these NeuroTactics for inspiration in planning not only your split tests, but also your customer support

experiences, your product development efforts, and your marketing campaigns.

Attention - Capturing your audience's attention is the job of your marketing campaign, but maintaining that attention is the job of the sales funnel. Attention NeuroTactics are designed to help you cut through the noise of news feeds and other channels so you can keep your audience focused on you.

Memory - We buy from brands we recognize, we laugh more easily at comedians we love, and we are more trusting of people we know. Memories form our opinions and worldview, and without them, we wouldn't be able to make the decisions that we do. That is why Memory is one of the most important categories of NeuroTactics.

Conclusion

The concepts shared in this book are based on a ruthless dedication to marketing science. With that comes a respect for data and numbers. Your company's culture of objectivity will define how successful your marketing operating system is. As with any implementation of a new system inside a business, you need buy-in from all levels of the organization. Be patient if you feel resistance. Be aggressive if you know it's an urgent matter. But most of all, don't give up on using this system, even if it is just for yourself at first.



Dan Russell is the award-winning founder of marketing think tank Vivid Labs and is the author of Snake Oil, a modern-day handbook for business leaders trying to navigate the chaos of modern marketing. Over the past nine years, he's unlocked over $50 million in revenue for his clients by leveraging the science of marketing and why we buy. These days, he teaches those principles to entrepreneurs and executives through his private newsletter, the Goldpan Report, and his involvement in tech incubator Project 10K.

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· Book 70 of 106 ·

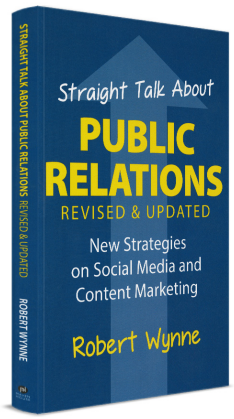
Straight Talk About Public Relations

Robert Wynne

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Straight Talk About Public Relations

New Strategies on Social Media and Content Marketing



by **Robert Wynne**

Contents

What is Public Relations?
Page 2

Using Social Media
Page 2

Content Marketing
Page 3

Measurement
Page 4

THE SUMMARY IN BRIEF

Whether you're trying to write a compelling press release, pitch yourself or your product for media coverage or create a social media campaign that works, ***Straight Talk about Public Relations (Revised and Updated)*** tells you everything you need to know.

Author Robert Wynne, the president of a public relations company, explains what public relations is and guides you through the traditional methods, social media communications, and content marketing strategies that will help you reach journalists and other important audiences. He offers tips from media professionals on how to pitch them and explains the best practices of content marketing, the limitations and benefits of social media, and how to measure the impact of PR efforts.

IN THIS SUMMARY, YOU WILL LEARN:

- How to write a winning pitch
- The six rules of using social media for public relations
- How to handle negative social media comments
- How to measure the success of your PR campaign

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Sarah T. Dayton, Editor-in-Chief • Meghan Kozak, Director of Content • Kylie O'Connor, Graphic Designer

What is Public Relations?

Public relations is powerful. Wars, highway construction, charitable campaigns, and elections are all accompanied by PR campaigns, usually on both sides of the issue. But unlike the media depictions of PR characters, like Samantha in ***Sex in the City*** or Olivia Pope in ***Scandal***, it is not instant and it is seldom glamorous.

In its most basic form, PR is the persuasion business. It involves advocacy by convincing an audience, inside your group or from the outside world, to agree with your position. It could involve the promotion of an idea, the purchase of a product, supporting a candidate, taking a specific action, or enhancing the reputation of a person or group.

A common saying about the difference between PR and advertising is "advertising is what you pay for, publicity is what you pray for." Advertising is paid media; public relations is earned media. In public relations you try to convince reporters or editors to write positive stories about your client, brand, or issue. These stories have more credibility because they're independently verified by trusted third parties, rather than purchased.

Most winning pitches and press releases have at least three of the following great story essentials: it offers something new; it has human interest; it challenges conventional wisdom; it's visual; it's unusual; it's impactful; it relates to a trend; or it's memorable. Before reaching out to journalists, think like a reporter and make sure you have a great story to tell. Think about what the story is, why it is important, and why now. How well that message is delivered is the key factor for success. You must understand the story and how to deliver it in as few words as possible.

Press releases are official documents used to announce something. They're meant to be posted or read somewhere in the public. The basic elements of a press release are headline, sub headline, "For Immediate Release", date, location, an inverted pyramid structure (with the most important information first), and a few storytelling essentials. The most important element by far is the headline. It frames your story and often is the subject line of your pitch. If it's not interesting, you don't need to worry about what follows—it will be deleted and ignored. Avoid headlines which say the exact same thing as the first sentence of your release. Pick out the specifics in your story and make them newsworthy.

An all-star panel of journalists offer some advice:

- "Write short, concise emails that get straight to the point. Show how this brand, company, product has real world value. Know the organization you're pitching to and understand and articulate why this story is a good fit for the organization."
- "It's good not to oversell it with words like groundbreaking when it's really not."
- "you have to have contact information at the end…but you better be replying to those contacts quickly, too."
- "I appreciate press releases that have a little bit of a personal touch and demonstrate that the people writing them know why they are reaching out to me."

A pitch is a brief letter written to a reporter. Whereas press releases reach a wide audience, pitch letters are targeted to a particular reporter at a specific publication. Mashable lists its PR Pet Peeves, which include using all caps in the subject line, misspelling the names of reporters, and pitching old news. Offer new and interesting information that makes the reporter look good: show how a company navigated a partnership with a larger firm; or turbo-charged its growth by building a strong management team. A news peg without an engaging lesson is just a press release. Be familiar with each reporter you try to contact. Read stories they've done and their bios to become familiar with what they need.

It is crucial that your pitch has a good subject line. When we pitched a story for Cornell University, we wanted to promote a PhD student working with a major chemical company to introduce soybeans in India. Seems dry, but where do you grow soybeans in the slums of India? This led to a pitch that resulted in a ***Wall Street Journal*** story "In, India, How Do Rooftop Gardens Grow?" We were pitching a real estate attorney for a rising stars list and the headline "Billion Dollar Dealmaker" turned into a good story and the cover of a magazine.

To increase your chances of landing your story, make sure you have something interesting to say, do your research, make your story compelling, write it to serve the reporter's needs, be sure to spell everything correctly, and eliminate all caps, boldface and underlining.

Using Social Media

Social media success is difficult. It can take weeks, months, or years to build an audience. The social media gold rush is over, but it can be effective as long as your goals are modest. The biggest challenge is to first understand the social media process and create realistic goals.

Social media can be a great amplifier with many people generating ongoing conversations. It is good for crisis relations like product recalls, scandals, or accident news, and finding reporters, producers, and editors. Here are a few rules.

- Rule 1: Be brief, don't be boring – Come up with an exciting way to say your announcement, like you're telling a friend why it matters. Find an image or make a video to include.
- Rule 2: Be newsworthy – Pay attention to breaking news. If your client is an expert, prepare an opinion. Make sure a short bio included on their profile, follow hashtags and contact reporters and producers who are covering the story.
- Rule 3: Be Consistent, Post Lots of Quality Content – Post regularly so there is a reason for followers to return.
- Rule 4: Be Helpful – A great way to get your story covered is to be on the giving end with press. Think about what could be useful to the writer.
- Rule 5: Use Facebook Groups – Facebook groups are a way to manage membership relations for an organization. Use it to post an events calendar or provide additional benefits for your members.
- Rule 6: Be Live – Monitor your business on social media and respond to mentions and comments. Social media is real-time, so the faster you respond, the better. Post videos to kick off a campaign.

If you have to choose one platform for social media, many choose Twitter. Twitter is good for announcements, research on what competitors, clients and media are tweeting about, and networking with new influencers and reporters. Target media where you'd like to be seen, friend reporters who cover similar topics, write to them, genuinely comment on stories you like, let them know about you and your story. To boost your audience, try running a contest, join as many directories as you can find, create a video tutorial, and mention your Twitter account anytime you are speaking in public.

Negative social media will happen. Trolling is one of those problems best handled by ignoring it, especially if the attacks are personal. If the attacks are professional, take the conversation off social media and try to reason with the commenter via email. If they refuse to be reasonable you can block them, ask a third-party to restate your position without engaging them, or change the conversation by posting on a different issue.

Social media can be a great amplifier with many people generating ongoing conversations.

Content Marketing

Content marketing is the publication of material designed to promote a brand. It can take a lot of different forms, including videos, blog posts, and articles. It shouldn't seem like marketing, but is a long-term, subtle approach that can improve a company or person's reputation and bolster prominence. It takes time, energy, and expense, and with so many competitors, getting noticed is difficult. You must be consistent and create useful content targeted toward a specific audience. Today, individuals and businesses can produce content in several ways. These are the more effective formats:

- Edited blog posts on Forbes, Huff Post, and others, are more effective than other posts and help with credibility and reach.
- Short videos. Pay attention to the tone and goal of the video, have some humor, and show emotion—a reaction alone can tell far more than words. Creating compelling content that will resonate with your audience is critical, but it's equally important to have a plan in place for amplifying it. Ensure that you are connecting with influencers to get your content shared and promoted. Create a multichannel approach that covers earned, owned, and paid media. Use data to find the top performing content and continue sharing with updated messaging to hit more audiences.
- Webinars and teleseminars are live presentations that often work best when a guest is invited by a company with a large, built-in audience.
- Podcasts are similar to a radio feature. They can be popular with celebrity hosts, but it's a challenge to attract ears.
- Newsletters have promise. Make sure readers know upfront what value, frequency, and general content they can expect to receive so they are less likely to

unsubscribe. Newsletter content should be 90 percent educational and 10 percent promotional, and have concise, attention-getting subject lines.

One secret to successful content marketing is to pay for it. Many media companies like Conde Nast, New York Times, and CNN offer sponsored content that look like news stories. These stories have exposure and quality writing, but this isn't cheap and can cost $50,000 to $100,000.

For small businesses, don't try to compete with huge companies, find your own smaller space and make it your own. For best results, pick a niche where you can be #1; post in regular intervals concentrating on one channel; be original—for example, having a six-year-old interview tech execs to see if they can clearly explain their product; speak directly to your audience and add photos and video when they're well produced.

You may need to create several different messages for different groups, for every issue or product to see what works best.

Measurement

Public relations isn't math or physics. You can't measure influence or reputation with a simple equation. There are only two essential measurements: goals and metrics. Goals are whatever the client defines, whether new business leads or website traffic. But it is difficult to assign sales outcomes or donations solely to PR. There are several quantitative metrics to use in measuring the impact of PR: counting media placements, assessing the quality of the placements, and the viral impact (i.e. total number of mentions, number of influencers, and the sentiment of the messages). Many companies simply rely on the number of media placements, but this offers an incomplete picture.

There are some common measurement systems, with their own pluses and minuses, including the Barcelona Principles used by many trade groups; the mediaQuant analysis model that collects positive, neutral and negative mentions and compares media ratings; and the Canadian Media Ratings Points system that evaluates media coverage by tracking reach and cost per contact. Although some measurement systems are better than others, they all still only provide estimates.

To measure PR:

- Set Goals and Objectives – Create strong messaging, find your target audience, and agree on a desired outcome
- Target Your Media – Find outlets that directly reach your audience; use a variety of methods from press releases to speaking engagements and influencer campaigns; and consider creating your own content marketing
- Measure Results such as active coverage, potential reach, social engagement, sentiment, quality of coverage and earned traffic like unique visitors per day.
- Analyze Your Competitors – Benchmark your results against past results and against competitors.



Robert Wynne is president of the public relations and events agency Wynne Communications. He also writes a monthly column on public relations for Forbes. He has provided public relations counsel for Cornell University Johnson School, Johns Hopkins Carey Business School, MIT Sloan School of Management, UCLA Law School, the law firm of Stroock & Stroock & Lavan, and many others.

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Summary

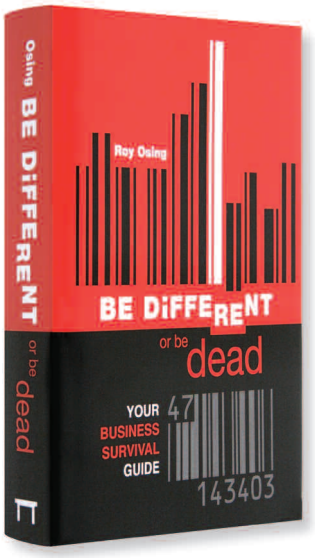
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Marketing: Strategies

BE DIFFERENT or be dead

Your Business Survival Guide



by Roy Osing

THE SUMMARY IN BRIEF

Never has it been more important to be distinctive — to be different — in the marketplace than it is today. Consumers are spending fewer discretionary dollars. Competition is intense as businesses jockey for the winning formula to attract customers. Those that don't face this reality will slowly wither and eventually fail.

Be Different or be dead describes how businesses can navigate the turbulent waters of the contemporary economy. Drawing on his distinguished career as a business executive, entrepreneur and leader in the telecommunications industry, and business consultant, Roy Osing gives readers the real deal: performance enhancement and survival ideas based on solid business principles that have been successfully implemented in the real world.

Be Different or be dead focuses on strategies that Osing has personally developed and executed: things you can do today to immunize your organization against performance decline and business failure tomorrow. It also offers strategies that work.

For business strategy executives, marketing and sales managers, customer service managers, business owners and entrepreneurs alike, *Be Different or be dead* is an invaluable resource for any leader seeking to create a competitive edge for his or her organization and build long-term success.

IN THIS SUMMARY, YOU WILL LEARN:

- How to master the art and craft of corporate and product differentiation.
- How to motivate team members to execute a differentiation strategy.
- How to remain profitable and survive in today's challenging business environment.
- How to harness the energy from all parts of your organization to work in unison to win in your market.

CONTENTS

BE DIFFERENT Strategic Imperative
Page 2

BE DIFFERENT Business Strategy
Page 4

BE DIFFERENT Marketing — Customerize
Page 5

BE DIFFERENT Serving Customers
Page 6

BE DIFFERENT Sales
Page 7

Conclusion: What's Next?
Page 8

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THE COMPLETE SUMMARY: **BE DIFFERENT OR BE DEAD**

by Roy Osing

The author: A leading senior executive in the Canadian telecommunications industry and a widely recognized business consultant and educator, Roy Osing's career spans more than three decades of singular achievement. Previously, Osing served as Chief Marketing Officer at TELUS as well as President of TELUS Advanced Communications, a global telecommunications business. He is now the president and CEO of the consulting firm Brilliance for Business.

Be Different or be dead: Your Business Survival Guide by Roy Osing. Copyright © 2009 by Roy Osing. Summarized by permission of the publisher Granville Island Publishing Ltd. 354 pages, $29.95, ISBN 978-1-894694-69-8.

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BE DIFFERENT Strategic Imperative

The "Be Different" strategic imperative is based on the reality that most organizations today operate in a world of unpredictability, constantly challenged by random events that test their viability. In such an environment, organizations must develop a business strategy based on the market dynamics most likely to affect them. And they must react fast when planning assumptions fail to materialize.

In today's volatile environment, random external events challenge the traditional techniques used to manage them. Many businesses, however, still rely almost exclusively on traditional forecasting tools and models to predict where they will be in the future, leaving little room for these unexpected events. Exclusive use of these tools to predict business outcomes could be a recipe for disaster.

Momentum Management

You simply cannot assume that the future will be an extension of the past. To do so would suggest that past successes will determine future wins. In an all-things-remaining-equal environment you might be able to get away with this. But the fact is that as a business looks forward in time, all things are not equal. The only thing we can count on is facing uncertainty at an accelerating pace with significant impact on our organizations.

Successful organizations understand the need to learn from the past and apply that learning to future scenarios. They also know that they must lead into an uncertain future by introducing new ideas, concepts and tools to prevent organizational mortality. Those that don't, continue to toil on in the mistaken belief that the actions behind past successes will continue to work in the future. This *momentum management* results in the demise of organizations. The issue is not whether it will happen, but when.

Long-Term Sustainability

Here are some key external factors that challenge business success and long-term sustainability:

- **Increasingly demanding customers.** Customers today have more choices available to them than ever before, provided by a glut of suppliers in the marketplace.
- **Crazy competition.** The push of new technologies provides new products and services, many of which result in new businesses.
- **Fickleness trumps loyalty.** Customers today find it relatively easy to change service providers; the risks of doing so are low as well.
- **Too much competitive chatter.** More competition and the accelerating rate of new business formation have resulted in more advertising and media clutter than ever before.
- **Rules. Rules. Rules.** Many external bodies in the marketplace play a major role in determining the future of an organization.

External Causes of Business Failure

A Statistics Canada study by John R. Baldwin titled *Failing Concerns: Business Bankruptcy in Canada* concludes that firms fail because of both unanticipated external shocks and internal deficiencies.

The study found that the top six *external causes* of business failure were: economic downturn in the market facing the firm, increased competition, customer difficulties

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Rebecca S. Clement, Publisher; **Sarah T. Dayton**, Editor in Chief; **Andrew B. Clancy**, Senior Editor; **Edward O'Neill**, Graphic Designer; **Chris Lauer**, Contributing Editor

— loss of a major customer as the result of relocation or market change, fundamental change in market conditions, government regulation and fundamental change in technology.

It concluded that it is unlikely that there is a single factor alone that kills a business; rather, it is more likely that a number of factors collaborate to produce the destructive perfect storm. However, the study goes on to say that almost half of the firms in Canada that go bankrupt fail primarily because of their own internal deficiencies rather than these externally generated problems alone. In other words, faced with external unforeseen pressures, businesses fail because they are not able internally to figure out how to react to them and survive.

Internal Deficiencies

The four most significant *internal deficiencies* cited were: inability to adapt to change, lack of flexibility and initiative, poor communication and lack of organizational vision and planning.

Addressing these organizational skills is certainly necessary to build business value in good times; they are absolutely critical to survival in bad times. The Be Different strategies will show you how.

Be Different or Be Dead

If you are not *different* you are dead or soon will be. In other words, to be able to survive, an organization needs to position itself uniquely in the marketplace. It must be able to carve out a special place in the customer's mind so that loyalty is not only created but also has a long life.

You don't necessarily have to be better than your competitors; you just have to be different. You must find a way to redefine yourself as different from others in the marketplace and give customers what they want in the quality they expect.

Create Compelling Differences

The challenge is to create meaningful and compelling differences that will separate you from your competition, and to articulate these differences to your target customers in a way that will convince them to do business with your organization and no one else. A meaningful difference is value, provided that it combines a high *must matter* factor to the customer with a low *currently satisfied* factor. It is something that is really important to the customer and is currently not satisfied by any supplier in the market.

You need to get the customers' attention, clear the message clutter and then tell them in very clear and specific terms why they only have one choice, and that choice is you. This process requires that your organization develop and communicate a value proposition to the market that is truly unique.

The Only Statement

How does an organization know whether it has meaningful value differences to offer existing and prospective customers? One method of answering this question is to compose "the only statement." The objective in developing this statement is to define the exclusive value or customer benefits that your organization provides. The use of the word *only* is critical as it forces you to consider the benefits that you alone provide.

"We are the *only* ones that …" is a claim that will define your organization's uniqueness. Spell it out and then test it constantly with customers to make sure it is compelling and real; and continues to be so.

Be *bold* in your search for being different. Organizations are inherently rich in opportunity. To create the uniqueness you need to survive, look broadly across all functions and aspects of your business. Evaluate all of your organizational capabilities and look for ways to leverage them, distinguishing yourself from the pack.

Webkinz

Webkinz is the brainchild of GANZ, a company established in 1950 to provide a selection of gift products worldwide. On its Web site, it explains: "Webkinz pets are lovable plush pets that each come with a unique Secret Code. With it, you enter Webkinz World where you can care for your pet, answer trivia, earn KinzCash and play the best kids games on the net."

What is different about Webkinz is that the company has defined its product to be much more than the toy itself. It has added an experience dimension that utilizes the power of the Internet. When you purchase your Webkinz toy, you go online, adopt it and register its name, which is unique to you and no one else. In the Arcade are games to play. You can visit Dr. Quack at the Clinic if your Webkinz gets sick. You can go to the Clubhouse to play with other Webkinz World members. You can also create a home environment for the toy in My Room. In the My Pets area, you can see each pet's status, read its bio and reprint its adoption certificate.

Here is a company that has chosen to provide a product that could be thought of as a commodity, yet has created product attributes that leverage a tool, the Internet, into which its customers are growing in order to differentiate itself. Is it the low price supplier in the market? Not even close. ●

BE DIFFERENT Business Strategy

First of all, to develop a Be Different strategy, you need to look at every possible aspect of your organization to be different. A business strategy is a very good place to start. If your business strategy is different, everything that flows from that strategy will reflect that difference and your chances for survival and success improve exponentially. A business strategy applies to all areas of your organization, including marketing, sales and customer service.

To many people, creating a Be Different business strategy means building a strategy with a truly unique intent; one in which the fundamental direction chosen for the organization around its various elements — such as markets, products, pricing, differentiation, partnerships and alliances and sales — is fundamentally different from that of all other competitors.

Second, it is highly questionable whether any organization can realistically claim that its strategy is truly unique from all of its competitors. Finally, even if it were unique, the strategy would not, in and of itself, guarantee success.

Dumb It Down

What will enable a strategy to Be Different and be successful? It starts with simplifying the process of creating your strategy. If your strategy is flawed due to incomplete information, changing market conditions and limitations on the strategic choices available to you, why not have a strategic development process that enables you to find your direction fast? Then you can move on to the most effective things you can do for the success of your strategy.

The Be Different strategic planning model involves essentially four components:

• **Creating your Strategic Game Plan.** Your Strategic Game Plan is typically developed by answering three fundamental questions: How big do you want to be? Who do you want to serve? How will you compete and win?

The Strategic Game Plan statement represents the essence of your strategy. It not only directs new activity and behaviors in the organization, it also acts as the main communications vehicle to your employees to describe your future strategic direction. It looks like this: "We intend to (how big) by [desired time frame] by focusing our scarce resources on (who to serve). We will compete and win by (how to win)."

• **Developing your Execution and Accountability Plan.** Now you need to go to the next step and develop your execution and accountability plan, which addresses how you will bring the game plan to life. It answers these three questions: What are the key things that need to be done to deliver the Strategic Game Plan? When do they need to be done? Who will be held accountable for getting them done?

To provide structure to this process, you must often ask these questions of the major departments that are the main stakeholders in an organization and responsible for the successful execution of any strategy. These include marketing, sales, service, human resources, finance, operations, information technology and business development. Furthermore, all departments must review and eliminate non-strategic activities. Assign someone senior in the organization to oversee the implementation activities and serve as a "strategy hawk." Pick the most detail-oriented, persistent and tenacious person for the role.

• **Employing a Team Workshop Process.** Design the workshop to involve those people critical to the success of the strategy. The number of people involved in the workshop is usually not an issue, although a good group is in the range of eight to 10. Use the team to create the Strategic Game Plan.

The advantages of the workshop approach over the traditional consulting engagement process include: lower investment from your organization in terms of consulting fees, information generated is only what's needed to make the specific tough decisions on strategy, substantially less time is consumed, participants own the strategy and its results, teamwork is strengthened and the focus is on strategy execution.

• **Reviewing your progress regularly.** The last component to dumb down your strategic planning process involves a periodic review of the progress being made to execute it in the market. The process is to assemble the strategy workshop team chaired by the strategy hawk every quarter and go through each objective and action plan to determine whether or not it is on track. Where the chosen strategic direction represents a significant departure from past practice, you might decide to meet more frequently, say monthly, to have a closer look at how the implementation is proceeding.

The output from a progress review session is an action plan addressing those objectives that are falling behind, with individuals assigned certain tasks to get things back on track by a specific date. This action plan portfolio then forms a part of the agenda for the next progress review. This structured approach is very effective in keeping the implementation of your Strategic Game Plan alive.

Focus. Focus. Focus.

Going hand in hand with dumbing down the strategy process is the need to focus your efforts on the few things that matter; that would deliver the highest percentage of results. This is a stark contrast for those who, in the past, have been involved in strategy building sessions that resulted in more objectives and action plans than could ever be implemented. The reality was that they were trying to do more than existing levels of resources would allow.

The test question: If you have people, time and money to do only three things, what would they be? Determine the small number of things that will deliver most of your strategy. Evaluate each objective from the point of strategy impact and devote resources to as few as you can.

Eliminate all activity that does not work toward implementing your new strategy and reassign the people associated with the non-strategic projects. You don't have the time or resources to do anything else. *Managers of irrelevance* must go as well.

Execution

Be Different organizations are informed by strategy and driven by execution. The basic elements of this process are:

- **Build your strategic portfolio with vertical integrity**. Start with a strategy for your overall organization and drive everything else from it.
- **Set the ratio of your execution portfolio: 20 percent of the action to achieve 80 percent of the strategic results.**
- **Establish a learning feedback loop and modify your strategies on the results achieved.**

BE DIFFERENT Marketing — Customerize

To Be Different, an organization needs to *customerize* its marketing strategy and its marketing culture. In many organizations today, marketing is not adequately customer focused to allow them to take the lead over their competitors. It is not that the Marketing 101 approach is wrong; it's just that it doesn't go far enough.

If you want to distinguish yourself, you need to Be Different in marketing and explore new paradigms that define what it means to live for the customer.

Customerization involves a fundamental shift in emphasis from developing products for broad market segments to creating packaged offers for small groups of customers. Market customerization involves moving from a pure product-oriented focus to a customer-oriented one in which both receive prominent status.

Customerized Marketing

Customerized marketing involves adding a new dimension to the product marketing approach. The intent of customerized marketing is fourfold:

First, create new value for the customer as opposed to, in the product world, pushing an existing technological capability. Furthermore, the intent in customerized marketing is focused on building customer loyalty as well as on up-selling new capabilities. You *create* in customerized marketing; you *push* in product marketing.

Second, you want to customize the solution that you are trying to create. You want to make it as compelling and relevant to as small a group of customers as is practical. You want to be able to reflect the fact that each customer is unique and, therefore, a more personalized approach is the most effective way to attract the customer's interest.

Third, the focus for customerization is the building of an offer, not a product. As opposed to a product, an offer is very broad in the customer need set it is intended to satisfy. Creating an offer looks at the customer holistically and seeks to provide a packaged, multidimensional set of values driven by the many needs people have in their lives.

Having created the packaged offer, the final step is to sell as many of them as possible to your small group of targeted customers.

The end objective is to get as much of the chosen customers' business as you can: Maximize your share of the customer's wallet.

Customerized Marketing Operating Model

A number of Be Different ideas will *customerize* your marketing competencies. These include:

- *Customer learning*. Learn continuously who your customers are and what they want.
- *Customer secret*. This is a detailed personal level of understanding of a single customer, focused on the individual.
- *Holistic offer*. Provide a wide range of customer value created by considering all of the needs plus secrets that you discover about a customer.
- *Unique value proposition*. Capture the overall customer benefits being provided; the objective is to make it different from what your competition provides.

To yield the maximum value from these ideas you need to construct an operating model that defines how the ideas relate to each other in process terms. Building an operating model has at least two benefits: First it enables everyone in the organization to see the big picture in terms of how everything fits together, and then it lays out the framework for tracking and measuring the effectiveness of your marketing programs.

The operating model built by TELUS involves four components:

- **Understanding the customer.** Gather as much information as you can about the customer through segmentation, customer research and behavior analysis. Lifetime value assessment is also included.
- **Creating customer value.** Construct a unique value proposition, create the offer and integrate the capabilities required to deliver the offer.
- **Delivering customer value.** This is the go-to-market phase: Launch offers through quarterly campaigns, target the intended customer, monitor results and take corrective action based on market response.
- **Maximizing customer value.** Create the optimum value for both the customer and the company.

BE DIFFERENT Serving Customers

The fourth aspect of an organization that can be leveraged to Be Different is what has been traditionally referred to as customer service. The term serving customers, however, describes the essence of what is required to Be Different from a service perspective.

Serving the customer places the customer — *not the company* — in the control position:

- The company is responding to the service expectations of customers rather than deciding in advance what it is prepared to provide to them. It is a "customer pull" model, where service policy is engineered from the customer's viewpoint.
- Service policy is customer inspired but customer-contact employees are empowered to break the rules, when necessary, to accommodate a legitimate customer concern.
- Service philosophy is guided by the customerized notion that each customer is unique, and that providing varying levels of service is appropriate to achieving a consistent level of customer satisfaction.
- The level of cost that the organization incurs in serving customers is treated as an investment in creating customer value rather than simply as an operating cost. Cost is important, but service decisions are made more on the basis of return on investment and not on cost alone.

Customer Loyalty

Customer service is what the organization wants to supply to the customer; it is governed by policies and rules intended to serve the business. Serving customers, on the other hand, is driven by what the customer wants. The control position is in the customer's hands; the organization is in the responsive position.

Service has more impact on customer loyalty than any other function of a company, and it must receive priority.

Given the service strategic imperative, each organization faces a significant challenge to clearly define how the service organization is going to Be Different in a way that contributes to the company's overall value proposition.

Developed by AchieveGlobal Inc., a service-quality consulting organization, the AchieveGlobal Service Quality model is a valuable guide in helping organizations move toward a Be Different level of serving customers.

Core Service

The foundation of this approach is to define service in two components: *Core Service* and the *Service Experience.* This approach helps organizations develop a strategy that is not only precise and measurable but also exposes opportunities to build customer loyalty.

Core service is an organization's basic deliverable to the customers it serves. Core service represents the most basic level of what you provide. In many respects, it is the foundation upon which your business is built. In the traditional telecommunications business, core service is defined as dial tone. It doesn't get any more basic than that. For example, in the finance sector, where most organizations are striving to be successful in providing wealth management services, the core service definition could be defined as financial advice. In the computer repair business, it could be a working computer system.

The basis of building a Be Different strategy to serve customers is the definition of the core service that your organization provides. It may appear obvious, but unless you test it with your customers you will not really know for sure. You need to be aware, also, that as your business changes, customers' definitions of what constitutes the core also change.

Satisfactory core service is the ante for playing the service game. Improve it to the satisfaction level, but don't go beyond.

Reinventing Core Service

Consider reinventing core service rather than simply

making incremental improvements to it. Incremental improvements will yield mild results; reinventing core service could yield order of magnitude gains. Customers are worth the effort.

Reinventing core service begins with an assessment of the core service processes that are an established part of your organization. Core service processes may include handling a customer service inquiry, ordering a service, fulfilling a service request or repairing a product that is deficient in some respect.

To reinvent your core service processes, ask these questions:

1. What are your core service processes?
2. Which processes are used by your top three customer segments?
3. Which processes have the highest priority for each customer segment?
4. What needs to be done to reinvent the highest priority processes?

The Service Experience

Core service is what customers get from you. The service experience, on the other hand, describes how they feel when they get it. This component of the service equation is the driver of customer loyalty.

Looking to invest in improving service? Make sure your core service infrastructure can consistently satisfy your customers and then pour on the coals to enable your service team to dazzle them. This is the area that produces healthy returns on investment because it creates a loyal customer base and an annuity revenue stream for a long time.

Remember, the service experience is not only influenced by the human factor in an organization, but also by technology. Technology has a big impact on how customers feel when they try to do business with your organization. So take a look at the technology that interfaces with your customers to ensure that the experience they feel is dazzling. ●

BE DIFFERENT Sales

Sales represents a key opportunity for an organization to enhance its business performance.

You have two options when considering the role of sales in your organization: First, you can generate revenue by selling stuff, which equates to flogging products or, second, you can generate revenue by building deep and meaningful relationships with your customers, which will result in customers buying stuff.

Dazzled Customers

What causes a dazzled reaction from a customer?

Basically, you moved beyond what they expected from you to a level beyond their expectations. You dazzled them because you gave them what they didn't expect. It's kind of counterintuitive in that the WOW factor comes from NOT giving a customer only what they want; but from surprising them.

So what do you get in return? A dazzled customer will most certainly reward you for your efforts and will keep coming back.

Product floggers push their products at us without ever taking the time to get to know us, even a little, and what our specific needs are.

It's All About Relationships

It is true that the relationship-building sales cycle is longer than that of the flogger. It is also true that the revenue and profit streams are longer for the builder, since loyalty is enhanced through the trust that is established with the customer. Long-term results are more positive; the customer tells others about the experience he or she has had with the builder, and the viral marketing process begins.

There is no question that the relationship-building sales approach is the way to go; it is the way to create a Be Different sales strategy. Focus all efforts on building strong relationships with your chosen customers. Trust that sales will follow from this approach. As a leader, ensure that an appropriate sales compensation plan is developed to encourage this type of sales behavior.

Here are some simple relationship-building things a salesperson can do to earn a customer's trust and his or her willingness to enter into a buying mindset:

- **Show honest concern for the customer and his or her issues.**
- **Get to know him or her.** Customers are people, not transactions.
- **Build a personal profile of the customer.** This would include outlining the customer's current situation, with problems and opportunities about his or her specific requirements defined.
- **Spend whatever time is required with the customer to get an in-depth understanding of the issues he or she faces.**
- **Be an active listener.**

Brand Your Warriors

Sales represents a critical function in any organization,

and should be a major contributor to your Be Different strategy. It follows that sales should have a unique and distinctive brand that clearly differentiates it from other sales organizations in the marketplace.

What is your sales brand? Branding sales addresses the question, "When you think of our sales team, what are they doing that distinguishes them from everyone else?"

Developing your sales brand is a strategic issue. The brand needs to be driven by the Strategic Game Plan of the organization.

Your "how to win" strategy should inform your sales brand to ensure that sales differentiation is consistent with the differentiation objectives of the overall organization. For example, if you decided to win by being first to market with new technology, your sales brand should address sales attributes, such as product knowledge, technological expertise, product migration skills from old technology to new technology, and proactivity, migrating the customer to the new technology early.

In sales, most Be Different strategies require strong customer relationship-building competencies. Sales cannot support any Strategic Game Plan for their organization without these skills.

Lose the Sale, but Save the Customer

Here are two valuable Be Different sales principles:

• ***Own* the customer forever.** Taking any action whatsoever that jeopardizes this is simply not an option. Earn customer trust in any way you can.

• **Do whatever it takes to protect this position**, even if it means not making a sale. Trying to force-fit a product or service solution doesn't work, and it eventually backfires on the salesperson because of customer dissatisfaction. The relationships in these cases are impaired because of the reduced trust factor. ●

Conclusion: What's Next?

If your current business strategy doesn't give you the Be Different direction you need, create some constructive pressure in your organization to review it and test it with Be Different in mind. Or get a group of your colleagues together and try to translate your understanding of your current strategy into the Strategic Game Plan format. Get confirmation that your work is valid, and move on from there.

Take up the Be Different theme in your organization. Generate some interest and passion in the notion. Get people engaged. Have fun with this. Marketing people, start working more closely with your colleagues in Sales as you begin your Be Different work together.

Start Today

Start to customerize today. If you are in the service area: Start to discuss the *serving customers* concept, what it means and the changes you can make to create customer loyalty. If you are in human resources or do-it-yourself small businesses: Start challenging what the organization is doing. Encourage a Be Different direction with your views on the ideas and approaches you feel will add value to your organization in the long run.

Accept the fact that new ideas are not universally met with enthusiasm and acceptance, and that some colleagues may push back on the need to change. It takes relentless perseverance to implement change. In the long run, however, the results are worth the effort. The work is essential to thriving and surviving in the marketplace.

Pick a few things that you believe will have the most impact on delivering your strategy and execute them with passion!

Culture Change

Implementing a Be Different approach in an organization is more about culture than about anything else. It's about raising the energy and passion bar to explore new ideas, albeit ideas with a proven track record of success. It's about making a right-angled turn to customer obsession and it's about creating a *serve your people* ethic among your leadership. Culture change requires constant and persistent intervention. It needs different things to be done by many people over a long period of time, and it needs staying the course through strong leadership.

Culture change is a *game of inches*, where the objective is to get as many people in the organization trying as many different approaches as possible, and achieving fast increments of progress along the way.

What happens is that the passionate actions of a few individuals begin to infect the masses; more and more Be Different activity is created and a new momentum begins. This sustainable new momentum, in turn, defines the new culture of the organization: a culture that embraces creativity and innovation, and a business that can look forward to a long and prosperous life. ●

RECOMMENDED READING LIST

If you liked *Be Different or be dead*, you'll also like:

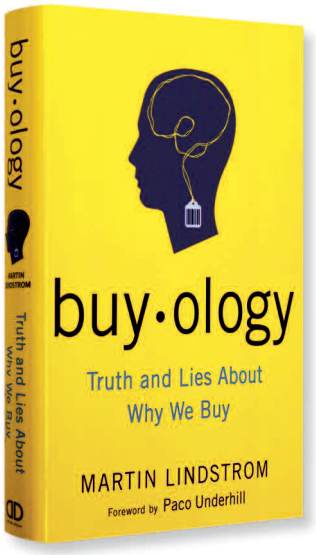
1. ***Strategy Maps* by Robert Kaplan and David Norton.** A visual framework for the perspectives of financial, customer, internal and learning and growth.
2. ***The New Age of Innovation* by C.K. Prahalad and M.S. Krishnan.** Business processes must connect consumers and resources while managing the necessities that ensure efficiency and flexibility.
3. ***Corporate Agility* by Charles Grantham, James Ware and Cory Williamson.** Offers a blueprint to understanding the evolving work force, inception of new technologies, and the reexamination of workplace structure.

Summary

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Marketing: Strategies



BUY·OLOGY

Truth and Lies About Why We Buy

by Martin Lindstrom

THE SUMMARY IN BRIEF

Global marketing research expert Martin Lindstrom presents the findings from his groundbreaking, three-year, $7 million neuromarketing study. Neuromarketing is an emerging area of market research that represents a confluence of medical knowledge about the brain and how it works, technology and marketing.

Lindstrom's cutting-edge experiment peered inside the "gray matter" of 2,000 volunteers from all around the world as they encountered various ads, logos, commercials, brands and products — unlocking the subconscious thoughts, feelings and desires that prompt the purchasing decisions we make every day.

Lindstrom's underlying premise is that what consumers say they do and what they actually do are quite different — and the best way to get to the truth is by using neuromarketing. *Buyology*'s blend of marketing and neuroscience, in pursuit of consumer truth, shatters much of what we have long believed about what captures our interest and drives us to buy.

IN THIS SUMMARY, YOU WILL LEARN:

- The breakthrough technology that maps the inner workings of the brain and how it can benefit both marketers and consumers.
- The unanticipated effect that disclaimers and health warnings actually have on behavior, as well as the scope and impact of subliminal advertising.
- How our buying behavior is affected by the world's major religions.
- If and how product placement really works.
- Whether or not sex in advertising actually works (hint: the answer is not what you might think).

CONTENTS

The Need for Neuromarketing
Page 2

***'American Idol'*: $26 Million Gamble**
Page 3

Why You May Be Addicted to Shopping
Page 4

Big Tobacco Subliminally Benefits
Page 5

Faith, Religion and Brands
Page 6

Seeing and Hearing Are Believing
Page 7

Voyeuristic Consumerism
Page 8

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THE COMPLETE SUMMARY: **BUY•OLOGY**

by Martin Lindstrom

The author: *New York Times'* best-selling author Martin Lindstrom is one of the world's most respected marketing gurus. Lindstrom spends 300 days on the road every year advising top executives of companies including McDonald's Corporation, Procter & Gamble, Nestlé, Microsoft, The Walt Disney Company and GlaxoSmithKline. He has been featured in *The Wall Street Journal, Newsweek, TIME, The Economist, The New York Times, BusinessWeek* and *The Washington Post* and is a frequent guest on NBC's TODAY show. His previous book, *BRANDsense*, was acclaimed by *The Wall Street Journal* as one of the five best marketing books ever published. *Buyology* has been translated into 25 languages. Visit www.MartinLindstrom.com to learn more.

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A Rush of Blood to the Head: Intro to Neuromarketing

If marketers and advertisers could uncover what is going on in our brains that makes us choose one brand over another — that would be a crucial key to building brands of the future. Enter neuromarketing, an intriguing marriage of marketing and science.

Neuromarketing is simply a tool that can help decode what we as consumers are already thinking about when confronted with a product or brand. The more companies know about our subconscious needs and desires, the more useful, meaningful products they will bring to market. That's the promise this technology holds for consumers and producers alike.

Imagine more products that earn more money and satisfy more consumers at the same time. That's a nice combo.

Neuromarketing: Technology That Maps the Brain

There are relatively few brain-scanning technologies that are widely used today. One such technology that Lindstrom enlisted for his three-year study was functional magnetic resonance imaging (fMRI), which measures the magnetic properties of hemoglobin, the components in red blood cells that carry oxygen throughout the body.

When the brain is operating on a specific task, it demands more fuel — mainly oxygen and glucose. So the harder a region of the brain is working, the greater the fuel consumption and the greater the flow of oxygenated blood will be to that site. During an fMRI scan, when a portion of the brain is in use, that region will light up like a red-hot flare on the screen. By tracking this activation, neuroscientists can determine what specific areas in the brain are working at any given time.

A companion technology used in the study is called steady-state typography (SST), which tracks rapid brain waves in real time by measuring electrical activity inside the brain. According to Lindstrom, brain waves calibrated by fMRI and SST are straight shooters. When a person is connected to one of these machines and asked questions, his or her brain waves and patterns don't waver, hold back, equivocate or say what they think the person across the table wants to hear.

Both fMRI and SST are able to measure the level of emotional attraction (or revulsion) we experience in response to stimuli more precisely than any other tool available. As such, neuroimaging could uncover truths that a half-century of market research, focus groups and opinion polling couldn't come close to accomplishing.

The Need for Neuromarketing

According to Lindstrom, the aforementioned traditional research methods are no longer up to the task of finding out what consumers really think. However, such consumer insight is critically important in light of the following facts:

- Roughly 21,000 new brands are introduced worldwide each year — and most fail within 12 months.
- Eight out of 10 products launched in the United States

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Rebecca S. Clement, Publisher; **Sarah T. Dayton**, Editor in Chief; **Andrew Clancy**, Senior Editor; **Edward O'Neill**, Graphic Designer; **Tor Constantino**, Contributing Editor

fail within three months.

- In consumer products alone, 52 percent of all new brands and 75 percent of individual products fail.

Neuromarketing: Real-World Examples

Reducing these failure rates and their costs is a key reason driving the application of neuroimaging in some unexpected ways, such as the following:

- Hollywood is using neuroscience to study how subjects' brains respond to trailers of movies that are months away from general release. By exploring precisely what appeals to the brain's reward center, studios can create more provocative trailers, or even revise movie endings to reflect what appeals to the viewing public.
- Daimler-Chrysler used fMRIs to study people's brains while showing them images of automobiles, including Mini Coopers. They found that with the Mini Cooper image, a region in the back of the brain that responds to faces came alive, showing that the Mini Cooper registered in subjects' heads as an adorable face — a Bambi on four wheels, if you will.

This Must Be the Place: Product Placement

Over the years, neuromarketing research has found that consumers' memory of a product is the most relevant, reliable measure of an ad's effectiveness and their future buying behavior. One of the fastest growing ways to try to reinforce brands in customers' memories is by using product placement within media content.

According to a study conducted by PQ Media in 2006, companies paid a total of $3.36 billion globally to have products featured in various TV shows, music videos and movies. In 2007, this increased to $4.38 billion, and it is predicted to reach $7.6 billion by 2010.

To gauge the effectiveness of product placement, neuromarketing researchers turned their spotlight on the hit TV talent show for aspiring singers, "American Idol."

'American Idol': $26 Million Gamble

There are three primary corporate sponsors on "American Idol": Cingular Wireless, Ford Motor Company and Coca-Cola, each of which forks over an estimated $26 million annually to have its brands featured on one of the highest-rated shows in television history.

Not only do Coke and Cingular run 30-second ads during commercial breaks as part of that spend, they also feature their products prominently *during* the show itself.

Cigarette Warning Labels: More Harm Than Good?

Virtually every country requires some kind of health warning label on cigarette packages. These range from written U.S. warnings to gory, forensically true-to-life images of lung tumors, depicted in countries such as Thailand, Australia and Brazil.

In 2006, despite these warnings, tobacco advertising bans and massive anti-smoking campaigns, global consumers smoked a whopping 5.763 trillion cigarettes. Lindstrom's neuromarketing study revealed surprising results about what drives smokers' cravings.

Smokers in the study had to first answer written questions about a variety of behaviors, including whether they were affected by warnings on cigarette packs and whether those warnings made them smoke less.

Participants were then connected to an fMRI machine, where their brains were mapped while viewing slides of various warning labels and simultaneously clicking a device gauging their desire to smoke.

Researchers found that viewing the various cigarette warning labels actually stimulated an area of the smokers' brains called the nucleus accumbens, otherwise known as the "craving spot." This region is a chain-link of specialized neurons that lights up when the body desires something — whether alcohol, drugs, tobacco, sex or gambling.

Even though most of the participants checked "yes" on the pretest when asked if warning labels worked, these fMRI results showed that not only did cigarette warning labels fail to deter smoking, but by activating the "craving spot," it appeared they actually encouraged smokers to light up.

For instance, the three judges all keep cups of America's most popular soft drink in front of them, and both the judges and the contestants sit on chairs or couches with rounded contours specifically designed to look like bottles of Coca-Cola.

Cingular pops up repeatedly throughout the show, though to a lesser extent. As host, Ryan Seacrest repeatedly reminds viewers to dial in or vote for their favorite contestant via text-message from a Cingular Wireless cell phone. Of the show's three main sponsors, Ford is the only advertiser that doesn't share the stage with the contestants. That's a whole lot of money, given

that this neuromarketing study would be the first time that the effectiveness of product placements has been scientifically tested.

Testing the Bang for the Buck … or Bust?

Four hundred subjects took part in the SST study, each fitted with what looked like a floppy, black bathing cap wired with a dozen electrodes resembling tea candles. The specifically positioned electrodes enabled researchers to view and mathematically measure what the participants' brain waves were doing in real time, revealing such things as attraction and/or repulsion to a visual image.

The brain-scan subjects were presented with a sequence of 20 product logos, each one appearing for a single second. Some of the logos belonged to companies that aired 30-second commercials on "American Idol," including Coke, Cingular and Ford. These were termed "branded logos" for the study. Volunteers also saw logos from companies that had no products placed within the show — everything from Fanta to Target — and these were termed "unbranded logos."

Then the participants were shown a 20-minute special edition of "American Idol" and a 20-minute episode of a different program, followed by the exact same sequence of the 20 logos, three times in a row. Researchers found that prior to viewing the "Idol" segments, all subjects demonstrated the same level of recall for both "branded" and "unbranded" logos — this was the study's baseline.

However, after viewing the programs, subjects' memories of the branded logos, such as Coke's and Cingular's, significantly crowded out memories of the unbranded logos, including Pepsi's and Verizon's.

But then came the most bizarre, and potentially most profound finding of all. The SST results showed that Coke was much more memorable than Cingular and far, far more memorable than Ford. What was even more amazing was that Ford didn't just do poorly. In its post-program test, researchers found that subjects remembered less about the Ford commercials than before they entered the study. Bottom line: The Coke-saturated ads actually suppressed subjects' memories of Ford ads.

Product Placement: What Success Looks Like

To understand the results, think how each company's advertising was integrated into the program. Coke permeated 60 percent of the show's running time with artfully placed cups, furniture evoking the shape of its bottles and Coke-red walls. Ford, on the other hand, simply ran traditional commercials that didn't intrude on the program at all.

Products that play an integral part in the narrative of a program — such as Coke and, to a lesser extent, Cingular Wireless — seem to not only increase consumer memory for those integrated products, but actually *weaken* the ability to remember other brands. But what is it within our brains that makes some products so much more memorable and appealing than others? ●

I'll Have What She's Having: Mirror Neurons at Work

Have you ever wondered why, when you're watching a baseball game and your favorite player strikes out in the ninth inning, you cringe — or alternately, why, when you're at the movies and the heroine starts weeping, tears well up in your own eyes?

Chalk it up to mirror neurons, which are nerve cells that fire when an action is being performed and when that same action is being observed. Mirror neurons explain why we often smile when we see someone who is happy or wince when we see someone in physical pain.

Yawn. Are you yawning now or feeling the initial stirrings of yawning? *Yawn.* If so, this can be explained by mirror neurons, which not only become activated when we're *observing* other people's behavior, they even fire when we're *reading* about someone's behavior. And that's exactly how our mirror neurons work on us as consumers as well.

Why You May Be Addicted to Shopping

Mirror neurons don't work alone. Often, they work in tandem with dopamine, one of the brain's pleasure chemicals. As we all know, whether our vice is shoes, CDs or electronics, shopping can be addictive. But does it actually make us happier? All scientific indicators point to yes — at least in the very short term.

And that dose of happiness can be attributed to dopamine, the brain's flush of reward, pleasure and well-being. When we first decide to buy something, the brain cells that release dopamine promote a burst of good feeling, and this dopamine rush fuels our instinct to keep shopping even when our rational mind tells us we've had enough.

So buyers beware, because the future of advertising isn't smoke and mirrors — it's mirror neurons. We're going to revisit cigarettes and the subject of craving, and look at how subliminal signals assaulting us from billboards and store shelves can cause us to buy. ●

I Can't See Clearly Now: Subliminal Messaging

During the summer of 1957, at a movie theater in

Fort Lee, N. J., a market researcher named James Vicary placed a mechanical slide projector in the screening room. The machine projected the words "Drink Coca-Cola" and "Eat Popcorn" onscreen for a duration of 1/3000th of one second every five seconds during every showing of the movie for six weeks.

Vicary, famous for coining the term *subliminal advertising,* claimed that during his experiment the Fort Lee theater saw an 18.1 percent increase in Coca-Cola sales and a whopping 57.8 percent surge in popcorn purchases, all thanks to the suggestive powers of his hidden messages.

Consumers were convinced that the government could use the same kind of under-the-radar technique to peddle propaganda or that the communists could use them to recruit supporters. As a result, American television networks and the National Association of Broadcasters banned subliminal ads in June 1958. However, in a subsequent interview in *Advertising Age,* Vicary somewhat puzzlingly admitted that his experiment was a gimmick — he'd made the whole thing up. Despite Vicary's confession, a belief in the power of subliminal messaging had been firmly planted in the American mind.

Subliminal Messaging on Display

Generally speaking, subliminal messages are defined as visual, auditory or other sensory messages that register just below our level of conscious perception and can be detected only by the subconscious mind.

Today, some stores play tapes of jazz or Latino music that conceal recorded messages — imperceptible to our conscious minds — designed to prod shoppers into spending more or to discourage shoplifting. Among the messages: "Imagine owning it" and "Don't take it, you'll get caught." According to one vendor, in stores that broadcast these tapes overall sales are up 15 percent, while store thefts have fallen by 58 percent.

In a variation of this phenomenon, cigarette company Philip Morris offers bar owners financial incentives to fill their venues with color schemes, specially designed furniture, ashtrays, suggestive tiles designed in captivating shapes similar to parts of the Marlboro logo and subtle symbols that, when combined, convey the very essence of Marlboro — without even mentioning the brand name or showing the actual logo.

These "installations" or "Marlboro Motels," as they're known in the business, usually consist of lounge areas with comfy Marlboro-red sofas positioned in front of TV screens spooling scenes of the Wild West — with its cowboys, horses, wide-open spaces and sunsets — all designed to evoke the essence of the iconic "Marlboro Man." When put to the neuromarketing test, the effect of these indirect branding tactics was stunning.

Big Tobacco Subliminally Benefits

In a study, researchers asked volunteers who smoked to refrain for two hours preceding the test, to ensure that their nicotine levels would be equal at the start. The subjects were first shown subliminal images that had no overt connection to cigarette brands — the aforementioned western-style scenery, cowboys, sunsets and deserts.

Next, to establish a comparison, they were shown explicit cigarette advertising images, such as the Marlboro Man and Joe Camel, as well as the cigarette brands' logos, to determine whether the subliminal images would generate cravings similar to the ones generated by the logos.

To no one's surprise, the fMRI scans revealed a pronounced response in the volunteers' nucleus accumbens – – the area of the brain involved with reward, craving and addiction — when they viewed the actual cigarette packs. But what was more interesting was that when the smokers were exposed to the non-explicit images — cowboys, a camel in the desert — there was immediate activity in the craving region of their brains, the exact same region that responded to the explicit images of the packs and logos. In fact, the logo-free images *associated* with cigarettes triggered *more* cravings among smokers than the logos or the images of the cigarette packs themselves.

One reason is that, since the subliminal images didn't show any visible logos, the smokers weren't consciously aware that they were viewing an advertising message and, as a result, they let their guard down. In other words, the tobacco companies' efforts to link "innocent images" with smoking in our subconscious minds have paid off big time. While subliminal advertising appears to work for tobacco, there may be an even more powerful reason why we buy, and that reason can be summed up in one word — ritual. ●

Do You Believe in Magic: Ritual, Superstition and Why We Buy

The more unpredictable the world becomes, the more we grope for a sense of control over our lives and the more we adopt superstitious behaviors and rituals to help shepherd us through. As Dr. Bruce Hood, professor of experimental psychology at the University of Bristol in England, writes, "If you remove the appearance that we are in control, both humans and animals become stressed."

Hood went on to prove this point during an address at the British Association Festival of Science in Norwich. In

front of a roomful of *scientists*, Hood held up a blue sweater and offered 10 pounds (roughly $30) to anyone who agreed to try it on. Hands flew up all over the room. Hood then told the audience that the sweater once belonged to Fred West, a serial killer alleged to have brutally murdered 12 young women, including his own wife. All but a handful of those same hands went down.

Hood then confessed that the piece of clothing didn't actually belong to Fred West. However, the mere *suggestion* that the sweater had been worn by the killer was enough to make the scientists shy away. Rationally or not, we unwittingly ascribe similar power to objects such as "lucky" coins, wedding rings and so on.

Buying Into Superstition and Ritual

Products and brands that have rituals or superstitions associated with them are much "stickier" than those that don't. In an unsettled, fast-moving world, we're all searching for stability and familiarity, and product rituals give us an illusion of comfort and belonging. After all, most of us are creatures of habit.

People who own an Apple iPod are no doubt accustomed to its ritualized navigation. Most iPod users could press Music, then Artists, followed by their favorite track, in their sleep. Why court confusion by buying an MP3 player made by Philips or a Microsoft Zune?

Food rituals, too, can be found everywhere, from breaking the wishbone after a Thanksgiving dinner to how we like to eat our Oreo cookies. When it comes to Oreos, there are distinct rituals. Some people like to pry open the cookie, lick off the white frosting in between, then eat the two wafers. Others like to keep the sandwich cookie intact and dunk the whole thing in a glass of cold milk.

The reality is that rituals help us form emotional connections with brands and products. They make the things we buy memorable. ●

Say a Little Prayer: Faith, Religion, and Brands

It doesn't seem like a huge leap of faith to transition from discussing the power of brand ritual to exploring possible connections between religion and buying habits.

Consider a Brooklyn-based company called Holy Land Earth. The company's founder, Steven Friedman, says that many religions consider the ground of Israel to be sacred, and his company imports this divine soil to anyone who wants a small piece of the Holy Land in 10-pound bags. Turns out that a handful of soil from the Holy Land can add a touch of the sacred to religious burials, and it can also be used to bless plants, trees, houses and buildings.

If people are willing to pay sums large and small for things that they believe have religious or spiritual significance, then clearly spirituality and branding are inextricably linked. Some brands seem to embody this passionate connection more than others.

Exploring the Passion of Brand Zealots

Lindstrom's researchers sought to explore the powerful connection between test subjects and the iconic brands Guinness, Harley-Davidson, Ferrari and iPod. As baseline comparatives, the study also included images of well-known brands with less consumer engagement (e.g., Microsoft, BP), as well as star athletes and religious icons.

Volunteers were connected to an fMRI machine and exposed to a host of images: A bottle of Coca-Cola. The Pope. An iPod. The World Cup. Rosary beads. A Ferrari sports car. The eBay logo. David Beckham. Mother Teresa. And so on.

Not surprisingly, Guinness, Harley-Davidson, Ferrari and iPod produced greater activity in many areas of the brain involved in memory, emotion, decision making and meaning than weaker brands did. However, researchers found when participants viewed images associated with the iconic brands, the subjects' brains registered the exact same patterns of brain activity as they did when they viewed the religious images. ●

Why We Choose: The Power of Somatic Markers

Despite those compelling findings regarding iconic brands, a recent study by German brand and retail experts Gruppe Nymphenberg found that more than 50 percent of all purchasing decisions by shoppers are made spontaneously — and therefore unconsciously — at the point of sale. These brain shortcuts have another name, "somatic markers."

How Somatic Markers are Created

Somatic markers aren't simply a collection of reflexes from childhood to adolescence. Every day, we manufacture new ones, adding them to the bulging collection already in place, and companies and advertisers work deliberately to create somatic markers within our brains.

- Sony created an ingenious somatic marker in the weeks before the release of "Spider-Man 3," using men's rooms in selected theaters. A guy enters and sees a conventional row of urinals. However, gazing up he sees a single plastic stand-alone urinal 7 feet above his

head on the wall. Next to it: the words " 'Spider-Man 3'… Coming Soon."

- For a fear-driven somatic marker, it's worth considering Johnson's No More Tears baby shampoo. What does it evoke? Fear of the same thing it promises to help you avoid: tears. Memories of stinging red eyes, from childhood onward.

Of course, not all somatic markers are based on pain or fear. Some of the most effective ones are rooted in sensory experiences, which in fact can be quite pleasant. ●

A Sense of Wonder: Selling to Our Senses

Advertisers have long assumed that the logo is *everything*. Companies have spent thousands of hours and millions of dollars creating, tweaking, altering and testing their logos — and making sure those logos are in our faces. But the truth of the matter is, visual images are far more effective, and more memorable, when they are coupled with another sense — such as hearing or smell. It's called *sensory branding*.

Getting the Senses to Work Together

Lindstrom's neuromarketing study explored the brain activity of subjects exposed to images (including logos) and fragrances of four well-known brands. First the images and fragrances were presented individually and then at the same time. These included Johnson's No More Tears baby shampoo, Dove soap and Coca-Cola, and an assortment of images and aromas from a global chain of fast-food restaurants.

After crunching the data, researchers found that when volunteers were presented with the images and fragrances individually, they found them equally pleasant to look at as to smell. However, when the images and fragrances were presented at the same time, the subjects rated the image-fragrance combinations to be more appealing than either the image or fragrance alone. This led to the conclusion that odor activates many of the exact same brain regions as the sight of a product — even sight of the product's logo.

Not only does "the nose know" but many marketers like to "play by ear" as well.

Seeing and Hearing Are Believing

Sound branding has been around for decades. For example, Kellogg's has spent many years cultivating a signature sound, even going so far as to hire a Danish lab to design a one-of-a-kind *crunch*, so that any child would be able to hear the difference between the sound of eating generic cornflakes and Kellogg's. Other examples include the following :

- The Ford Motor Company created a new latch system for its Taurus models that makes a recognizable vault-like sound when the doors open.
- The sound a can of Pringles potato chips makes when opened was largely engineered to make consumers associate the product with lip-smacking freshness.

Thanks to fMRI, we now know the extent to which the senses are intertwined. The next step will be to determine whether neuromarketing can predict the future success or failure of a product. ●

Neuromarketing: Predicting the Future

Regardless of the item, companies are woefully bad at predicting how we, as consumers, will respond to their products. Because what we say we feel about a product can never truly predict how we behave, and market research is largely unreliable. Can neuromarketing succeed where market research has resoundingly failed? Can it reliably, scientifically predict the failure of a brand or product?

To Be or Not to Be, That Is the Product Question

In late 2006, FremantleMedia — the company that owns "American Idol" — had created a television program called "Quizmania," which it described as "the U.K's most entertaining quiz show." "Quizmania" hadn't debuted in the United States, and there was no guarantee it ever would. That's where Lindstrom's neuromarketing study came in — to find out if audience members' brains could reliably predict whether or not a new and as-yet-unseen TV program would be a hit with American viewers.

Two hundred neuromarketing volunteers were fitted with SST caps, and the electrodes were positioned over specific portions of their brains. To ensure an accurate result, researchers needed some of the subjects to view a program that was a "proven failure" and others to view a "proven success" in addition to the "Quizmania" program.

Half watched the failure, a makeover reality show known as "The Swan." In it, two ordinary-looking women are dubbed ugly ducklings, then transformed, through plastic surgery, diet and cosmetics, into swans. At that point, members of the viewing audience call in and vote for their favorite contestant to advance to the next round.

The other half watched a popular TV show called "How Clean Is Your House?" In this British-made real-

ity show, two exacting, middle-aged busybodies show up at the door of an unkempt home, express outrage at its condition and then make it over into a dream house.

Based on viewers' responses to the three programs, as measured by fMRI "The Swan" was the least engaging, "How Clean Is Your House?" the most engaging and "Quizmania" lay somewhere in between the two. The researchers concluded (with a 99 percent degree of statistical certainty) that "Quizmania" — if and when it ever aired in the U.S. — would be more successful than "The Swan," but less successful than "How Clean Is Your House?" In short, the U.S. findings predicted the actual U.K. performance of these programs. ●

Let's Spend the Night Together: Sex in Advertising

Sex in advertising is everywhere — TV commercials, magazines, retail spaces, the Internet and billboards. But does it actually help sell the products it's supposedly advertising? In 2007, University College London set out to study how well consumers recall sexually suggestive commercials.

The study divided 60 young adults into four groups. Two groups watched an episode of "Sex and the City" in which the female characters discussed whether or not they were good in bed, while the other two groups watched an episode of the family sitcom "Malcolm in the Middle." During the commercial breaks, one segment of each group viewed a series of sexually suggestive ads, while the other two groups watched ads with no sexual content whatsoever.

Turns out that the subjects who had viewed the sexually suggestive ads were no better at recalling them than the subjects who had viewed the unerotic ads. What's more, the "Sex and the City" viewers had worse recall of the ads they had seen than the "Malcolm in the Middle" viewers — it seemed their memory of the sexually explicit commercials had been eclipsed by the sexual content in the show. Researchers concluded that "sex does not sell anything other than itself."

Because we're overexposed to images of sex, in coming years advertisers will be forced to fight for our attention by upping the ante with more overt sexuality. This will ultimately backfire; a decade from now, most of us will have become so desensitized to sex in advertising we won't even notice it anymore. ●

Voyeuristic Consumerism

Think about how other people's behavior affects your shopping experience and ultimately influences your purchasing experience. Take the extreme example of a Michigan teenager named Nick Baily.

On Nov. 6, 2006, Nintendo released its highly anticipated Wii gaming system — the machine that allows players to simulate the full range of motion depicted on the screen using a hand-held remote. After 17 hours of waiting in line at his local Toys "R" Us store, the high school senior rushed home, his Wii tucked under one arm.

Before opening the package, Nick set up his video camera, clipped a microphone to his shirt and pressed Record. Only then, with video rolling, did he begin unsealing his Wii.

A couple of hours later, Nick's very own grand opening could be viewed on YouTube. And it was — approximately 71,000 times in the first week alone. It seemed that simply watching someone else enjoying the opening of a new Wii gave Nintendo fans out there almost as much pleasure as opening that new Wii themselves. This concept of imitation is a huge factor in why we buy the things we do, driven in large part by mirror neurons.

Conclusion: Brand New Day

The fact is that most marketing, advertising and branding strategies are a guessing game. Until now, marketers and advertisers haven't really known what drives our behavior. But thanks to neuromarketing, we now know that roughly 90 percent of our consumer buying behavior is unconscious. The time has come for a paradigm shift.

Neuromarketing is still in its infancy and is only going to expand its reach. Though it may never be able to tell us exactly where the "buy button" resides in our brain, (and thank God for that!) it will certainly help predict certain directions and trends that will alter the face, and the fate, of commerce around the world. ●

RECOMMENDED READING LIST

If you liked *Buyology*, you'll also like:

1. ***Outside Innovation* by Patricia B. Seybold.** Innovation is what keeps companies at the top of their fields, and Seybold shows the way.
2. ***Blink* by Malcolm Gladwell.** Drawing on cutting-edge neuroscience and psychology, Gladwell will change the way you understand every decision you make.
3. ***Meatball Sundae* by Seth Godin.** Godin's latest book is the definitive guide to the 14 trends no marketer can afford to ignore.

Summary

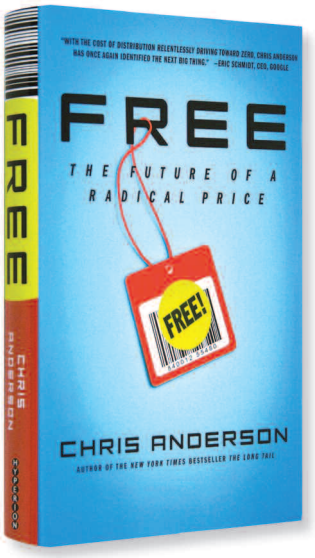
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Marketing: Strategies

FREE

The Future of a Radical Price



by Chris Anderson

THE SUMMARY IN BRIEF

In *FREE, Wired* magazine Editor in Chief Chris Anderson explores a radical idea for the new global economy that is made possible by rapid advancements in technology and globalization through the Web. Never before has an industrial economy fallen in price for so fast and so long, and Anderson uses his industry knowledge to clearly illustrate how a new marketplace of competition based on the price of Free is emerging.

With Google as his guide, Anderson leads readers deep into the new marketplace of Free. This new Free goes beyond traditional marketing gimmicks or cross-subsidies and relies on a true price of zero, made possible by rapid developments of three technologies in computer processing power, bandwidth and digital storage. Anderson explains that the cost of anything built on the three technologies will always go down, and to compete in a market where Free reigns king we must switch to a new business model and focus on abundance.

As Anderson explores the realm of a new area where we can and should "waste" technology and take risks without fear of serious monetary repercussions, readers learn how the new Web economy creates equal opportunities for professionals and amateurs to compete for attention and reputation — the Internet's ultimate currency. Like any other real monies, these can be measured and converted to other currencies, including cash. Using *FREE* to lead the way, readers will be able to compete with a new price — Free.

IN THIS SUMMARY, YOU WILL LEARN:

- Why Free is the new competitive price.
- How technology is changing the future of business models.
- The four business models of Free.
- Why Free is more than a gimmick or a marketing scheme.
- How reputation and attention have become currencies of the Web.
- How Google has pioneered the Free model.

CONTENTS

The Birth of Free
Page 2

What is Free?
Page 2

Digital Free
Page 4

De-Monetization
Page 5

The New Media Models
Page 6

Freeconomics and the Free World
Page 7

Nonmonetary Economies
Page 7

Waste Is (Sometimes) Good
Page 8

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THE COMPLETE SUMMARY: **FREE** THE FUTURE OF A RADICAL PRICE

by Chris Anderson

The author: Chris Anderson is the author of the international bestseller, *The Long Tail*. He is also the editor in chief of *Wired* magazine and a former U.S. Business editor at *The Economist*. He holds a B.S. in Physics from George Washington University and studied Quantum Mechanics at the University of California.

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The Birth of Free

People are making lots of money charging nothing. Not nothing for everything, but nothing for enough that we have essentially created an economy as big as a good-sized country around the price of $0.00. How did this happen and where is it going?

The new form of Free is driven by an extraordinary new ability to lower the costs of goods and services close to zero. It is based on the economics of bits, not atoms. In the atoms economy, which is to say most of the stuff around us, things tend to get more expensive over time. But in the bits economy, which is the online world, things get cheaper. The atoms economy is inflationary, while the bits economy is deflationary.

Anything free in the atoms economy must be paid for by something else, which is why so much traditional free feels like a bait and switch — it's you paying, one way or another. But free in the bits economy can be *really* free, with money often taken out of the equation altogether.

The rise of "freeconomics" is being driven by the underlying technologies of the digital age. Just as Moore's Law dictates that a unit of computer processing power halves in price every two years, the price of bandwidth and storage is dropping even faster. What the Internet does is combine all three, compounding the price declines with a triple play of technology: processors, bandwidth and storage.

As a result, the net deflation rate of the online world is nearly 50 percent, which is to say that whatever it costs YouTube to stream a video today will cost half as much in a year. The trend lines that determine the cost of doing business online all point the same way: to zero.

Sooner or later every company is going to have to figure out how to use Free or compete with Free, one way or another. ●

WHAT IS FREE?
Free 101

"Free" can mean many things, and that meaning has changed over the years. It raises suspicions, yet has the power to grab attention like almost nothing else. It is almost never as simple as it seems, yet it is the most natural transaction of all. Even within the commercial use of "free" there is a wide range of meanings — and business models.

All forms of Free boil down to variations of the same thing: shifting money around from product to product, person to person, between now and later, or into non-monetary markets and back out again. Economists call these "cross-subsidies." Cross-subsidies are the essence of the phrase "there's no such thing as a free lunch," meaning that one way or another the food must be paid for, if not by you directly then by someone else in whose interest it is to give you free food.

Four Categories of Cross-Subsidies

Within the broad world of cross-subsidies, Free models tend to fall into four main categories:

FREE 1: Direct-Cross Subsidies

What's Free: Any product that entices you to pay for something else.

Free To: Everyone willing to pay eventually, one way or another.

In any package of products and services, from banking to mobile calling plans, the price of each individual

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Rebecca S. Clement, Publisher; **Sarah T. Dayton**, Editor in Chief; **Andrew Clancy**, Senior Editor; **Edward O'Neill**, Graphic Designer; **Toni Cannon**, Contributing Editor

component is often determined by psychology, not cost. Your cell phone company may not make money on your monthly minutes — it keeps that low because it knows that's the first thing you look at when picking a carrier — but your monthly voice mail fee is pure profit. Companies look at a portfolio of products and price some at zero (or close to it) to make the other products, on which they make healthy profits, more attractive.

Technology is giving companies greater flexibility in how broadly they can define their markets, allowing them more freedom to give away some of their products or services to promote others. Your credit card is free because the bank makes its money from the service charge it imposes on the retailers you buy from. They, in turn, pass that charge back to you. (Of course, if you don't pay your bill off in full at the end of the month, the bank makes even more money from your interest.)

FREE 2: The Three-Party Market

What's Free: Content, services, software and more.

Free To: Everyone.

The most common of the economies built around Free is the three-party system. Here, a third party pays to participate in a market created by a free exchange between the first two parties. In the traditional media model, a publisher provides a product for free (or nearly free) to consumers, and advertisers pay to ride along. Radio is "free to air," and so is much of television. Likewise, newspaper and magazine publishers don't charge readers anything close to the actual cost of creating, printing and distributing their products. They're not just selling papers and magazines to readers; they're selling readers to advertisers. It's a three-way market.

The Web represents the extension of the media business model to industries of all sorts. This is not simply the notion that advertising will pay for everything. Media companies make money around free content in dozens of ways, from selling information about consumers to brand licensing, "value-added" subscriptions and direct e-commerce. Economists call such models "two-sided markets," because there are two distinct user groups who synergistically support each other: Advertisers pay for media to reach consumers, who in turn support advertisers. Consumers ultimately pay, but only indirectly through the higher prices on products due to their marketing costs.

This also applies to nonmedia markets, such as credit cards (free cards to consumers means more spending at merchants and more fees for issuing banks), operating system tools given free to application software developers to attract more consumers to the platform and so on. In each case, the costs are distributed and/or hidden enough to make the primary goods feel free to consumers.

FREE 3: Freemium

What's Free: Anything that's matched with a premium paid version.

Free To: Basic users.

This term, coined by venture capitalist Fred Wilson, is one of the most common Web business models. Freemium can take different forms: varying tiers of content from free to expensive, or a premium "pro" version of some site or software with more features than the free version.

A typical online site follows the 5 Percent Rule — 5 percent of users support all the rest. In the Freemium model, that means for every user who pays for the premium version of the site, 19 others get the basic free version. The reason this works is that the cost of serving the 19 is close enough to zero to call it nothing.

FREE 4: Nonmonetary Markets

What's Free: Anything people choose to give away with no expectation of payment.

Free To: Everyone.

This can take several forms:

Gift Economy: From 12 million articles on Wikipedia to the millions of free secondhand goods offered on Freecycle, we are discovering that money isn't the only motivator. Altruism has always existed, but the Web gives it a platform where the actions of individuals can have global impact. In a sense, zero-cost distribution has turned sharing into an industry.

The incentives to share can range from reputation and attention to less measurable factors, such as expression, fun, good karma, satisfaction and simply self-interest (giving things away via Freecycle or Craigslist to save yourself the trouble of taking them to the dump). Sometimes the giving is unintentional or passive. You give information to Google when you have a public Web site, whether you intend to or not, and you give aluminum cans to the homeless guy who collects them from the recycling bin, even if that's not what you meant to do.

Labor Exchange: You can get access to free [content] if you solve a few Captchas, those scrambled text boxes used to block spam bots. Ironically, what you're actually doing is using your human pattern-matching skills to decipher text that originated on some other site, one of interest to spammers that uses Captchas to keep them out. Once you solve it, the spammers can gain access to

those sites, which are worth more to them than the bandwidth you'll consume viewing titillating images. As far as they're concerned, it's a black box — they put scrambled Captchas in and they get deciphered text out. But inside the box is the unwitting free labor of thousands of people.

Likewise for rating stories on Digg, voting on Yahoo Answers or using Google's 411 service. Every time you search Google, you're helping the company improve its ad-targeting algorithms. In each case, the act of using the service creates something of value, either improving the service itself or creating information that can be useful somewhere else. Whether you know it or not, you're exchanging your labor for something free.

Piracy: This describes nothing so well as online music *(See Sidebar)*. Between digital reproduction and peer-to-peer distribution, the real cost of distributing music has truly hit bottom. This is a case where the product has become free because of sheer economic gravity, with or without a business model. That force is so powerful that laws, copy protection, guilt trips and every other barrier to piracy the labels could think of failed (and continues to do so). Some artists give away their music online as a way of marketing concerts, merchandise, licensing and other paid fare. But others have simply accepted that, for them, music is not a moneymaking business.

The Three Pieces

Besides the two prices of something and nothing, there is sometimes a third price: less than nothing, a negative price. You get paid to use a product or service, rather than the other way around.

Online, you can see this trend in things like Microsoft paying you to use their search, but it actually has a long tradition in conventional marketing. You find it in instant rebates and cash-back marketing, and in the cash rewards, frequent flyer miles and other payments you get for using credit or loyalty cards.

Of course, few of these are really less than nothing; in most cases your wallet will open sooner or later. But although they're not really free money, consumers often treat them like they are. ●

A Pirate's World

Piracy accounts for an estimated 95 percent of music consumption in China, which has forced record companies to completely rethink what business they're in.

"China will become a model for the world music industry," predicts Shen Lihui, who runs Modern Sky, one of the more innovative Chinese music labels. The company's CDs rarely make money but the label has other ways: producing videos and now, increasingly, Web sites. It also runs a three-day music festival that attracts fans from around the country.

DIGITAL FREE
Too Cheap To Matter

In 1954, at the dawn of nuclear power, Lewis Strauss, the head of the Atomic Energy Commission, stood before a group of science writers in New York City and foretold great things to come. Diseases would be conquered and we would come to understand what causes man to age. People would soon travel "effortlessly" over the seas and through the air at great speeds. Great periodic regional famines would become a matter of history. And, most famously, he predicted, "It is not too much to expect that our children will enjoy in their homes electrical energy too cheap to meter."

And indeed, the postwar science and technology boom did set us on a path of increasing productivity and economic growth at a rate never before seen. But it wasn't quite as rosy as Strauss predicted. Electricity didn't get too cheap to meter.

"Too cheap to meter" would have changed the world. Unlikely? For electricity perhaps (although who knows what solar may someday bring). But today, there are three other technologies that touch nearly as much of our economy as electricity does: computer processing power, digital storage and bandwidth. All three really are getting too cheap to meter.

The rate at which this is happening is mind-boggling. Semiconductor chips roughly double the number of transistors they can hold every 18 months. (That's why, for the same price every two years or so, you can buy an iPod that holds twice as many songs as the last one.) Hard drive storage is getting better even faster: The number of bytes that can be saved on a given area of a hard disk doubles about every year. And the fastest of all three is bandwidth: The speed at which data can be transferred over a fiber-optic cable, doubles every nine months.

For each of these technologies there is an economic corollary that is, if anything, even more powerful: Costs halve at the same rate that capacity, speed, etc., doubles. So that means that if computing power for a given price doubles every two years, a given unit of computing

power will fall in price by 50 percent over the same period.

Never in the course of human history have the primary inputs to an industrial economy fallen in price so fast and for so long. This is the engine behind the new Free, the one that goes beyond a marketing gimmick or a cross-subsidy. In a world where prices always seem to go up, the cost of anything built on these three technologies will always go down. And keep going down, until it is as close to zero as possible.

Anticipate the Cheap

When the cost of the thing you're making falls this regularly, for this long, you can try pricing schemes that would seem otherwise insane. Rather than sell it for what it costs today, you can sell it for what it will cost tomorrow. The increased demand this lower price will stimulate will accelerate the curve, ensuring that the product will cost even less than expected when tomorrow comes. So you make more money. ●

De-Monetization

Google offers nearly a hundred products, from photo editing software to word processors and spreadsheets, and almost all of them are free of charge. Really free — no tricks. Google makes so much money with advertising on a handful of core products — mostly search results and ads that other sites place on their own pages, sharing the revenues with Google — that it can embrace Free in everything else it does.

Google's data centers are the triple play of technology — processing, bandwidth and storage — embodied. As Google adds more of these information factories around the world, they don't get cheaper, but they do get more powerful. Each new center's computers are faster than the ones that came before, and its hard drives hold more information. As a result, every 18 months, the cost to Google of providing you with your Gmail inbox falls by about half. It was only pennies to begin with, but every year it's fewer pennies. Likewise for directions in Google Maps, headlines in Google News and three-minute entertainment fixes on YouTube. On a per byte basis the cost to the company of serving your needs falls every day.

Max Strategies

Why does Google default to Free? Because it's the best way to reach the biggest possible market and achieve mass adoption. Google's CEO Eric Schmidt calls this Google's "max strategy," and he thinks that such a strategy will come to define information markets. It's very simple: "Take whatever it is you are doing and do it at the max in terms of distribution. The other way of saying this is that since the marginal cost of distribution is free, you might as well put things everywhere."

The only thing that limits Google's growth is the pace of the growth of the Web itself, so most of its other products are designed, either in part or in whole, to simply extend Internet usage, from free wireless access to free storage. These other products are what economists call "complements." For Google, almost anything that happens online can be seen as a complement to its main business. Every blog post put up is more information for Google's Web crawler to index, to help give better search results. Every click in Google Maps is more information about consumer behavior, and every e-mail in Gmail is a clue to our human network of connection, all of which Google can use to help invent new products or just sell ads better.

The interesting thing about the consumption of complementary products is that they tend to rise in tandem. So the more people use the Internet, the better it is for Google's core business. So if Google can use Free to encourage people to spend more time online, it will make more money in the end.

A Giant Sucking Sound

Free is not quite as simple as it sounds. Just because products are free doesn't mean that someone, somewhere, isn't making lots of money or that lots of people aren't making a little money each. Craigslist, the free classifieds Web site, falls into the second category. Most of the value doesn't go to *(Craigslist CEO)* Craig Newmark, but instead is distributed among the site's hundreds of thousands of users.

Free brings more liquidity to any marketplace, and more liquidity means that the market tends to work better. That's the real reason why Craigslist has taken over so much of the classified business — Free attracted people, but the marketplace efficiencies that came with Free ultimately kept them.

"Liquidity" is usually thought of as just a financial term, but, in truth, it applies to any system of connected parties. In technology, it's called "scale." What it boils down to is that *more is different*. If only 1 percent of the 100 people in some school's sixth-grade class volunteer to help make the yearbook, it doesn't get done. But if just 1 percent of the visitors to Wikipedia decide to create an entry, you get the greatest trove of information the world has ever seen. (In fact, it's closer to one in 10,000 Wikipedia visitors who are active contributors.) More is different in that it allows small percentages to

have a big impact. And that makes it simply better.

The point is that the Internet, by giving everybody free access to a market of hundreds of millions of people globally, is a liquidity machine. Because it reaches so many people, it can work at participation rates that would be a disaster in the traditional world of non-zero marginal costs. For all the cost advantages of doing things online, the liquidity advantages are even greater. There are huge pools of underexploited supply out there (goods and services that aren't as popular as they should be) and equally huge pools of unsatisfied demand (wants and needs people either have but can't act on or didn't even know they had). Businesses such as Craigslist serve to connect them.

And yet Craigslist makes very little money, just a tiny fraction of what it erased from the newspaper coffers. The value in the classifieds market was simply transferred from the few to the many. Venture capitalists have a term for this use of Free to shrink one industry while potentially opening up others: "creating a zero billion dollar business."

Wikipedia makes no money at all, but because an incomparable information resource is now available to all at no cost, our own ability to make money armed with more knowledge is improved. It isn't making a penny directly; instead, it's taking many pennies away from Britannica. In other words, it's shrinking the value we can measure (direct revenues), even as it's hugely increasing the value we can't (our collective knowledge.)

This is what Free does: It turns billion-dollar industries into million-dollar industries. But typically the wealth doesn't vaporize, as it appears. Instead, it's redistributed in ways that are hard to measure. Free is disruptive, to be sure, but it tends to leave more efficient markets in its wake. ●

The New Media Models

Both radio and TV evolved to be free-to-air and advertising-supported. It was the beginning of the so-called media model of Free: a third party (the advertiser) subsidizes content so that the second party (the listener or viewer) can get it at no charge.

Today, this three-party model is at the core of the $300 billion advertising industry. It not only supports free media, such as traditional over-the-air broadcast, but also subsidizes most paid media, from newspapers and magazines to cable TV, allowing them to be much cheaper than they would otherwise be. And now, with the Web, a medium on which media has no privileged position, it supports everything else.

One of the interesting things about the ad-supported Free model is that it was actually on the decline in the traditional media business. As television moved from free over-the-air broadcast to cable, which is paid, content was increasingly supported by a mélange of revenue streams, including syndication and cable license fees that had little to do with advertising. Even radio, in the form of satellite radio, was moving to a mix of direct subscriptions and advertising. It was starting to look like the print media business, which mixed subscription and newsstand sales with advertising revenues.

The rise of the Web reversed that. After a few years of conducting online experiments that asked people to pay for content, it became clear to almost everyone that fighting digital economics wasn't going to work, and Free won. Not only that, but the price expectations set online began to leak offline, too.

Newspapers realized that the Google generation might not adopt their parents' habit of paying for a print daily, so they introduced free newspapers aimed at young adults and handed them out on street corners and subways. Other newspapers kept their price but bundled free giveaways. As the rest of the newspaper industry declined, free newspapers became a solitary beacon of hope, growing 20 percent a year (mostly in Asia and Europe) and accounting for 7 percent of total newspaper circulation in 2008.

Meanwhile, broadcast television viewership seems to have peaked, at least with the sought-after 18- to 24-year-old viewers, who are increasingly watching clips or even full shows for free online, on YouTube or Hulu. Broadband is the new free-to-air broadcast, and the premium cable lock on the viewer appears to be eroding.

The End of Paid Content

This shift is part of a greater devaluation of content, driven not by just generational taste but also technological trends. Jonathan Handel, an entertainment lawyer (and former computer scientist) in Los Angeles, gives six reasons for the migration to Free:

Supply and demand. The supply of content has grown by factors of millions, but demand has not. We still only have 24 hours in the day.

Loss of physical form. We can't help it. We value atoms more than bits and as content moved from disks in boxes to files flying through wires it became intangible, even abstract.

Ease of access. It's often easier to download content than it is to find and buy it in stores. As such "search

costs" decline, so does our willingness to pay for having content made available.

The shift to ad-supported content. Habits set on the Web carry over into the rest of life. If content is free online, shouldn't it become free elsewhere, too?

The computer industry *wants* content to be free. Apple doesn't make its billions selling music files, it makes it selling iPods. Free content makes the devices it plays on more valuable.

Generation Free. The generation that has grown up with broadband has digital economics somehow wired into their DNA. That's why they're either indifferent or hostile to copyright. They just don't see the point.

This is why ad-supported models won online, and why they continue to win. But advertising can't support everything. The reason comes back to scarcity and abundance. As Scott Karp, the founder of Publishing2, a news service and analysis firm, puts it, "Advertising in traditional media, whether newspapers, magazines or TV, is all about selling a scarce resource — space. So when traditional media companies try to sell space online the same way they sell space offline, they find they only have a fraction of the pricing power."

There's simply more competition online — advertisers have more choices and the price falls to whatever the market will bear. But that's for "display advertising," banners and images that are meant to promote a band, not necessarily lead to an immediate sale. Another kind of advertising is epitomized by Google's text ads that it runs next to search results and on third-party sites. Google doesn't sell space. It sells users' intentions — what they've declared their interest in, in the form of a search query. And that's a scarce resource.

FREECONOMICS AND THE FREE WORLD

Economics has no problem with prices of zero. Pricing theory is based on what's called "versioning," where different customers pay different pricing. The fundamental idea behind versioning involves selling similar products to different customers at different prices. When you see a matinee movie at half price or get a senior citizen's discount you're experiencing versioning. This is the core of Freemium: One of the versions is free, but the others are paid.

Another way that pricing theory can invoke Free is with flat-fee ("all you can eat") prices. You see this in examples such as Netflix's DVD-by-mail rentals. For a fixed monthly subscription you can rent as many DVDs as you want, three at a time. Although you're still paying, you're not paying for each incremental DVD that you consume. So the perceived cost of watching a DVD, sending it back and getting a new one is effectively zero. It "feels free," even though you're paying a monthly fee.

This is an example of what economists call near-zero "marginal price," which is not to be confused with near-zero marginal cost. The first is experienced by the customer, the second by the producers. But the best model is when you can combine the two, which is what Netflix does.

Netflix's costs are mostly fixed: getting subscribers, keeping them, building distribution warehouses, developing software and buying DVDs. The marginal costs of sending out more DVDs are pretty low — a little postage, some labor and some incremental royalties. The longer you keep your videos, the more the company makes, since it can serve more members with less capacity if it sends out less DVDs.

You can see this near-zero marginal price model all around you, from the luncheon buffet to your cell phone and broadband Internet access plans. In each case, a flat fee takes the negative psychology of marginal price off the table, making consumers more comfortable about their consumption. It works if they consume a lot, because it's usually matched with a low marginal cost production model, and it works even better if they consume a little. As Hal Varian, Google's chief economist puts it, "Who is the gym's favorite customer? It's the guy who pays his membership fee and then doesn't go."

Nonmonetary Economies

Normally, in the consumer marketplace, our scarcity of money helps us navigate the abundance of products available to us — we only buy what we can afford. This is also how capitalism "keeps score" of consumer demand, by what consumers are willing to pay for. But what happens online, where more and more products are encoded into software and thus can be offered for free? Money becomes no longer the most important signal in the marketplace. Instead, two nonmonetary factors rise in its place. These two are often called the "attention economy" and the "reputation economy." What's unique about the online experience is how measurable the two are, and how they are becoming more like a real economy every day.

What defines an "economy"? In the mid-1700s, Adam Smith defined economics as the study of markets. Today, economics studies more than just monetary mar-

kets. Since the 1970s, such subspecialties as behavioral economics and "neuroeconomics" have emerged, all attempting to explain why people make the choices they do based on the incentives they experience. Attention and reputation are often a part of these even if they're not formally defined as a market.

Today, when you link to someone on your blog, you are effectively granting them some of your own reputation. In a sense, you are saying to your own audience: "Leave me. Go to the other place. I think you'll like it, and if you do, perhaps you'll think more of me for having recommended it. And if you think more of me, perhaps you'll come back to my site more often."

Ideally, this transfer of reputation leaves both parties richer. Good recommendations build trust with a readership, and being recommended confers trust too. And with trust comes traffic.

To treat attention and reputation as proper markets so we could explain and predict them with many of the same equations that economics use in traditional monetary economics they would need to exhibit the same characteristics of other traditional currencies: to be measurable, finite and convertible into other currencies.

What is the currency of reputation online other than Google's PageRank algorithm, which measures the incoming links that define the network of opinion that is the Web? And what better measure of attention than Web traffic? In economic terms, we can convert from the reputation economy to the attention economy to cash by using this formula: The economic value of your site is the traffic your PageRank brings from Google's search results for any given term, times the key-word value for that term. And you can convert that traffic into plain old cash by simply running AdSense ads on your site and splitting the revenues with Google.

The Gift Economy

As with the attention and reputation economies, the ephemeral gift economy has suddenly become explicit and measurable as it moves online. In the traditional media business you have to pay people to write. But something's changed. At last count, there were 12 million active blogs, people or groups of people writing at least once a week and no more than a few thousand of these writers are paid to do it.

Some of these are informal posts in the support groups of countless discussion forums, but this number also includes projects that took weeks or months of work, such as player-created video game guides and catalogs of everything.

Professionals and amateurs are suddenly in the same marketplace of attention, and these parallel worlds are now in competition.

What motivates the amateurs, if not money? Adam Smith got it right: Enlightened self-interest is the most powerful force in humanity. People do things for free mostly for their own reasons: for fun, because they have something to say, because they want people to pay attention to them, because they want their own views to gain currency and other very personal reasons. What our "free labor" in an area we value grants us is respect, attention, expression and an audience. ●

Waste is (Sometimes) Good

Perhaps the best example of glorious waste is YouTube. People often complain that YouTube is no threat to television because it's "full of crap," which may be true. The problem is that none of us can agree on what "crap" is, because we can't agree on its opposite, "quality." You may be looking for funny cat videos, while someone else is looking for soldering tutorials that are of no interest to you. Crap is in the eye of the beholder.

What this boils down to is the difference between abundance and scarcity thinking. If you're controlling scarce resources you have to be discriminating. There are real costs associated with that chunk of time. But if you're tapping into abundant resources, you can afford to take chances, since the cost of failure is so low.

Free in a Time of Economic Crisis

Will Free retreat in a down economy? Probably not. The marginal cost of anything digital falls by 50 percent every year, and "Free" has as much power over the consumer psyche as ever. But it does mean that Free is not enough. It also has to be matched with Paid. Today's Web entrepreneurs have to invent not just products that people love, but also those that they will pay for. Free may be the best price, but it can't be the only one. ●

RECOMMENDED READING LIST

If you liked *Free,* you'll also like:

1. ***Naked Conversations*** **by Robert Scoble and Shel Israel.** Get the buzz on blogs: why experts believe that blogging is changing the face of business.
2. ***Change Function*** **by Pip Coburn.** Most potential users are afraid of new technology and need a compelling reason to change. Coburn offers one.
3. ***Profit or Growth?*** **by Bala Chakravarthy and Peter Lorange.** Readers are given proven strategies to protect and extend their core businesses.

Summary

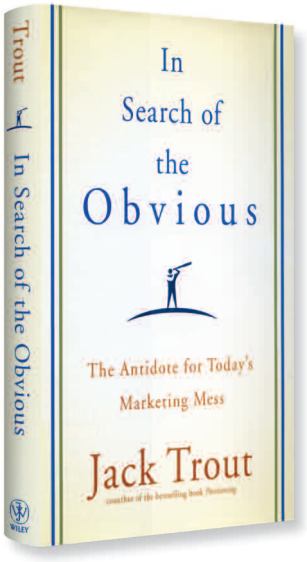
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Marketing: Strategies

In Search of the Obvious

The Antidote for Today's Marketing Mess



by Jack Trout

THE SUMMARY IN BRIEF

Business is in an era of killer competition. At a time when the function of marketing is of critical importance, marketing itself is in a mess. Despite all the attention paid to branding, an increasing number of business categories are sliding into commoditization — fewer and fewer of the brands in these categories are well-differentiated; they live in their categories but don't own a meaningful idea that makes them unique.

Jack Trout breaks through the mess of modern marketing by noting that marketers need to be searching for that simple, obvious differentiating idea — one that cannot be found in segmentation strategies, data mining or search engine optimization. This obvious idea will help solve any marketing problem, and it will do so with no jargon, no numbers and no complexity. If an idea is obvious to you, it will be obvious to your customers: That is the reason it will work so well.

IN THIS SUMMARY, YOU WILL LEARN:

- Five essential guidelines from the greatest book on marketing ever written — one you've likely never heard of.
- How to identify and contend with the barriers to obvious marketing, and who must lead the effort (hint: Start right at the top).
- How the Internet can overwhelm you and your customers, and what to do to about it.
- How to use your competition to market your products more effectively.
- How to find the right direction to a streamlined, simplified, more robust approach to marketing.

CONTENTS

In Search of the Obvious Page 2

What Gets in the Way of the Obvious Page 3

The Internet Can Be an Obvious Problem Page 4

An Obvious Look at the Marketing Process Page 5

Some Help in That Search for the Obvious Page 6

Some Obvious Ground Rules Page 7

The Future Is Never Obvious Page 8

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THE COMPLETE SUMMARY: **IN SEARCH OF THE OBVIOUS**

by Jack Trout

The author: Jack Trout is president of Trout & Partners, one of the most prestigious marketing firms in the United States, with offices in 13 countries. He is the author of several marketing classics, including *Differentiate or Die*.

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For additional information on the author, go to http://my.summary.com.

In Search of the Obvious

The best book on marketing is one that was written over 90 years ago, in 1916. It is only 40 pages long, it contains no jargon or graphs or complex research. In fact, it's more like a pamphlet. The book is titled *Obvious Adams: The Story of a Successful Businessman*, written by Robert R. Updegraff.

Why is this book so great? Because the search for any marketing strategy is the search for the obvious. Consider the dictionary definition of the word "obvious": easy to see or understand; plain; evident. Interestingly, when presented with a simple, obvious strategy, many clients are not impressed. They are often looking for some clever, not-so-obvious idea.

Updegraff warned of this reaction when he wrote, "The trouble is, the obvious is apt to be so simple and commonplace that it has no appeal to the imagination. We all like clever ideas and ingenious plans that make good lunch-table talk at the club. There is something about the obvious that is — well, so very obvious!"

Updegraff lists five guidelines in the search for the obvious.

The First Test of Obviousness: This Problem, When Solved, Will Be Simple. The obvious is nearly always simple — so simple that sometimes a whole generation of men and women has looked at it without even seeing it. Whereas an idea is clever, ingenious or complicated, we should suspect it. It probably is not obvious.

The Second Test of Obviousness: Does It Check With Human Nature? If you do not feel pretty certain that your idea or plan will be understood — and accepted — by everyone outside your office or realm of influence, it probably is not obvious. These people will see it in its simple reality, uncomplicated by professional or technical knowledge and free of the inhibitions that grow out of experience.

The Third Test of Obviousness: Put It on Paper. Write out your idea, plan or project in words of one or two syllables, as though you were explaining it to a child. If the explanation becomes long, involved or ingenious, then it very likely is not the obvious. No idea, plan, program or project is obvious unless it can be understood and worked by people of average intelligence.

The Fourth Test of Obviousness: Does It EXPLODE in People's Minds? If, when you have presented your idea, outlined your solution to a problem or explained your plan, project, or program, people ask, "Now why didn't we think of that before?" you can feel encouraged. Obvious ideas are very apt to produce this "explosive" mental reaction.

In many instances, from that moment on, the whole matter appears to be settled, without further explanation or argument. It is just too obvious to need prolonged consideration. If an idea or proposal does not "explode," if it requires lengthy explanation and involves hours of argument, either it is not obvious or you have not thought it through yourself and reduced it to obvious simplicity.

The Fifth Test of Obviousness: Is the Time Ripe? Many ideas and plans are obvious in themselves but just as obviously "out of time." Checking the timeliness is often just as important as checking the idea or plan itself.

Sometimes the time may have passed, definitely and irrevocably, in which case the obvious thing to do is forget your idea. In other instances, its timeliness may be ahead, which calls for patience, plus alertness. Next to the first test — the simplicity requirement — the timeliness test is perhaps the most important check on the obviousness of a plan or program.

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Common Sense Is Your Guide

Abraham Lincoln offered some brilliant advice on figuring out what to do: "You must draw on language, logic and simple common sense to determine essential issues and establish a concrete course of action." Unfortunately, business executives often leave their common sense out in the parking lot when they come to work.

Common sense is wisdom that is shared by all. It's something that registers as an obvious truth to a community.

Simple ideas tend to be obvious ideas because they have a ring of truth about them. What's obvious to you is obvious to many. That's why an obvious answer usually works so well in the marketplace.

To think in simple, commonsense and obvious terms, you must begin to follow these guidelines:

- **Get your ego out of the situation.** Good judgment is based on reality. The more you screen things through your ego, the farther you get from reality.
- **Avoid wishful thinking.** How things go is often out of our control; good common sense tends to be in tune with the way things are going.
- **Be better at listening.** Common sense by definition is based on what others think. People who don't have their ears to the ground lose access to important common sense.
- **Be a little cynical.** Things are sometimes the opposite of the way they really are. That's often the case when someone is pursuing his or her own agenda. Good common sense is based on the experiences of many, not the wishful thinking of some.

What Gets in the Way of the Obvious

There are forces at play that don't make the search easy or sometimes even possible. They tend to obstruct clear thinking. Some forces are external. Some are internal. They all are things of which you must be aware. Forewarned is forearmed.

The Search Begins and Ends With the CEO

If top management isn't involved, chances are you won't get anywhere in your search for the obvious. It is increasingly difficult for CEOs to digest the flood of information out there and make the right choices — but it can be done.

The trick to surviving is knowing *where* you are going. That's because no one (the board, your managers, your employees) can follow you if you don't know where you're heading.

If there's one lesson about the search for the obvious that real leaders need to understand, here it is: *Success or failure is all about perceptual problems and opportunities in the marketplace. And it's all about understanding that the perceptions in the mind of the customer are where you win and lose.*

You have to stay focused on adapting to the mind of the prospect, not trying to change it. The more you understand the minds of your customers or prospects, the less likely you will get into trouble.

Today, thanks to intense competition, mistakes are felt in a matter of months, not years. To survive, a CEO has to assume the final responsibility of what gets taken to the marketplace. After all, his job is on the line.

Marketing's Big Problem: Wall Street

The only thing that's obvious to Wall Street is money. Here's the problem: Wall Street creates an environment that encourages bad, sometimes irrevocable, things to happen. The economist Milton Friedman once said, "We don't have a desperate need to grow; we have a desperate desire to grow." The desire for growth is at the heart of what can go wrong for many companies. Growth is the byproduct of doing things right. But in itself, it is not a worthy goal.

When you consider that people do damaging things to force unnecessary growth, you can say that pursuing growth can be a crime against the brand.

No Time to Think

With the business and political worlds getting more complex and difficult and people tied to cell phones and BlackBerrys, having quiet time to sort things out and figure out what to do is fast disappearing. Finding the obvious requires time to think.

We have become a world of reactors, not thinkers, at a time when good thinking is so desperately needed. We all have to recognize this problem. Then, people have to work hard not to let themselves get overwhelmed with information, much of which is of little use in making important decisions. Ignore it. Don't read it. Don't listen to it.

The best weapon we all have against too much information is our common sense. Trust it and use it. If you follow this advice, you'll find that solving the problems will get easier.

McDonald's Gets "Back to the Obvious"

A few years ago, when McDonald's sales and earnings were flat, then-CEO Jack Greenberg rolled out something called a "New Taste Menu"— a complex collection of 44 items to be rotated by franchises. All this did was slow down operations, turning fast food to slow food, with all the expected complaints.

Greenberg's replacement, the late Jim Cantalupo, replaced the new menu with a "back to the obvious" campaign, driving home the need for cleanliness, quality and upgraded products. As he said, "We've taken our eyes off the fries." The result was newfound success.

The Internet Can Be an Obvious Problem

The search for the obvious requires clarity of thinking. But in today's connected world, it is increasingly difficult to think clearly. Business complexity is fed by the ever-increasing amount of information that is being piped into the business world in as many ways as Silicon Valley can invent. There's no escaping what David Shenk described in his book *Data Smog*, the "noxious muck and druck of the information age."

Currently, information processing accounts for half the gross national product. A lot of it ends up on paper that someone has to read. It isn't helping matters. Today business managers are expected to read 1 million words per week.

A study in Australia indicated that the human mind can only process four variables at a time. Once this number is exceeded, the mind goes into "tilt" and we have to begin again. Today's high-tech communication tends to generate more variables than we can handle. It's information overload. Our minds are like a computer's memory and our disks are full.

Some people even believe that information overload will become a medical problem. How can we reduce information right now, in order for our minds to operate at maximum efficiency and speed? Here's how to fight through the fog while trying to see what's happening.

The first challenge is to acknowledge that you can't absorb everything you think you need to know, then you'll be able to prioritize, delegate, and just let things slide. As you limit content, you'll learn to savor it more. Get started by spending two hours deciding what sources of information and intelligence are critical for you and your business ("must-read" periodicals, Web sites, etc.). Boil it all down to the highest-quality stuff and read that first. Cancel or get rid of what's only marginal.

Beware of E-mail

E-mail's greatest virtues are that it's cheap and fast. Those are also its biggest dangers. Too much data clamors for conscious attention. It all wants to evolve into information and then knowledge. Just deciding what to ignore takes intellectual effort, and, inevitably, the quality of the work suffers. Here are some tips for dealing with always-on technologies like e-mail:

- Decide by what's in the header whether you'll actually open and read e-mail.
- Don't put your e-mail address on your business cards.
- Open e-mail only at set times — perhaps when you start work or at the end of the day.
- Send brief responses; this discourages people from writing long e-mails.
- Unless you're retired, ask friends not to forward trivia, chatter, jokes or other junk.

Advertising People Can Be an Obvious Problem

Most advertisers and their agencies involved in Super Bowl advertisements are creating advertising designed to entertain, not to sell. You could say they are all on the same wasteful page. It's all about getting laughs or generating shock value. It's about theater, not marketing.

Their defense will be that if you love their commercial, you will love their product and you will buy it. But history has pretty much declared that premise as wrong.

Consider the beer business. No one has poured as much money into Super Bowl ads as Anheuser-Busch. Over the years, we've seen Clydesdales playing football, frogs talking, funny gag after funny gag. Has it helped sell beer? Actually, the beer business has been flat and declining for years.

Media and Buzz

So why do companies spend $2.7 million for 30 seconds of Super Bowl ad time? First of all, there is the *media factor*. All the media has piled on to write endlessly about all these commercials. They write as if they are reviewing movies or plays. Was it funny? Did it offend someone? Did their readers like it? Never a question about whether it offered a reason to buy the product.

Next, there is the *buzz factor*. With the arrival of the

Internet, everyone wants to see his commercial talked about as it lives on in Web-based campaigns. But what are people talking about? Not the product or why it's different. They are talking about the gag.

It's worth asking if the advertising industry has lost touch with the meaning of advertising. If you look at a dictionary, the definition is "to call public attention to, especially in order to sell." So, there it is, the role of advertising is not to entertain, it's to sell. And don't fall prey to the argument that people won't pay attention unless you entertain them. If you have an interesting piece of news or a pretty good reason to buy, you can get people to stop and listen to what you have to say.

Marketing People Can Be an Obvious Problem

The Wall Street Journal reported that Peter Brabeck, the departing CEO of Nestlé, put the company on a diet. He discovered that the food-maker was churning out 130,000 variations of its brands and 30 percent weren't making any money. He launched an aggressive plan to jettison weaker brands and simplify the organization.

Nestlé faces a predicament that haunts many companies that have acquired other companies to a point that these companies are almost impossible to manage. When you're into dog food, chocolate, baby food, ice cream, coffee, and on and on, you can easily see the problem.

The obvious has to line up with the perceptions in the customer's mind, not go against them. What people inside the company perceive as improvements often cause confusion inside the mind of the prospect.

Once you've gotten a brand up to altitude, your watchword should be "steady as she goes." A brand can only stand for one thing in the mind, and the more things you try to make it stand for, the more the mind loses focus on what it is. Endless variations do long-term damage to a brand or a company.

Brand Schizophrenia

Powerful brands have distinct personalities: Duracell's batteries last a long time; Dove contains cleansing cream. But every dominant brand can fade if it falls prey to multiple personality disorder.

General Motors mucked up its brands over decades of endless line extensions. Mercedes-Benz has done it in less than one decade. Once a company abandons its brands' distinctive personalities or positions, it's just a matter of time before confused customers start to drift away.

There are ways to execute line extensions without confusing, and losing, your customers. What these strategies share is rigorous attention to the brand's position — consumers' sense of the brand's distinct, overarching identity. BMW, for example, has been "the ultimate driving machine" for decades, an identity that transcends the company's multiple product lines. Managed carefully, a good position is timeless.

What you have to fight off is the tendency for marketing people to tinker with a brand, noting that a marketing person rarely arrives at a new assignment and says, "Things look pretty good; let's not touch a thing."

An Obvious Look at the Marketing Process

Peter Drucker once said, "Because the purpose of business is to create a customer, the business enterprise has two — and only two — basic functions: marketing and innovation. Marketing and innovation produce results; all the rest are costs. Marketing is the distinguishing, unique function of the business."

Today, when top management is surveyed, the order of their priorities is finance, sales, production, management, legal and people. Missing from the list are

How to Fix the Ad Industry

- **Step 1: Get back to strategy.** Forget about emotion, bonding, borrowed interest or show business. In simple terms, agencies have to be able to help establish the point of difference for a brand. Forty years ago, it was called a *unique selling proposition*. In more recent years, it was called a *position*. In all cases, it's why a customer should prefer your product over the many other choices out there.
- **Step 2: Dramatize the strategy.** The role of a good creative person is to take the strategy and dramatize it in a way that better involves the prospects. In a way, you are dramatizing the reason to buy. It could be a product demonstration or a dramatic solution to a perceived problem. Whatever it is, it captures people's attention while you deliver your sales message.
- **Step 3: Do away with awards.** Nothing does more long-term damage to the industry than making creative folks think that they are making movies rather than commercials. Besides, clients are on to the facts that awards are there to help agencies get more accounts, not for helping clients get more business.

marketing and innovation. That's because as the years rolled on, rather than learn about marketing and innovation, executives started to search for role models instead of marketing models.

How do you find the proper direction to lead those following you? To become a great strategist, you have to put your mind in the battlefront of the marketplace. You have to find your inspiration down at the front, in the ebb and flow of the great marketing battles taking place in the mind of the prospects.

The following is a four-step process to pursue:

Step 1: Make sense in the context. Your message has to make sense in the context of your category. It has to start with what the marketplace has heard and registered from your competition. Get a quick snapshot of the perceptions that exist in the mind of your customers and determine your perceptual strengths and weaknesses, as well as those of your competitors.

Step 2: Find the differentiating idea. Look for something that separates you from your competitors. The secret to this is understanding that your differences do not have to be product-related. There are a number of different ways to differentiate a business beyond just focusing on your product.

Step 3: Have the credentials. There are many ways to set your company or product apart. The trick is to find that difference and then use it to set up a benefit for your customer. To build a logical argument for your difference, you must have the credentials to support your differentiating idea, to make it real and believable. Demonstrate your differences.

Step 4: Communicate your difference. If you build a differentiated product, the world will not automatically beat a path to your door. Every aspect of your communications should reflect your difference — your advertising, your brochures, your Web site, your sales presentations. This gives customers something to latch onto and run with, especially if it's obvious.

Marketing Simplified

The notion of a differentiating idea requires some thought. What kind of idea? Where do you find one? To help you answer these questions, use the following definition: *A differentiating idea is a competitive mental angle.*

This kind of idea must have a competitive angle in order to have a chance for success. There must be an element of "differentness." It could be smaller, bigger, lighter, heavier, cheaper or more expensive. It could be a different distribution system. The idea must be competitive in the total marketing arena, not just competitive in relation to one or two other products or services.

Second, a differentiating idea must have a competitive mental angle. Competitors that do not exist in the mind of the prospect can be ignored. A competitive mental angle is the point you must leverage to achieve results. But an idea is not enough; to complete the process, you need to turn the idea into a strategy.

Turning an Idea Into a Strategy

A strategy is not a goal. It is a *coherent marketing direction*. A strategy is coherent in the sense that it is focused on the idea that has been selected.

Second, a strategy encompasses *coherent* marketing activities. Product, pricing distribution, advertising — all the activities that make up the marketing mix must be coherently focused on the idea.

Finally, a strategy is a coherent marketing *direction*. Once the strategy is established, the direction should not be changed. ●

Some Help in That Search for the Obvious

Everybody is after everybody's business. Because of this fact of life, the key to survival is to start every marketing plan with your competition in mind. It's not what you want to do; it's what your competition will let you do. Here are some survival tips:

- *Avoid a competitor's strength and exploit its weaknesses.* When a competitor is known for one thing, you have to be known for something else. Quite often, a competitor's built-in weakness is the something else you can exploit.
- *Always be a little bit paranoid about the competition.* One of your competitors is probably in a meeting figuring out how to nail you in some way or another. You must constantly be gathering information on what your competitors are planning. Never underestimate your competitor.
- *Competitors will usually get better, if pushed.* Companies that figure they can exploit a sloppy competitor make big mistakes. They ridicule their competitor's product or service and say they can do things better. Then, lo and behold, their big competitor suddenly improves and that so-called advantage melts away.

- *When business is threatened, competitors aren't rational.* Survival is a powerful instinct in life and in business. When threatened, all rationality goes out the window.

Solution Versus Direction

When problems arise, whether they are in marketing, politics or life, everyone looks for a solution. We have all been programmed to solve problems with solutions. Often, though, looking for a solution is a fool's errand. There is no easy solution for complex problems. What there is instead is an obvious direction. The reason is that often there are too many variables in a situation — competition or personal agendas or disruptive technology or, in diplomacy, country interest.

A longer-term direction is a lot more flexible because it gives you some maneuvering room to deal with change and unpredictable events. Often just knowing where you are going is the best you can do in a difficult situation. It also is the essence of a good strategy.

Leadership: A Powerful Differentiator

Leadership is the most powerful way for a company to differentiate a brand and to establish the credentials of a brand. Credentials are the collateral you put up to guarantee the performance of your brand. Also when you have leadership credentials, your prospect is likely to believe almost anything you say about your brand because you're the leader.

Powerful leaders can take ownership of the word that stands for the category. You can test the validity of a leadership claim by a word association test. If the given words are computer, copier, chocolate bar and cola, the four most associated words are IBM, Xerox, Hershey's and Coke.

An astute leader will go one step further to solidfy its position. Heinz owns the word *ketchup*. But Heinz went on to isolate the most important ketchup attribute. "Slowest ketchup in the West" is how the company is preempting the thickness attribute. Owning the word *slow* helps Heinz maintain a 50 percent market share.

When you do get on top, make sure the marketplace knows it. Too many companies take their leadership for granted and never exploit it. All this does is keep the door open for competition.

Coping in a Changing World

A fundamental mistake that big, successful companies often make is to see themselves and their reputations far beyond the way the world is willing to see them. The corporate feeling is, "All I have to do is put my well-known name on the product and the world will buy it."

No they won't, especially if you're horning in on someone else's specialty. And besides, the world also loves an alternative. So if you're sitting there all alone, enjoy it while you can, because as soon as an attractive alternative comes along, you're going to lose some business. ●

Some Obvious Ground Rules

Your obvious strategy has to sound right if it is to explode in people's minds. The mind works by ear, not by eye. A picture is *not* worth a thousand words. If you looked at just the pictures in almost any magazine or newspaper, you would learn very little. However, if you read just the words, you would have a pretty good idea of what was said.

Law of the Ear

In spite of the evidence all around us, communications people suffer from "wordophobia," a morbid fear of words. Without the words on the package or the graphics on the screen, pictures in a TV commercial have almost no communication value. But add sound (words) and the "picture" changes.

If pictures alone make no sense, how about sound alone? Strange as it may seem, sound alone in a television commercial usually carries an easily understood message. Most classic print advertisements illustrate the same principle. The visual alone makes almost no sense. Naturally, a print ad with both pictures and words is more effective than either the words or the picture alone. But which is more powerful individually, the verbal or the visual?

According to respected psychologist Dr. Elizabeth Loftus, "There is evidence from controlled laboratory studies that shows that when you present a list of words to people, and you present it either auditorially, say on a tape recorder, or you present it visually, say on slides, people remember more words if they hear the words than if they see them."

The Verbal Driver

The verbal should be the driver, while the pictures reinforce the words. All too often the opposite is the case. First off, printed words should carry the sales message. Cute or confusing words bring nothing but trouble. Second, headlines should *sound* good as well as look good. The rhyme and rhythm of the words can be powerful memory devices.

Finally, pictures need a very quick explanation; other-

wise, they will distract readers. "Stopping" people won't accomplish much if they look but don't read.

Law of Division

Over time, a category will divide and become two or more categories.The marketing arena can be viewed as an ever-expanding sea of categories. A category starts off as a single entity — computers, for example. But over time, the category breaks up into other segments — mainframes, minicomputers, workstations, PCs, laptops, etc. Each segment is a separate, distinct entity. Each segment has its own reason for existence. And each segment has its own leader, which is rarely the same as the leader of the original category.

Instead of understanding the concept of division, many corporate leaders hold the naïve belief that categories are combining. *Convergence, synergy* and *corporate alliance* are the buzzwords in the boardrooms of America.

This doesn't happen. Categories are dividing, not combining. The way for the leader to maintain its dominance is to address each emerging category with a different brand name as General Motors did in the early days with Chevrolet, Pontiac, Oldsmobile, Buick and Cadillac.

Timing is also important. You can be too early to exploit a new category. But it's better to be early than late. You can't get into the prospect's mind first unless you're prepared to spend some time waiting for things to develop.

Law of Perception

Marketing is not a battle of products; it's a battle of perception. All that exists in the world of marketing are perceptions in the minds of the customer or prospect. The perception is the reality.

Truth is nothing more or less than one expert's perception. And who is the expert? It's someone who is perceived to be an expert in the mind of someone else.

Marketing people focus on facts because they believe in objective reality. It's also easy for marketing people to assume that truth is on their side. If you think you need the best product to win a marketing battle, then it's easy to believe you have the best product. All that's required is a minor modification of your own perceptions. ●

The Future Is Never Obvious

Some of the most costly mistakes in business can be attributed to companies trying to predict the future. History is littered with bad predictions in all aspects of life:

- A 1979 *Business Week* article noted, "With over 50 foreign cars already on sale here, the Japanese auto industry isn't likely to carve out a big slice of the US market." This, of course, turned out to be wrong.
- Coca-Cola Chairman Roberto Goizueta predicted in 1985 that the New Coke would be "the most significant soft drink development in the company's history ... the surest move ever made." It turned out to be the most significant bomb in Coke's history.
- Roger Smith, chairman of General Motors, predicted in 1986 that "by the turn of this century, we will live in a paperless society." Roger got it wrong.

You cannot predict the future and if you try, chances are you will be very wrong. So your search for that obvious strategy should be based on what is happening today.

Why Prediction Is Difficult

What makes predicting so difficult? There are three reasons:

- **Technology.** Unforeseen inventions can quickly change the status quo.
- **The human condition.** People's habits change very slowly, which is why the future often looks like the past.
- **Competitors.** Competition can rear its ugly head with new ideas that disrupt old ideas.

While a company sees the value of a strategy for today's and tomorrow's business, it isn't so sure it will hold up all the way into the future. It wants an idea that will be able to accommodate some future yet-unformulated plan.

Finding success today is what you must first worry about. If you do that, your chances of having some money to spend on tomorrow will be greatly enhanced. ●

RECOMMENDED READING LIST

If you liked *In Search of the Obvious*, you'll also like:

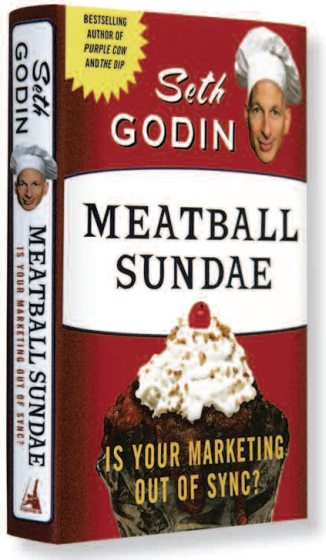
1. ***The New Positioning*** **by Jack Trout.** Trout updates the concept of positioning he first wrote about in 1969 and offers his definitive words on what remains one of the biggest ideas in business.
2. ***Differentiate or Die*** **by Jack Trout.** This book is an in-depth exploration of the most successful differentiation strategies: what they are; how and when to apply them; and how they can help stand out and above the rest.
3. ***Kotler on Marketing*** **by Philip Kotler.** The legendary marketing professor delivers the fundamentals of marketing. This book is a classic.

Summary

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Meatball Sundae

Is Your Marketing Out of Sync?



by Seth Godin

THE SUMMARY IN BRIEF

Any Internet marketing consultant will pitch you about blogs, viral e-mails, YouTube videos, MySpace pages, Google AdWords and "the Web 2.0 social media infrastructure." She'll imply that if your company tries these new tools, all its problems will vanish.

These various "New Marketing" options are like the toppings at an ice cream parlor. If you start with ice cream, adding sprinkles, cherries, hot fudge and whipped cream will make it taste great. But if you start with a bowl of meatballs, it becomes messy, disgusting and ineffective — the inevitable result of combining two perfectly good items that don't go well together.

The "meatballs" are the basic staples, like Cheerios, Budweiser, Ford trucks and Barbie dolls: all the brands that used to be marketed effectively with TV commercials, newspaper ads and direct mail. There's nothing wrong with selling meatballs, and they can still deliver hefty profits. But they no longer generate much growth.

Pure "ice cream" companies, such as PayPal, Kiva and CafePress.com, build their entire organizations around innovative, low-cost, high-impact marketing. It's not an accident that almost all the brands, products and careers that have succeeded with New Marketing are brand-new and fresh. New Marketing demands more than a meatball. It insists on a reinvention of the entire organization and the products it creates. Marketing is now about a lot more than just the yodeling. It's about the entire package, what you say as much as how you say it. New Marketing is our future. Unfortunately, it doesn't work so well with meatballs.

But older companies shouldn't despair. This summary explains how "meatball factories" can get back into alignment and make the most of New Marketing.

IN THIS SUMMARY, YOU WILL LEARN:

- What works these days, what doesn't and what to do about it.
- How to use the foundations of New Marketing to support your offering.
- How to reinvent your entire organization, products and marketing approach.
- How to become an organization that thrives because of New Marketing.

CONTENTS

A Meatball Sundae
Page 2

Before, During and After
Pages 2, 3

Old Versus New
Page 3

Trends of the Long Tail
Page 4

The 14 Trends of Marketing
Page 3, 4, 5, 6, 7

Case Studies
Page 8

Conclusion: It's Not an Organization, It's a Movement
Page 8

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THE COMPLETE SUMMARY: **MEATBALL SUNDAE**

by Seth Godin

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A Meatball Sundae

Today, growth comes from an integrated approach, one that combines New Marketing tactics with fundamentally different products and services.

A meatball is a commodity, a branded item of little differentiation and decent quality.

Everyone knows how to make and market a meatball. That approach appears safe and straightforward, but it doesn't lead to growth anymore. You can't grow with meatballs because they're ubiquitous. New Marketing is whipped cream and a cherry, a collection of techniques that offer huge payoffs — but New Marketing works only for organizations that can get in alignment, stop making meatballs and start making something that goes very well indeed with hot fudge and marshmallow sauce.

There are 14 trends that are completely remaking what it means to be a marketer. And while these trends are transforming organizations that have the right products and the right approaches, they are crippling the organizations that are stuck with nothing but meatballs. Once again, marketing is transforming what we make and how we make it. ●

Part 1: Thinking About the Meatball Sundae

Before, During and After

Before advertising (BA), there were hundreds of thousands of companies. And all of them looked the same. They were small and local, and they built things by hand. Most of these companies failed to make the transition to the next era. They underinvested in marketing and weren't willing to shift gears from bespoke (custom) to mass.

During advertising (DA), companies looked the way most of them look today. They made average products for average people, advertised heavily and created in bulk. Imagine Safeway or Midas Muffler. All are large organizations designed to work well with the masses.

After advertising (AA), organizations will look as much like the DA companies as the DA companies resembled those from the BA era. In other words, not very much.

The Foundations of New Marketing

New Marketing isn't a single event, Web site or technology. It's based on a combination of more than a dozen trends, each of which is changing the way ideas are perceived and spread.

Old Marketing is the act of interrupting masses of people with ads about average products. Masses of people could be reached quickly and cheaply, and some would respond to your message and become customers. The key drivers of this approach were a scarcity of choice and a large resource of cheap attention.

New Marketing leverages scarce attention and creates interactions among communities with similar interests. New marketing treats every interaction, product, service and side effect as a form of media. Marketers do this by telling stories, creating remarkable products and gaining permission to deliver messages directly to interested people.

Same Wants and Needs, New Environment

Human nature hasn't changed a bit. What has changed is the environment we live in. The combination of technology and competition has led to a world where many people can get what they want, when they want it. It's a world where people have control over the attention they give to marketers; a world where we have so much

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Rebecca S. Clement, Publisher; **Sarah T. Dayton**, Editor in Chief; **Melissa Ward**, Managing Editor; **Christine Wright**, Senior Graphic Designer; **Chris Lauer**, Contributing Editor

income, so many assets, that we can demand just about anything we can imagine.

The most important thing that has changed is the ability of consumers to finally have what they've wanted all along: to be treated with respect and to be connected to other people. ●

Part 2: The 14 Trends of Marketing

Trend 1: Direct Communication and Commerce Between Producers and Consumers

Organizations hear more, and more often, directly from consumers. Organizations can also sell directly to customers, eliminating the middlemen. And they can build a permission asset, which allows them to market directly to prospects. Even better, organizations can create products for their customers instead of searching for customers for their products. Your people (customers, employees, prospects, readers, etc.) want to be heard. They demand to be heard.

Permission Is Not Up to You

Here are some critical ideas about permission marketing from the consumer's point of view:

1. Permission doesn't exist to help you (the marketer). It exists to help me (the consumer). The moment the messages you send me cease to be anticipated, personal and relevant, then you cease to exist in my world.

2. My permission can't be bought or sold. It's nontransferable.

3. I don't care about you. I care about me. If your message has something to do with my life, then perhaps I'll notice, but in general, don't expect much.

4. Privacy policies and fine print are meaningless to me. When I give you my permission to follow up, we're making a deal and you're making a promise. If you break that promise, whether or not you are legally in the right, we're finished.

5. I demand your respect. I can get respect from plenty of organizations, so if you disrespect me, then you're history. ●

Trend 2: Amplification of the Voice of the Consumer and Independent Authorities

In a market where everyone is a critic, the need to create products that appeal to and satisfy critics becomes urgent. The same is true for after-purchase issues of service and quality.

Understanding Blogs

With more than 80 million blogs tracked by technorati.com, you'd think that people would have figured out what a blog is. Because it's a tool, not a thing, it's easy to get confused.

For most bloggers, a blog is just one thing: a personal publishing platform. A place where one person gets to talk.

What makes blogs a lot more interesting than the many other personal publishing platforms that came before is that blogs are connected, tracked, indexed and spread around. One article in one blog might be surfaced by another blog, which leads to exposure to a dozen or more readerships. Suddenly, and forever, that article is singled out, digested and influential.

A post on a blog anywhere in the world could very

Old Versus New

Old Marketing	New Marketing
• Limited number of media outlets	• Countless media outlets
• Limited physical retail outlets	• Countless online retail outlets
• Emphasis on horizontal success (hits)	• Emphasis on vertical success (niches)
• Marketer-to-consumer communication	• Consumer-to-consumer communication
• Barrier between consumers and makers	• Permeability between consumers and makers
• Spam	• Permission
• Product line limited by factory	• Product line limited by imagination
• Long product cycles	• Fads
• Market share	• Fashion
• Features	• Stories
• Advertising a major expense	• Innovation a major expense
• Large overhead=stability	• Small overhead=low risk
• Customer support	• Community support
• Focus groups	• Launch and learn

well rank higher in a Google search than information on that same topic on your company's Web site. This means your point of view disappears, and the point of view of some blogger comes across instead.

The easiest way to understand blogs (text, audio or video) is to understand that they (finally) connect three real desires: to hear our own voices, to be heard by others and to hear what the crowd thinks.

For the first time in history, the graffiti on the wall has more power than the official version coming from an organization. ●

Trend 3: The Need for an Authentic Story as the Number of Sources Increases

Consumers hear about organizations from many sources, not just one. As a result, you have to get your story straight. Saying one thing and doing another fails because you'll get caught.

Stories Spread, Not Facts

People just aren't that good at remembering facts. When people do remember facts, it's almost always in context.

Patagonia makes warm coats and so do many other companies, almost all of which sell their coats for less money, do less volume and turn a lower profit. Is it because Patagonia coats are more beautiful or warmer? Not at all.

It's because the company has created (and lives) a story that has absolutely nothing to do with clothing and everything to do with the environment. The company has gone all the way to the edge, further than just about any other major brand, in building an organization that reduces, reuses and recycles. It's a company that gives back (in terms of attention and cash) to the environment at the same time that it challenges it. The catalog is filled with beautifully illustrated stories of some of their climbers.

As their clothes have become less flashy and more organic, Patagonia has grown. An organic cotton shirt from Patagonia costs 10 times more than a similar nonorganic, nonbranded shirt from someone else. And that's fine. Because the shirt isn't just a shirt — it's a story and a symbol. It's a way for a wealthy consumer to tell herself a story about her priorities, at the same time she tells that story to her friends.

No one talks about The North Face. Plenty of people talk about Patagonia. That's because the company, from the top down, lives and believes their story (a unique story that resonates with their consumers) and makes it easy for the story to spread. ●

Trend 4: Extremely Short Attention Spans Due to Clutter

The death of mass marketing is partly due to the plethora of choices and the deluge of interruptions. As a result, complex messages rarely get through.

Commercials used to be a minute long, sometimes two. Then someone came up with the brilliant idea of running two per minute, then four. Now there are radio ads that are less than three seconds long.

It's not an accident that things are moving faster and getting smaller. There's just too much to choose from.

It's possible to buy carefully targeted TV advertising for a few hundred dollars. It's easy to buy extremely targeted online advertising for 10 cents a click. Translation: You can buy tiny slices of attention for a fraction of what it cost just a decade ago. ●

Trend 5: The Long Tail

Chris Anderson's work demonstrates that domination by hit products is fading, consumers reward providers that offer the most choices, and the economics of creating and selling a product have fundamentally changed.

It turns out that over time, the market doesn't settle on one or two leaders. Given the freedom, market leadership spreads out, just like an oozing cube of melting caramel. While there may still be a No. 1 in a market, the market itself is a lot smaller. Any market of people with sufficient resources will get very picky on you.

The Long Tail, a brilliant term coined by Anderson in his book and blog of the same name, is a simple idea that starts with this: Given the choice, people want the choice. In any normal marketplace, if you give people more choices, revenue goes up.

Trends of the Long Tail

The Long Tail really matters because of several trends working together:

1. Online shopping gives retailers the ability to carry a hundred times the inventory of a typical retail store.
2. Google means that users can find something if it's out there.
3. Permission marketing gives sellers the freedom to find products for their customers, instead of the other way around.
4. Digital products are easy to store and easy to customize.
5. Digital technology makes it easy to customize nondigital goods.

More Variety, More Sales

Starbucks offers 19,000 varieties of beverages. Why? It's not because Starbucks likes the extra work or because management likes all those varieties. It's because their customers do. You can choose from 3.5 million songs on iTunes, more than you could listen to in several lifetimes. The reason is simple: In the long run, more variety always leads to more sales.

Finding Silos

As media continue to fragment, the giant obsessions don't always dwarf the little ones. The Web allows other, minor obsessions to coalesce. New markets emerge, markets that are terrifically profitable but were previously unknown.

The three challenges are straightforward:

1. **Find a market that hasn't been found yet.**
2. **Create something so remarkable that people in that market are compelled to find you.**
3. **String together enough of these markets so you can make them into a business.** ●

Trend 6: Outsourcing

It's not just *possible* to find someone to make/code/do something for you quickly and cheaply; it is now *easy*. The means of producing physical goods and intellectual property is no longer based on geography but on talent and efficiency instead.

When you buy an article of clothing, an appliance, tax preparation services or a computer, chances are you're not buying from the person you think.

Comparative advantage means that a company organized to do nothing but produce from plans — and to do it in a low-wage, high-skills location — will always outperform a vertically integrated marketer.

Just as important, though, is the idea that a marketer without a factory is usually more innovative, faster moving and more fashion-focused. Why? Instead of trying to keep the factory busy, the marketer can focus on keeping the market busy instead.

The Real Challenge of Outsourcing

There are only two paths. One path is to take every repetitive, by-the-book task in your organization and outsource it or mechanize it. The other path is to take every repetitive, by-the-book task in your organization and give the people who do that task the freedom, the incentive and, yes, the imperative to do something that cannot be outsourced.

Either what you're doing is repetitive, in which case you ought to outsource it, or it's homemade, insightful and filled with initiative and judgment, in which case you can charge for it.

It's not fair. Your competitors are busy cutting costs by outsourcing the work that you struggled to make cheap in the first place. But if a job **can** be codified, it **will** be outsourced, usually for less money. ●

Trend 7: Google and the Dicing of Everything

Google and the other search engines have broken the world into little tiny bits. No one visits a Web site's home page anymore — they walk in the back door, to the page Google sent them to. By atomizing the world, Google destroys the end-to-end solution offered by most organizations, replacing it with a pick-and-choose, component-based solution.

Bundling was the glue that held together almost every business and organization. The Yellow Pages is a multibillion-dollar business that consists of nothing but bundled ads for local businesses. No one wants to keep a flier for every business in town, but everyone has a copy of the Yellow Pages. Book publishers bundle authors and share the expertise of their staff, their sales force and their capital in order to bring books to readers.

Atoms, Not Molecules

And then came the online search. Not gross searches for big ideas (like "industrial supplies") but specific, directed searches for particular needs or specific items.

Specific searches mean that bundling is not necessary. Not only do we not need the bundles, but in most cases we don't want them, either. The bundles slow us down in our search for precisely what we need.

Even though many people (even most people) don't find everything via Google, the group that does is big enough to have already changed the world for everyone else. Once a marketer, a manufacturer or a group realizes that they must present their atoms for inspection, the philosophy behind bundling starts to fall apart. The trade-offs we used to be able to make in order to sustain a bundled approach to the world cease to be viable in the face of all these disparate atoms, each on its own, each available to anyone who wants to grab it.

Taking It Apart

The idea that one product line can subsidize another is built into the way many businesses work. The fact that middlemen profit by bundling information, product lines or shelf space opportunities is at the heart of what makes so many businesses successful. And now, quite suddenly, a different sort of business is being rewarded. One where bundling and middleman services are deliberately undervalued. ●

Trend 8: Infinite Channels of Communication

Even with the near-total chaos most media confront, the chaos is certain to get even worse. New forms of publication, communication and interaction will arrive in an already cluttered world. Some organizations will thrive on this increased chaos, some will be unprepared and some will merely fight it and lose.

In order for a consumer to make a decision, two things need to happen. The second is that she needs to determine that it's worth the time, money or risk to take action. But first, she needs to know about the opportunity. A great cruise bargain might be available, with seven nights in Rio for $99, but if you don't know about it, you can't decide to go.

You can be incredibly selective about your messaging today. You can advertise only on a blog about antique cameras, or post a podcast that only rabid fans of the local high school football team will listen to. Instead of reaching everyone (because you have no other choice) and creating generic products for large audiences, you can now reach a tiny slice of the market — just the people who are passionately interested in your products and services. No, you won't reach everyone who might be interested in what you have to sell, but you do have the opportunity to reach the people in that zone of overlap. And you can reach them more cheaply than ever. ●

For information on how AdWords influenced communication channels on the Internet, go to: http://my.summary.com

Trend 9: Direct Communication and Commerce Between Consumers and Consumers

eBay is the beginning of a significant consumer-to-consumer connection in the marketplace. As social networks become more powerful, consumers will gravitate to each other, not just informing each other about their experiences but banding together into unions that will pressure organizations for more of what consumers want.

While eBay has revolutionized the way individuals sell leftover Christmas presents, it has also enabled hundreds of thousands of individuals to become entrepreneurs and jobbers, selling items around the world.

Terry Gibbs is one of those people. He started collecting trains in the 1970s, and he eventually put himself through college selling trains. eBay enabled him to quit his job and sell trains full time. He would probably never have set up a retail establishment, but he now runs a successful multifaceted business out of Mesa, Ariz. Besides selling to thousands of people around the world, he's trained 7,000 individuals in the science of creating their own focused businesses. ●

Trend 10: The Shifts in Scarcity and Abundance

Your organization is based on exploiting scarcity. Create and sell something scarce and you can earn a profit. But when scarce things become common, and common things become scarce, you need to alter what you do all day.

iTunes

iTunes is a creature of our times — it takes advantage of the new scarcity at the same time as it embraces the atomization of the world. It rewards individuals who want a single track, not an entire album. iTunes replaces Tower Records because it increases the speed of finding what you want, eliminates the need to get into your car and saves you precious time.

As soon as Apple put an iPod in your pocket, they had the leverage they needed to sell you music and replace an entire industry. The key assets of iTunes are Google-like selection, detailed knowledge of who you are and what you like, and the ability to save you hours of time while keeping you informed of what's new and what's now.

Tower Records served an important function when people were looking for a way to spend an evening flipping through records and had no place else to go. iTunes defeated Tower because the list of what was scarce changed so radically. ●

Trend 11: The Triumph of Big Ideas

In a factory-based organization, little ideas are the key to success. Small improvements in efficiency or design can improve productivity and make a product just a bit more appealing. New Marketing in the noisy marketplace demands something bigger. It demands ideas that force people to sit up and take notice.

The End of the 'Big Idea' in Advertising

There's a difference between a big idea that comes from a product or service and a big idea that comes from the world of advertising.

The secret of big-time advertising during the '60s and '70s was the "big idea." A big idea could build a brand, a career or an entire agency. Charlie the Tuna was a big idea. So was "Plop, plop, fizz, fizz."

Big ideas in advertising worked great when advertising was in charge. With a limited spectrum and a lot of hungry consumers, the stage was set to put on a show.

Today, the advertiser's big idea doesn't travel very well. Instead, the idea must be embedded into the experience of the product itself. Once again, what we used to think of as advertising or marketing is pushed deeper into the organization. Yes, there are big ideas. They're just not advertising-based. ●

Trend 12: The Shift From 'How Many' to 'Who'

Marketing is often like a funnel. Attention is shoveled in at the top and, over time, sales come out the bottom. The funneling process sorts the wheat from the chaff, separating those who can buy from those who either aren't interested or can't afford to participate.

This focus on mass is understandable if you assume that all consumers are pretty much the same or if you can't tell them apart. The thing is, they aren't and you can. Now, for the first time, marketers can focus on who is hearing (and talking about) their message, and they no longer use mass as a placeholder.

Be More Selective

One of the realities of New Marketing is that mass is no longer achievable. Even more important: Mass is no longer desirable. Now that we can know who is coming to our Web site, store or advertisement, and which ad reached them and how, we can be far more selective about what we say and why.

What New Marketing enables is a process in which marketers can activate the interested and turn them into campaigners for their remarkable products. So you're going to need to give up pushing and start working harder on cajoling. ●

Trend 13: The Wealthy Like Us

Rich people used to be all the same, just different from the rest of us. Now they're not just different from the rest of us but different from each other.

Rich people used to do similar jobs, wear similar clothes, live in similar neighborhoods and read similar magazines. As a result, marketing to rich people was pretty easy. No longer. As the gulf between rich and poor continues to widen, the number of people considered rich increases daily and the diversity of the rich increases as well.

Trading Up

It turns out that not only are the wealthy like us, they *are* us. Despite the widening gulf, there are more wealthy people than ever before. In fact, you're probably one of them. Michael Silverstein and Neil Fiske of the Boston Consulting Group talked about this in their book *Trading Up,* and the trend has only become more pervasive.

Wal-Mart and Trader Joe's have figured out how to sell food cheaply. Whole Foods Market and Dean & DeLuca have figured out how to make it expensive (and worth it). The folks in the middle, the Safeways and the A&Ps, are in trouble. ●

Trend 14: New Gatekeepers, No Gatekeepers

One way big organizations got bigger was by working with the other big guys. It used to be critically important if you got your product into a major retailer or on an end cap at the A&P. It mattered that you were featured on a network TV show or chosen by a magazine to be highlighted. Big companies wanted to work with other big companies, and so the big got bigger.

How to Work With the New Gatekeepers

Traditional media outlets are dependent on the PR community. Reporters may have whined about press releases and flacks (press agents), but the fact is that without them, the editors wouldn't have known what to print.

The Web is a very different place for two reasons. First, there's plenty of stuff to write about. Because everything is connected, RSS feeds send an endless stream of filtered story ideas to every blogger.

Second, most bloggers aren't paid for what they do. They're passionate, not punching the clock. As a result, few of them will pick up a mediocre press release or vapid idea just to fill space. You are appealing to their passion, not taking advantage of their ennui. That means that the approaches you're used to are probably not going to work.

The advantage of this medium is that almost everyone is approachable, far more than someone at *The New York*

Times. But approachable doesn't mean you can gain by spamming folks, no matter how generous your offer might be. ●

Part 3: Putting It Together

Case Studies

The 14 trends can seem contradictory, or too diverse to do anything with. You don't have to embrace all 14, but it appears that you must leverage at least a few of them. In the following case studies, you can see how it works in practice.

Thinking About WordPerfect

Years ago, Microsoft was dominant in operating systems (DOS was on almost every business desktop), but spreadsheets belonged to Lotus and word processing was in the domain of WordPerfect.

When Microsoft introduced Windows, WordPerfect Corp. hesitated. They saw no reason to support Microsoft's effort to sell an entirely new operating system. This is a classic example of willing the world to match your offerings, as opposed to the other way around. WordPerfect didn't want Microsoft to succeed and didn't want to support Windows for a variety of corporate reasons. And they felt that withholding their support would make it more likely that the world would stay as it was.

Microsoft took advantage of this mistake and pushed its word processor, Word for Windows. It didn't sell well for more than a year, but as Windows OS gained traction, WordPerfect never had a chance.

The "operating system" for marketers is now fundamentally changing. It doesn't matter how big your market share is today. If your product and your marketing are optimized for the older model, you will be defeated by New Marketing and the products and services that are designed for it.

Bud TV

Bud TV, as in Budweiser TV online, sounds like a brilliant scheme: Use the nearly free bandwidth of the Net to host an entire collection of videos, sponsor it yourself, put it online and advertise like crazy. Very Web 2.0 of them.

The problem is it didn't work. So far, Anheuser-Busch has reportedly spent more than $40 million building and promoting the network. Yet traffic is falling as much as 40 percent month after month. According to Quantcast, in March 2007, Bud TV had traffic equal to a site that serves as a comprehensive source for sheet rubber. It goes to show that just because you want people to come to your site and watch doesn't mean they will. ●

For information on how Scott Heiferman abandoned traditional strategies for Fotolog.com, go to: http://my.summary.com

Conclusion: It's Not an Organization, It's a Movement

If New Marketing can be characterized by just one idea, it's this: Ideas that spread through groups of people are far more powerful than ideas delivered to an individual.

Social change, education, new-product launches, religious movements ... it doesn't matter, the story is the same. Movements are at the heart of change and growth. A movement — an idea that spreads with passion through a community and leads to change — is far more powerful than any advertisement ever could be.

Meatball Strategy

The opportunities for optimizing your current meatball strategy have never been better. It's easier than ever to track attention and to monetize interactions. A focused, measured effort on your part will doubtless help you sell a few more widgets or get some more service contracts.

The alternative, to some, is even more enticing. And that's to create a movement: a movement around your product or the service you sell to businesses. The Internet has nothing to do with what the movement is; the Net merely makes it easier than ever for a movement to take place.

More often than not, movements come out of nowhere, from small companies or impassioned individuals. The reason big organizations stumble is that they can't make the commitment. They want both strategies — they insist they can have a meatball sundae. They're wrong.

The opportunity is to note the distinction between an old-style organization and a powerful movement. Either choice can work, as long as you in fact make the choice — and commit. ●

RECOMMENDED READING LIST

If you liked *Meatball Sundae,* you'll also like:

1. ***Wikinomics* by Don Tapscott and Anthony D. Williams.** Using the collaborative-software "wiki" concept as their theme, the authors address how the Internet's social network offers new, decentralized ways to produce content, goods, services and profit.
2. ***Citizen Marketers* by Ben McConnell and Jackie Huba.** "Citizen marketers" are forming growing communities of enthusiasts and evangelists, getting the word out about what products they love or hate.
3. ***Treasure Hunt* by Michael J. Silverstein with John Butman.** Through detailed, individual spending portraits of middle-class consumers, Silverstein explores the story of how people around the world are reshaping the consumer-goods market by trading down to low-price products and services, trading up to premium ones, and avoiding the boredom and low value that increasingly characterize the middle.

Summary

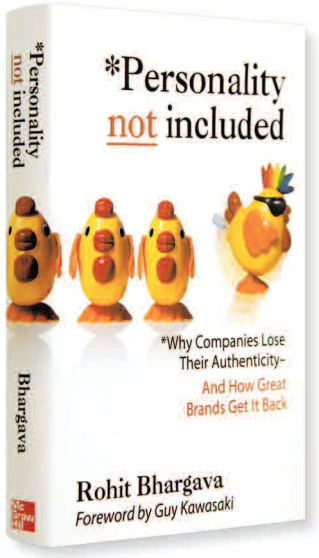
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Marketing: Strategy

Personality Not Included

Why Companies Lose Their Authenticity — And How Great Brands Get It Back



by Rohit Bhargava

THE SUMMARY IN BRIEF

In the new business era of the 21st century, a great brand or product must evoke a dynamic personality in order to attract passionate customers. Although many organizations hide their personality behind layers of packaged messaging and advertising, this summary illustrates how successful businesses have redefined themselves in the new customer universe.

The faceless corporation doesn't work anymore. The theory of *Personality Not Included* is that personality is the answer. Personality is the key, and every element of a business is an element of that business's brand personality.

Personality is *the* macro trend. The three hottest topics in business today are doing more with social media (blogs, social networks, etc.), using word-of-mouth marketing (the No. 1 source of influence according to just about every international study) and interacting more authentically with customers. Personality is the theme that incorporates all of these topics.

Every idea presented here is one that social media guru and influencer Rohit Bhargava uses for real clients to get real results every day.

IN THIS SUMMARY, YOU WILL LEARN:

- How to better focus on the moments when you already have your customer's attention and use those moments to demonstrate your brand's personality.
- Why "accidental spokespeople" may be your brand's most powerful influencers.
- Ways to use the "UAT filter" to understand the personality of your organization.
- The three core personality principles that will help you put personality into action.
- How to create your company's "marketing backstory" using techniques pioneered by Hollywood screenwriters.
- The three methods of getting attention and the attention paradox.

CONTENTS

Introduction
Page 2

Sign Here to Read This
Page 2

The Accidental Spokesperson
Pages 2, 3

A Signature Is Not Enough
Pages 3, 4, 5, 6

Lessons From the Storytellers
Pages 6, 7

Conquering the Fear Factor
Page 7

Add Personality and Stir
Pages 7, 8

The Fifth Phase: Indifference
Page 8

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THE COMPLETE SUMMARY: **PERSONALITY NOT INCLUDED**

by Rohit Bhargava

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For additional information on the author, go to http://my.summary.com

Introduction

Clearly, being faceless doesn't work anymore. The biggest challenge most organizations face today is discovering how to go from a brand that people consume to one that they are passionate about.

The theory is that personality is the answer. Personality is the key element behind your brand and what it stands for, and the story that your products tell to your customers. Every element of your business, from your interactions with your customers to the packaging of your product, is an element of your brand personality, and these are the elements that inspire delight or indifference among your customers. In short, *personality matters.*

Every company that consumers are passionate about already understands that sharing an authentic identity inspires loyalty and belief. Authenticity is part of the story, but it is only one element of something bigger. Focusing on making your business authentic is not enough. Your customers *want* to believe in an authentic brand, but they need the right incentive. *Personality is that incentive.*

Closer to the Truth

Part of the power of personality is that it can help you bring your marketing closer to the truth, because it requires you to rely on many messengers to tell your story for you.

Personality is the reason consumers love one product more than another. It is what sets great companies apart and it is about more than having a game-changing product. Personality can help you go from good to great. Personality is the missing ingredient keeping most organizations from becoming great. ●

Sign Here to Read This

The moment that organizations lose their personality is when their employees become "people" rather than individuals. Most of us know this phenomenon only too well, because we have seen it happen to companies that we interact with as customers.

Nearly every situation in which a company is attacked by a vengeful customer is one that could have been avoided if the company had had more individuals, as opposed to people, working for it.

The Real Secret of Personality

If you want to start creating an authentic bond with your customers and stand out from your competitors, get your best ambassadors to do the work for you. In order to do that, you need to start thinking about your current customers and your employees as an army of individuals. The goal is to have a group of individuals who all believe the same thing, and have the right tools to tell that message to the rest of the world. ●

The Accidental Spokesperson

People tend not to see accidents as a good thing. It's no surprise, then, that many marketing teams devote significant energy to finding ways to avoid accidents by keeping tight control of their messages and communications.

The problem with this approach is that sometimes accidents have a positive effect. The Post-it note was created by accident. So were cornflakes, Teflon, the Slinky and countless other product-related discoveries. Even one of the most successful marketing campaigns of the past decade featured a spokesperson located by accident — Jared from Subway.

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Rebecca S. Clement, Publisher; **Sarah T. Dayton**, Editor In Chief; **Chris Lauer**, Senior Editor; **Christine Wright**, Senior Graphic Designer; **Barry Silverstein**, Contributing Editor

Why People Believed Jared

Jared Fogle was never supposed to be a Subway spokesperson. He was just a guy in Indiana who used to weigh over 400 pounds and had been profiled in the local paper for losing more than 100 pounds in three months on his self-described "Subway diet."

What was the allure of Jared? He was certainly not a celebrity, but he was *real*. He was a real person who had an authentic story and people believed it. The success of Jared is one example of how a brand can find and involve its enthusiasts in marketing, but using Jared was not completely an accident. He may have been discovered by chance, but he was deliberately cast in the role of spokesperson by an agency unafraid to take advantage of the good fortune of finding him. As the Subway example shows, embracing accidents in marketing is the product of a mindset that can lead to great success.

The Deliberate Spokesperson

Spokespeople humanize brands in order to raise their profile and combat facelessness. The degree of success with which this happens, however, is variable. There are actually five key types of deliberate spokespeople who have been used for more than a century to try to humanize brands. Some have worked and some haven't, but in order to truly understand the transformative power of the accidental spokesperson, we must first start by exploring these five types of deliberate spokespeople:

- **The Founder.** At an early stage in a company's evolution, the role of the spokesperson is usually taken by the founder(s). Today it has become equally common for founders to be displaced (voluntarily or not) by other types of spokespeople as a company evolves. Founders can bring passion and credibility to a marketing message.
- **The Character.** Characters used for advertising have a long history going back to icons like Tony the Tiger for Kellogg's Frosted Flakes and the Michelin Man for Michelin tires. What almost all character spokespeople have in common is that they are chosen not for their credibility or authenticity, but for their memorability or "stickiness."
- **The Celebrity.** Celebrities are often the most popular type of spokespeople for brands to choose. The main reason that many celebrity-spokesperson campaigns don't work is there is no rational connection between the celebrity and the brand or product. There is one interesting exception to bad celebrity-spokesperson campaigns: Celebrity spokespeople tend to have a great impact in social marketing. When used appropriately, celebrities can harness their fame to support a singular cause.
- **The Authority.** The authority is the one type of spokesperson who more than any other can cross over and behave like other types of deliberate spokespeople. For example, a founder or celebrity can also be an authority. The best authorities are the ones whom consumers can believe would authentically use a product and are genuinely passionate about it.
- **The Enthusiast.** The enthusiast has typically been the most difficult for brands to locate and use. As the example of Subway's Jared proves, using a real enthusiast, not one that is made up, is a good strategy. However, the problem with using enthusiasts like Jared is that they can be difficult to locate and very often are discovered only by accident.

The challenge is no longer finding enthusiasts; the present reality is that an entirely new breed of spokespeople is emerging that does not fit into one of the five types outlined so far. These are your accidental spokespeople.

The Uncontrollable Rise of the Accidental Spokesperson

Accidental spokespeople are not relaying official marketing messages. The thing that unites them is that their openness and thoughts are linked closely to the brand they talk about. Your accidental spokespeople are the ones who can shape what the world sees as the truth about your brand. This is not to say that the way to deal with this is simply to sit back and let it happen.

Sharing control means finding a way to have your deliberate spokespeople coexist with your accidental ones. One way brands share control is through blogs, which can be one of the best ways to use your accidental spokespeople.

Most companies have great difficulty embracing these spokespeople. It requires a shift in thinking to welcome these new spokespeople as voices from within and encourage them to continue to have a voice.

Your accidental spokespeople are the employees or customers who are speaking for your brand already (often without your approval or knowledge), and your first challenge is to find ways to embrace these individuals. ●

A Signature Is Not Enough

Many years ago, signatures were important. Important communications were affixed with a wax seal for a signature. Documents creating governments and laws were put into effect with flowing signatures. A signature used to mean something.

Fast-forward to today and think about all the direct mail you recently received in your mailbox. Every one of those letters has a fake signature on it, promising you that you are a sweepstakes winner or offering you the preapproved credit card that can solve all your financial woes. Signatures have lost their significance because of the prevalence of communications like these. The marketing industry killed the signature.

Why Signatures Don't Work Anymore

Here are three reasons why signatures don't work anymore:

1. They can be easily forged.
2. They carry little weight without context.
3. They are no longer unique or personal.

If signatures have lost their impact, where does that leave brands that try to focus solely on finding a signature element in their product or service to talk about? To try to answer this question, let's look at one of the largest automotive repair franchises in the United States, which built its business on two principles: its signature service and the importance of convenience.

Convenience Is No Longer King

Jiffy Lube was founded in 1979 in response to the decline of full-service gas stations. Jiffy Lube pioneered the quick oil-change business with its focus on speed and consistent service above all else.

The problem for Jiffy Lube is that convenience is not as important as it once was. Among the online reviews you can find about Jiffy Lube, there are very few glowing reports, and an increasing number of fan sites dedicated to negative experiences with the brand have appeared.

This is not to single out this one brand. The problem facing Jiffy Lube is the same one facing many other companies in the world today. It falsely believes it has found a way to stand out and expends all its effort and communications budget talking about its signature service and convenience — attributes that no longer set the company apart. Instead, it should be finding a way to address the one emotion that any customer who has ever had to visit a new automotive service shop will relate to: vulnerability.

Marketing to Vulnerable Customers

Whenever they drive into an auto repair shop, people are vulnerable to being taken for a ride (figuratively speaking, that is). You must give your trust reluctantly to someone who may or may not be trustworthy.

Oil Can Henry's, a regional franchise with branches in only seven states, may have the answer. It has several unique service features that are all centered on fostering more trust between customers and staff. Their tagline reads "The One You Can Trust" and every interaction with the company is meant to follow through on this promise.

At Oil Can Henry's, you stay in your car and watch the mechanic work on custom TV screens that show a live video feed from underneath your car. Being able to stay in your car is nice, as is the company's commitment to explain what is happening with your car.

What Oil Can Henry's knows about personality is that it is more than having one or two signature service things that you can do for everyone. It is about offering a unique experience that fulfills a need and gets customers to talk about it to others as a result.

Isn't Personality in the Eye of the Beholder?

The personality of an organization is not a combination of character traits as it is for individuals. *Personality is the unique, authentic and talkable soul of your brand that people can get passionate about.*

Uniqueness, authenticity and *talkability* are the key elements of personality. Personality requires all three, and the way to look at them is that they operate together through a filter. Before you can help your organization get more personality, there needs to be a common framework for describing it. That's the goal of the "UAT filter."

The UAT Filter

In terms of defining your brand personality, the best way to think about uniqueness, authenticity and talkability is to regard them as filters that build upon one another. The reason why this filter should be the place where you start is that personality can be easily confused with other things, including marketing campaigns or product design. If you look at the three core elements of personality, all are themes in marketing that you will find lots of resources and advice devoted to. The problem is, most businesses and businesspeople are taught to focus on these elements separately.

The first element of the UAT filter is being unique.

Street Food Is Unique … Sometimes

People travel from all around the world to Chowpatty Beach in Mumbai, India, to sample a type of street food called bhelpuri. A mix of puffed rice, potatoes, chili, mint, coriander and chutney, the spicy snack is so much a staple at this popular location in Mumbai that many even consider it the one dining experience in Mumbai not to be missed. The problem with bhelpuris is that once you get to Chowpatty Beach, there are dozens of vendors all selling the same thing.

Contrast this with an entirely different type of street food served by a guy in a trailer at Woolloomooloo wharf in Sydney, Australia. This destination, called Harry's Café de Wheels, serves meat pies loaded with mashed peas and gravy, or hot dogs piled high with toppings. No one else does what Harry's does — and his curbside café has been doing it for more than 50 years. Harry's is unique.

How to Be Unique

There are four true methods for creating something unique:

1. Find the Uncontested Space. This is the most reliable, but most difficult, method. It involves finding a business that no one else is in, and then defining it through your company. It is also the hardest to rely on, because as soon as you create a new industry there will be other challengers entering and ready to take you on.

2. Position Yourself. Positioning is the art of defining how you want to be perceived without necessarily changing the product you have. Ultimately, this is closely linked to storytelling.

3. Create a Twist. Many times, you will be in a business where finding that completely different position seems impossible. In these businesses, you need to find an element that is unique and ownable that sets you apart. This is the twist. Finding this twist can be tricky, because it should be about more than just finding your "signature service." It needs to be more significant.

4. Think Outside Your Region. This is not about changing your business, but about changing where you do it. If you have a regional business that is the same as that of several competitors, consider uprooting and establishing it elsewhere. This is not possible for everyone, but for those who have the option, it can offer a strong way to stand out.

How to Be Authentic

Authenticity is the second element that influences how your personality is truly shaped and how your customers' perception of your business is formed.

Authentic brands know how to keep their real voices and use them to build credibility and trust with their customers. Authenticity must be built from several key components:

1. Define a Credible Heritage. Where a company comes from is a great place to start to build the authentic story behind the brand. Having a real heritage that customers can identify with brings a brand to life and demonstrates that there was a real struggle by real people to start and build the company.

Virgin Gets Mile High in America

The Virgin Group has launched a long list of new businesses that demonstrate the individuality of the Virgin brand. When it comes to the businesses Virgin is best known for outside its music business, these are most certainly within the travel industry. The brand is increasing its reach in the industry with both international and domestic airlines, including Virgin Atlantic (for trans-atlantic flights), Virgin Blue (in Australia), Virgin Nigeria (Africa) and in 2007 the launch of Virgin America.

Passengers on Virgin America flights were treated to brand-new custom-designed planes that included lots of long-awaited features, including a seatback entertainment system with on-demand movies, an outlet for a laptop in every seat, the option to order food directly from the seatback, and what is perhaps the single most viral feature on its flights, a feature that many people love, seat-to-seat chat. Perhaps most significant, the staff on a Virgin America flight is not angry, rude, hostile or overregulated. When your staff is genuine and real, it makes a difference to the experience.

The result of all this attention to detail was that Virgin America's inaugural coast-to-coast flights garnered rave reviews from people who had taken the flights. All Virgin brands challenge convention and stand apart in some way. Virgin is the perfect brand example to help you understand what your organization's personality is, because it is unique, authentic and talkable — the key elements of personality.

2. Demonstrate Passion and Belief. The real passion behind a company is something that cannot be faked or manipulated, and people easily recognize when this is being done.

3. Foster Individuals Instead of People. Authentic brands have individuals working for them who are the ones that demonstrate passion for and belief in the brand.

4. Have Motives Beyond Profit. If a customer feels like every interaction with you is nothing more than a chance for you to sell something, trust erodes. If, on the other hand, the interactions are about something more than profit, you can build trust.

The last element of the UAT filter is all about amplifying your personality and making it visible. If you think of finding your unique element as positioning, and interacting authentically as the way to build trust and credibility, then talkability is the all-important final component of personality.

How Talkability Relates to Word of Mouth

Word of mouth is the most influential source of trusted advice for most consumers. There is a way to foster word of mouth and help it happen for your products and brand *on purpose.* Word of mouth doesn't have to be an accidental phenomenon.

Talkability is the third part of the UAT filter for a reason. It ties the idea of personality back to the core benefits of word-of-mouth marketing. Talkability is the hook that makes someone want to share your message with her or his friends and family. Creating something talkable is all about finding the right hook and helping your customers pass it on.

The Personality Principles

The common elements that unite successful brands are an understanding of how to use personality to stand out, and the focus on something that is more than a signature. When it comes to putting personality into action, there are three core principles you need to know:

Principle 1: Talk like a real person. Using a conversational style of communication is one of the cornerstones of personality and a necessity for any brand.

Principle 2: Admit you are marketing. Ironically, the admission that you are marketing can often create a compelling reason for a customer to pay attention, as long as your message is relevant.

Principle 3: Have a sense of humor. Faceless companies never laugh. Companies that can laugh automatically win credibility for being more authentic and real.

The UAT filter is all about positioning and how you define your organization. Remembering these principles will help you as we move from talking about positioning your brand and finding the right spokespeople to actually putting personality into action. ●

Lessons From the Storytellers

A backstory is the history behind an organization and how it became what it is today. It has real characters and a believable tale of how these characters had to evolve and overcome challenges in order to make their business successful.

Using stories to bring brands or products to life is not a new idea. There are many models describing how marketing can be influenced by storytelling principles. So what's different about a backstory?

What is different about a backstory is that its only goal is to create a foundation of credibility. It is not about putting product virtues into human terms or telling a story that may persuade someone to purchase something. The best way to think about the backstory is this: If stories about your product or service are the main dish in your marketing meal, then the backstory is the appetizer.

Thinking Like a Screenwriter

Unlike in movies and television, marketing and promoting your business is not about telling a visual message on a screen. It is important, however, to tell your story *visually.* To understand this point, consider a few of the things that good screenwriters must do:

1. Establish characters and stories quickly.

2. Create scenes and moments rather than prose and descriptions.

3. Always write with natural human language.

4. Foster an emotional connection with no basis of knowledge.

5. Weave these elements into a compelling story with a beginning, middle and end.

The challenges are no different than those you face in telling your backstory. The mediums are different, as your end goal is not necessarily to create something watchable on a screen, but you must establish your characters and story to foster an emotional connection. You need to think like a screenwriter.

The BArc Model

The *story arc* is a common term used to describe the changes that happen to a main character from the

Five Story Models

In researching the many types of backstories that are presented by companies, it becomes clear that several specific types are repeated over and over again:

- **The Passionate Enthusiast.** A driven individual takes a personal passion and builds it into a successful business.
- **The Inspired Inventor.** A tireless inventor creates something new and different by not giving up on his or her vision.
- **The Smart Listener.** A new company is created as a result of listening to customers, partners or others.
- **The Likeable Hero.** A dedicated individual overcomes all odds to make his or her idea work.
- **The Little Guy vs. the Big Guy.** An underdog company takes on a seemingly unbeatable established adversary.

Compare and contrast the different story models and focus on the one that makes the most sense for your business.

beginning to the end of any story. It goes from low points to high points, while introducing conflict to raise the stakes of the story. When it comes to applying these conventions of storytelling to your backstory, the best way to approach it is to use something called the backstory arc (BArc).

The BArc is the progression that your backstory must take in order to build an emotional investment. There are five key elements in the BArc model: characters, challenge, vision, conflict and triumph. To create a successful backstory for your brand, you must always address these five elements. ●

Conquering the Fear Factor

Establishing your authority within an organization is the first step toward helping your company better demonstrate its own personality. You need to do this in order to become credible (authority precedes credibility).

Once you have started to establish a basis of credibility within your company, the next step is usually tackling the roadblocks.

When you look at the reasons why personality makes brands nervous, you will notice that underlying all of those reasons is a single emotion — fear.

Four Barriers

A culture built on fear leads to individuals and companies that are afraid of change. In most organizations, the fear originates in one of four key places:

- **Success.** What we are doing is already working.
- **Uncertainty.** We don't know what will happen.
- **Tradition.** We have always done it this way.
- **Precedent.** No one else is doing it that way.

These are the four great barriers to a company's developing its own personality. To overcome these, you need to find a position of authority within your organization (based on respect or authority). ●

Add Personality and Stir

A *personality moment* is a trigger. It is a point in time when you have the chance to build your relationship with your customer, or when you are in danger of losing it.

Personality moments are the dozens of small occurrences that happen during an interaction between you and your customer, both before and after you make a sale or provide a service. The last stage of learning to inject more personality into your brand is understanding how to effectively spot and use your personality moments.

Personality moments are all around us, and they represent pivotal moments in which you can build customer loyalty and stand apart from competitors.

Three Methods of Getting Attention

Attention is the prize that most companies are seeking from their customers or potential customers. The brands that dominate our lives and do the best are the ones that are able to capture attention the longest.

Every idea you can think of for getting the attention of your customers will fall into one of three broad categories: *shock, sex* or *relevance.* Every way to get attention comes from some combination of these three elements.

The best examples of using sex to capture attention are those that manage to merge it with a message of relevance. One great example of this is the now-famous series of online videos developed by Ogilvy & Mather in Toronto for Dove skin-care products. The videos were part of Dove's Campaign for Real Beauty and showed young girls being assailed by images of supermodel perfection. The ads still used sex, but merged it with a message of relevance, which was (from a tagline used in the second video, called "Onslaught") to "speak to your daughter before the beauty industry does."

Shock

When it comes to shock, one of the most riveting examples in recent memory is the series of safety-focused ads for Volkswagen developed by Crispin Porter & Bogusky, in which jarring images of people walking away from split-second accidents were used to show the safety of VW cars.

In these examples of the successful use of sex and shock, the reason for their success is that the sex or shock is coupled with a relevant message. Of the three methods for capturing attention, relevance is clearly the unifying factor that makes a message more than something that simply captures attention for a moment and squanders it after that.

The Attention Paradox

We are all getting better at filtering out information that we don't care about. *The point is not that we have less attention to give, but that we are far more selective about how we spend it.*

Now, let's apply selective attention to the buying cycle. This is a cycle of activities that typically happens between the moment when consumers are deciding what to buy and the point when they use it and start the process over again. Today's buying cycle includes four phases: *research, purchase, interact* and *share.*

How to Build Your Authority

In order to effectively fight the barriers to using personality in your organization, you first need to build your authority. *Building your authority is all about earning respect.* Respect is the currency that allows you to gain support for anything you propose and to inspire others to believe in you. Here is how you can go about building your authority:

1. Value other opinions. You have to give respect to get respect. Valuing the opinions and beliefs of others, even when they differ from your own, is a central element in creating mutual respect.

2. Speak second (or last). The practice of listening first and talking second allows you to hear other points of view before you begin to speak.

3. Offer a point of view. This means that you should have convincing reasons for doing what you do and question the things that you believe are wrong, and should stick to your views.

4. Avoid condescension. Find a way to avoid being condescending toward peers who may not always follow what you are trying to do.

5. Share the credit. Nothing fosters respect more than bringing others into the successes you may enjoy within an organization.

6. Have a personal brand. This final point has importance to your authority and the rest of your career.

Research

Whether you realize it or not, the bulk of your time, effort and budget in marketing is being spent on just one phase of the buying cycle: the first one, *research*.

The paradox of attention is that the moment when you have your customer's nearly undivided attention is the same moment when the relationship with the customer moves from marketing to other areas of the business. The real question you need to answer is: How can you start to better focus on those moments where you *already have your customer's attention* and use those to demonstrate your personality?

It is the forgotten moments that are ripe for using personality. The secret to being able to use personality moments effectively is having a good eye for spotting when you have captured your customer's attention and have a chance to do more with it. Your goal should be to more efficiently turn every such situation into a personality moment. The brands that do this successfully are the ones that develop personality. ●

The Fifth Phase: Indifference

The four-phase buying cycle accurately reflects what it is meant to: the phases of buying. There is a phase, however, that comes before buying, research and even before consideration — the phase of indifference.

This phase includes all the moments when people are not in the buying cycle at all. They are indifferent because they don't care about you or what you have to offer. This group of consumers who are not in the market for what you have to offer are the toughest to reach. What do you do in this fifth stage, when relevance is hardest to inject because it cannot be applied to a specific need? To answer that question, let's look at some of the most-watched viral videos on YouTube for a product from the past year, a simple series of videos asking a surprisingly compelling question: Will it blend?

Will It Blend?

The company behind these videos is Blendtec and the videos feature a guy in a white lab coat who takes all kinds of products and sticks them into a Blendtec blender to answer the question of the program — will it blend? The videos have created a need among some people to get a new blender from Blendtec, even though they may not have realized the need before. The personality moment for a Blendtec blender comes at some point while you are watching it slice through the casing of an iPhone and the smoke is rising.

As consumer evangelists become more common, brands need to find a way to create talkable hooks that inspire these evangelists to discuss the brand. When consumers demand more authenticity, the only way to respond is to find ways to share the real story behind your product or brand. This is not about getting bigger or getting smaller. This is not even about finding something to stand for. This is about understanding what the underlying personality of your brand is, and finding the right moments to use it. ●

RECOMMENDED READING LIST

If you liked *Personality Not Included*, you'll also like:

1. ***Meatball Sundae* by Seth Godin.** Find out what to do about the increasing power of stories, not facts; about shorter and shorter attention spans; and about the new math that says 5,000 people who want to hear your message are more valuable than 5 million who don't.
2. ***Naked Conversations* by Robert Scoble and Shel Israel.** Learn how small businesses and Fortune 500 companies alike can benefit from blogging.
3. ***Wikinomics* by Don Tapscott and Anthony D. Williams.** Discover how mass collaboration is happening not just at Web sites such as Wikipedia and YouTube, but also at traditional companies that have embraced technology to breathe new life into their enterprises.

Summary

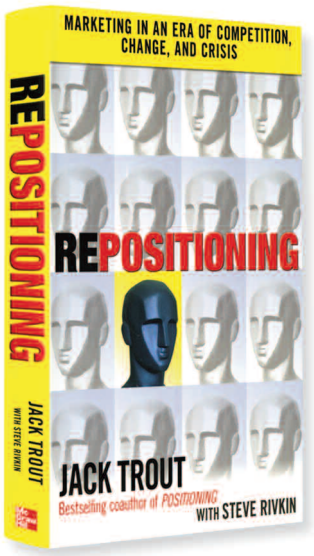
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Marketing: Strategies

Repositioning

Marketing in an Era of Competition, Change, and Crisis



by Jack Trout with Steve Rivkin

THE SUMMARY IN BRIEF

Times have changed. Competition is fiercer. Consumers are savvier. Communications are faster. And once-successful companies are in crisis mode.

Repositioning shows you how to adapt, compete — and succeed — in the current overcrowded marketplace. Global marketing expert Jack Trout provides an arsenal of proven marketing techniques specifically redesigned to help conquer today's "3 Cs" of business: competition, change and crisis:

1. **Beat the competition:** Challenge your rivals, differentiate your product, increase your value, and stand out in the crowd.
2. **Change with the times:** Use the latest technologies, communications and multimedia resources to connect with your consumers.
3. **Manage a crisis:** Cope with everything from profit losses and rising costs to bad press and public relations nightmares.

Even if your company is doing well, the cutting-edge marketing observations in *Repositioning* can help keep you on top of your game and ahead of the pack.

Understanding the mindset of our consumers is half the battle. Winning in today's world is often a matter of repositioning; it's how you rethink the strategies you've always relied on; it's how you win the new battle of the mind.

IN THIS SUMMARY, YOU WILL LEARN:

- How expanding product lines may decrease your overall sales.
- Why new brand names often outsell established brands.
- Why slashing prices is usually a bad idea.
- Why it's dangerous to attack your competitors head-on.
- Why it's valuable to emphasize value.
- How to make consumers pick your brand.

CONTENTS

The Rise of the Competition
Page 2

Change Happens; Evolution Is Reality
Page 3

When Not to Evolve
Page 4

Value Is the Name of the Game
Page 5

Repositioning Takes Time
Page 6

Repositioning Begins and Ends With the CEO
Page 7

Repositioning Is Obvious
Page 8

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THE COMPLETE SUMMARY: **REPOSITIONING**

by Jack Trout with Steve Rivkin

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Steve Rivkin is a naming expert with Trout & Partners and co-author of three books with Jack Trout.

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For additional information on the authors, go to www.summary.com or visit www.troutandpartners.com.

The Foundation

It's important that we review the essence of positioning, as it is also the foundation of repositioning.

Positioning is how you differentiate yourself in the mind of your prospect. *Repositioning* is how you adjust perceptions, whether those perceptions are about you or about your competition. In both cases, in order for your strategy to work, you must understand how the mind works or how people think.

The Power of Simplicity

The basic concept of some products predicts their failure — not because they don't work but because they don't make sense.

The best way to really enter minds that hate complexity and confusion is to oversimplify your message. Some of the most powerful programs are those that focus on a single word. Just focus on one powerful differentiating idea and drive it into your prospect's mind.

Be ruthless about how you edit the story you want to tell. Anything that others could claim just as well as you can, eliminate. Anything that requires a complex analysis to prove, forget. Anything that doesn't fit with your customers' perceptions, avoid. ●

The Rise of the Competition

Every repositioning program has to start with the competition in the mind. It's not what you *want* to do; it's what your competition will *let* you do.

What has changed in business in recent decades is the amazing proliferation of product choices in just about every category. Consumer psychologists say that this sea of choices is driving us bonkers. The typical argument is that extensive choice is appealing. But it can actually be a turnoff. Choice can hinder the motivation to buy.

If you ignore your uniqueness and try to be everything for everybody, you quickly undermine what makes you different. If you ignore changes in the market, your difference can become less important. If you stay in the shadow of your larger competitors and never establish your differentness, you will always be weak. This is why you must learn the art of repositioning as a way to deal with your competitors. ●

Repositioning the Competition

Repositioning a competitor often comes down to finding a weakness in the leader's strength and attacking that point.

Sometimes leaders have weak points that are just weak points and not an inherent part of their strength. But there is another kind of weakness, a weakness that grows out of strength. As the Avis ads used to say, "Rent from Avis. The line at our counter is shorter." It's hard to see how Hertz could counter this repositioning strategy. This is a weakness that's inherent in Hertz's position as the largest rent-a-car company, as it is for most leaders.

But good competitive repositioning ideas are extremely difficult to sell because they are negative in nature. They go against the "positive thinking" grain of most management people.

An Attack Must Resonate

Any time you hang a negative, it must quickly make

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sense to your prospect. When you've presented your idea, your prospect should agree almost instantly, without further explanation or argument. If an idea doesn't "explode" or needs more explanation, it is not a good repositioning-the-competition idea.

Trying to reposition the competition as being more expensive is usually not a very good strategy to pursue. Price is often the enemy of differentiation. When price becomes the focus of a message or a company's marketing activities, you are beginning to undermine your chances to be perceived as being unique. What you're doing is making price the main consideration in picking you over your competition. That's not a healthy way to go.

The Key to Attacking Is Setting Up a Positive

The purpose of hanging a negative on your competitor is to set up a positive idea. Some years ago, Stolichnaya vodka hung "American made" on its U.S. competitors who were "making believe they were Russian." It was setting up "the Russian vodka" as its positive idea. ●

Change Happens; Evolution Is Reality

After the rise of competition in recent decades, the acceleration of change is the next big problem that has made business life more difficult. And what's driving this change is technology.

The most popular way to evolve is to use new ideas to update your brand. Finding new uses for existing products has sustained many brands. For example, Scotch tape began life with a list of 300 unduplicated uses, courtesy of its manufacturer 3M. Every day, consumers dreamed up hundreds more.

Another way to keep a product relevant is to add a service. You might want to look into automating a straightforward transaction. substituting speedy machinery for clerks also frees up your people for more scintillating work.

How to Evolve

The key decision you'll have to make in repositioning your product as markets evolve is to brand or not to brand. Do you stay with your base brand, do you launch a subbrand, or do you start a new brand?

Sometimes your decision is based on what market you want to evolve into. If you're going down-market, chances are you'll want a subbrand so as to not undermine your base brand's perceived value. If you're going upmarket, it gets a little tricky. Cadillac had little success with its $50,000 Allante because the brand had no prestige. GM, in this case, needed a new brand and a great deal of money to launch it.

Evolving distribution also can be problematic, but you can find new ways to distribute as long as you don't upset your existing distribution arrangements or your image. There can always be another way to physically distribute whatever you're selling. Direct mail, online, kiosks in malls, kiosks in airports, door to door — think about what else you could use.

The Problem of Inside Thinking

Enterprises that are successful often develop a "we know best" culture. Over time, pride can lead to overconfidence or arrogance. When people think that they have the answers and others don't, they tend not to pay much attention to those others — especially outsiders — because it seems like a waste of time.

Success in repositioning must come from outside thinking. That's where the market is located. ●

Repositioning Commodities

Successful repositioning strategies can be summed up in five ways:

1. *Identify*. Ordinary bananas became better bananas when a small Chiquita label was added to the fruit. Of course, you then have to communicate why people should look for these labels.
2. *Personify*. The Green Giant character became the difference in a family of vegetables in many forms.
3. *Create a new generic*. Tyson wanted to sell miniature chickens, which doesn't sound very appetizing. So it introduced Cornish game hens.
4. *Change the name*. When the name "Chinese gooseberry" was changed to kiwi fruit, the world suddenly had a new favorite fruit.
5. *Reposition the category*. Pork was just pig for many years. Then the industry jumped on the chicken bandwagon and became "the other white meat." That was a very good move when red meat became a perceptual problem.

The Bigger They Are, the Harder They Are to Change

Big is the enemy of change. With size comes a large degree of inflexibility, ego, vested interests and other

bad things that hamstring a company in this age of the unpredictable. Repositioning requires a certain degree of flexibility that size makes very difficult, if not impossible.

Market leaders have to be willing to attach themselves with a better idea. If they don't reposition themselves, someone else will do it by hanging a negative on them.

Personal Agenda

What advanced primates all have is called a reflex personal agenda. It goes like this: When faced with a decision that could be best for the company versus one that could be best for the individual, a large percentage of the time a human primate will opt for the decision that betters his or her career. Another expression of this is "making your mark."

When a company has offices full of people, you've got to expect endless tinkering with a brand. It's how people keep from getting bored. It's also how brands get in trouble. The more people you have, the more difficult it is to manage them.

Why Things Go Wrong

Studies have shown that a large percentage of mergers underperform their grand predictions of success. Two large companies that join together spend so much time on operational integration that they end up running on the fumes of their past glory and brand names. What you rarely see are new ideas or innovation.

Immense resources and big brand names hardly ever guarantee innovation. More often, tradition and bureaucracy get in the way of any repositioning thinking.

It's easy to make management mistakes with giant corporations — the bigger they are, the harder they are to manage. ●

When Not to Evolve

Should every brand and every company evolve?

The simple answer is no. Growth just for the sake of growth can be a trap. Evolving just to keep up with the other guy can be a mistake. Trying to be the latest or the next-generation something can kill your existing business.

And about the worst thing you can do to yourself is fuzz up your identity, as this opens the door for a well-focused, specialized competitor.

The desire for growth is at the heart of what can go wrong for many companies. Growth is the byproduct of doing things right. But, in itself, it is not a worthy goal. In fact, growth is the culprit behind impossible goals. When you consider that people do damaging things to force unnecessary growth, you can say that it's a crime against the brand.

The 'Latest' Trap

One of the better evolution strategies is to come up with the latest or next generation of product in a category. But the latest doesn't always work, and there are some pitfalls in the next-generation game that you must avoid at all costs. If you don't, you could have real problems. Here's what to avoid:

- *Don't solve a nonexistent problem.* Your next-generation product must solve a real problem, not one that's unimportant.
- *Don't mess with tradition.* There are real problems that people don't want solved. They like the old-fashioned way.
- *It must be better.* Why go for the next thing if it isn't a better thing?

Minds Can Lose Focus

Evolving a brand is a tricky piece of work because you can fuzz up your identity.

In days gone by, most big brands were clearly perceived by their customers. The mind, like a camera, had a very clear picture of what its favorite brands were all about.

The difference in views on this subject is essentially a perspective. Companies look at their brands from an economic point of view. To gain cost efficiencies and trade acceptance, they are quite willing to turn a highly focused brand, one that stands for a certain type of product or idea, into an unfocused brand that represents two or more types of products or ideas.

We look at the issue of line extension from the point of view of the mind. The more variations you attach to the brand, the more the mind loses focus. ●

A Crisis Can Change the Game

Recent times have certainly educated us to the fact that we live in a time of uncertainty or crisis. And these crises come in two forms: macro and micro.

The macro variety would be the financial crisis that has swept the world, affecting just about everything. A micro crisis would be one that threatens an entire company. In either case, you wake up one day and find that your world has changed for the worse.

The End of Long-Term Planning

Suddenly, we are faced with the fact that the concept of long-term planning has finally been put to rest. A

long-term strategic plan is useless unless you include your competitors' plans as well. Yet many CEOs think that complex long-term planning is critical if a company is going to fulfill its mission statement.

The fatal flaw in all of this long-term planning is the simple fact that you can't predict the future. History is filled with bold forecasts that didn't pan out. So if you can't plan long term or predict the future, what do you do? You have to stay flexible and seize the opportunity.

Yes, a crisis can change the game, but there are some underlying guidelines that can always be of help. The key to survival is to start every marketing plan with your competition in mind. It's not what you want to do; it's what your competition will let you do.

Avoid a Competitor's Strength and Exploit Its Weakness

When a competitor is known for one thing, you have to be known for something else. Quite often, a competitor's built-in weakness is the something else that you can exploit.

But remember, we're talking strength and weakness in the minds of the marketplace. Marketing is a battle of perceptions. What you're really doing is exploiting perceptions.

You also have to realize that at least one of your competitors is probably in a meeting right now figuring out how to nail you in one way or another. You must constantly be gathering information on what your competitors are planning. This can come from an astute sales force, from a friendly customer or from some research.

Never underestimate your competitors. In fact, you're safer if you overestimate them.

Competitors Usually Get Better if Pushed

Companies that figure that they can exploit a sloppy competitor are making a big mistake. They ridicule the competitor's product or service and say that they can do things better. Then, lo and behold, their big competitor suddenly improves and that so-called advantage melts away.

Never build your program around your competitors' mistakes. They will correct those mistakes in short order. ●

Value Is the Name of the Game

When you are talking about value, it is not about price unless you have built a price advantage. If that's the case, you are always talking about price as your differentiator.

Getting Around Price

Market leaders will always be attacked on price as their competitors try to reposition them as expensive. So what do you do? Do you have to match all the moves that are made against you?

Here are some tried-and-true methods of getting around a price attack:

1. *Do something special.* The leader can go to its biggest customers and offer something special.
2. *Shift the argument.* Another good value strategy in a pricing battle is to introduce the concept of total cost as opposed to initial cost. In some categories, the costs you incur after you buy a product can be substantial. If your product performs better after the purchase, you might be able to build a cost-of-ownership rather than a cost-of-purchase argument. A variation on this is the concept of longevity.
3. *Add more.* There are times when value is a sum total game. If you can add items to your offer, people will begin to feel that they are getting more for their money.
4. *Be nice and helpful.* When you are in a retail, consumer-centric business, service can be a powerful value story. Yes, it takes a lot of effort and cost and training to make your staff nice and helpful, but you'll get it back by being able to charge a little more even in a time of crisis.

Southwest Airlines has used low price to differentiate itself. In CEO Herb Kelleher's words, it has done so by "being different." By using only one kind of airplane, Southwest saved on training and maintenance costs. By offering no reserved seats, it avoided expensive reservation systems. By offering no food, it eliminated expense and time. By avoiding expensive hub airports and using less expensive smaller airports, it avoided high gate charges. (Southwest has recently moved to a reserved section and bigger hubs, but they are evolving carefully.)

By being different, Southwest has been able to construct a system with the lowest cost per air mile of any airline. Unfortunately, this has turned it into a bit of a cattle car. But to offset this, it works very hard at making the trip more fun. (The attendants do stand-up comedy.)

Southwest has differentiated itself as the low-fare airline. And it has become big enough that it can't be forced out of a market by a bigger airline lowering its prices. Many airlines have tried to imitate Southwest — most have failed.

Prestige Is Out; Value Is In

These are hard times for expensive brands. What is a brand to do when its customers feel that it is necessary to cut back and save? Or when products that were sold on prestige are not socially acceptable?

Do you cut your prices and thus tell your customers that you were overcharging them? Companies all over the globe are facing this dilemma.

About Promotions

Do price promotions add much value for a brand? Some extensive international work has shown that sales generally go back to where they were once a short-term price promotion is over. The promotion lasts while it lasts. Management has often harbored the hope that there might be a positive after-effect, at least in a particular case.

It is now known that this is not so, and why: A promotion is taken up almost exclusively by the brand's long-term or "loyal" customers. The evidence shows that people seldom buy a strange brand just because its price is cut.

This is why there are no aftereffects from sales: A promoted brand does not hang on to those new customers who might have first bought it during the sales blip because there were virtually no such "new customers."

Large-scale promotions now occur even though management has traditionally sought to stop its salespeople from cutting the price. Marketing management itself now cuts the price and even seems proud of it. Nonetheless, price promotions must generally be run at a loss.

So why is so much spent on price promotions? Senior management would like to cut its promotional budget but usually does not know how to do so or what will happen if it does. ●

Repositioning Takes Time

Repositioning is about readjusting people's perceptions, not changing their perceptions. The marketplace is littered with failed efforts to change people's minds.

There's always been a general feeling in the marketing industry that new-product advertising should generate higher interest than advertising for established brands.

But it turns out that we're actually more impressed by what we already know (or buy) than what's "new."

What 'Readjusting' Entails

Matching or fitting with perceptions is what effective repositioning is all about. Trying to change a person's mind is the opposite, as you are going against that person's existing perceptions. It is a total mismatch.

Considering the amount of time it takes to readjust perceptions, starting early on figuring things out can be a big advantage.

Repositioning Needs Publicity

Another reason that this process takes time is that you need others to write about your efforts. And, as you would expect, this will not happen overnight. You can claim that you are changing, but no one will believe you as it is just a claim. When others report that you are changing, it is a different story. But these kinds of stories are hard to come by, so our advice is that PR should become a critical part of your marketing efforts.

The general rule is: publicity first, advertising second. A great way to remember this rule is to think of this analogy: PR plants the seed. Advertising harvests the crop.

The truth is, advertising cannot start a fire. It can only fan a fire that has already been started. The first stage of any new campaign ought to be public relations.

When a company is using repositioning as its basic advertising strategy, then it just makes sense to use a repositioning strategy in PR. Especially since the PR ought to precede the advertising.

Too often, this doesn't happen. Advertising agencies and public relations agencies see themselves as competitors — for the client's ear and dollar.

What's needed is a basic change in the way advertising and public relations programs are planned. Programs must be developed that are linear rather than spatial.

Quick Bang vs. Slow Buildup

In a spatial program, the elements start together, but in different spaces (public relations, advertising, sales promotion, etc.). This is the typical way most programs are conceived. The quick bang, if you will. But when the smoke clears, when the excitement of the initial launch is over, usually nothing has been changed. The prospect's attitude is the same as it was before.

In a linear program, the elements unfold over a period of time. The advantage, of course, is that they can be designed to work together to reinforce each other. The slow buildup leads to a big change in the prospect's mind. More than anything else, successful repositioning requires consistency. A linear program helps you achieve this consistency.

There is a tendency on the part of the publicist to

shoot for the moon — to try to place a story first in the biggest, most massive media. But this overlooks the linear nature of good public relations strategy.

What works best is starting with your core group and then rolling it out. If you can win the battle with the core group first, your future success is almost automatically assured.

What's happening in the PR world is that a group of bloggers and Twitterers are becoming the focus of early PR. The online pundits are useful, as they can add a level of credibility to any start-up. This group will eventually lead your story into the trade press and, if you're lucky, on to the business press.

Rules for PR Success

Here are four rules for success:

1. Find out what position you already have in your public's mind.
2. Adopt a repositioning strategy that you want to own. Zero in on the specific concept that you want to achieve through public relations and advertising.
3. Convince everyone to concentrate exclusively on this one repositioning approach.
4. From time to time, evaluate your PR efforts along with your advertising, merchandising and overall marketing positions.

Remember, readjusting perceptions takes time and patience. ●

Repositioning Is Not for the Meek

Someone has to be in charge of repositioning. And that type of leadership takes a lot of courage. The role of the CEO is to lead the charge. Strategy, vision and mission statements are dependent on the simple premise that you must know where you're going. No one can follow you if you don't know where you're headed.

First, how do you find the proper direction? You have to find your inspiration down at the front, in the ebb and flow of the great marketing battles that are taking place in the mind of the prospect.

The bigger the company, the more likely it is that the chief executive has lost touch with the front lines. This might be the single most important factor limiting such companies' ability to deal with competition, change and crisis. Top management's disconnection from the marketplace is the biggest problem facing big business.

If you're a busy CEO how do you gather objective information on what is really happening? How do you get the bad news as well as the good?

One possibility of finding out what's really going on is "going in disguise," or poking around unannounced. This would be especially useful at the distributor or retailer level. Thomas Stemberg, the founder of Staples, believed in seeing the world from the ground level. He shopped his stores like a customer.

In many ways this is analogous to the king who dresses up as a commoner and mingles with his subjects. The reason: to get honest opinions on what's happening.

Change Inside

You have to be willing to make changes inside the organization in order to exploit the opportunities on the outside. And you must be a doer.

The way to spot a non-leader quickly is to watch for "should." When a viable suggestion is presented, the would-be leader says, "We should do that." Usually, those "shoulds" pile up and little gets done.

The best leaders know that direction alone is no longer enough. The best leaders are storytellers, cheerleaders and facilitators. They reinforce their sense of direction or vision with words and action.

A visible leader is a very powerful weapon with customers and prospects. This kind of leader offers unique credentials for a company. Also, the troops are proud to follow this kind of leader into battle. They trust him or her instinctively. Without trust, there won't be any followers. And without followers, you won't have much of a charge.

Finally, if you're acting like a general, it's important that you adopt the qualities of a good general:

- You must be flexible to adjust the strategy to the situation, not vice versa.
- You must have mental courage. A good general reaches deep inside to find the strength of will and mental courage to prevail.
- You must be bold. When the time is right, you must strike quickly and decisively.
- You must know the facts.
- You need to be lucky. ●

Repositioning Begins and Ends With the CEO

Brilliant thinking never wins the day on its own merits. If you don't have the right people in the room, effective positioning or repositioning becomes a long shot at best.

The first type of obstacle a repositioning idea will

often encounter is an old cash cow. New ideas tend to be built on new opportunities, which can sometimes challenge old businesses. The result is a reluctance to foster the new ideas. Peter Drucker called it "slaughtering tomorrow's opportunity on the altar of yesterday."

Another problem with not having the right people in the room is the ghost of bad decisions. New strategies often clash with prior decisions. Unfortunately, no one in a large corporation wants to admit to making a bad decision. Especially a bad *big* decision. As a result, it goes against almost all middle-level managers' instincts to embrace any new idea that could cause them embarrassment about their old decisions.

Another problem you may encounter is the "corporate ego" of your immediate superiors or the people at your advertising agency. They may have a problem with an outsider doing their job. The higher you are presenting in an organization, the less likely you are to come across this kind of ego problem.

Advice for the Cautious

If, for some reason, getting the right people in the room isn't feasible, you'll have to find a way to get the CEO involved in the process. Without that involvement, your strategy will never be implemented properly. So the trick is to carefully construct a case that your hearers' superiors can be comfortable with as they carry it upward to the CEO.

Chances are the CEO isn't a marketing person by training, so you'll have to find a way to bring him or her up to speed.

There are two effective ways to do this. The first is to set up a lecture on the subject and invite the top management. Bring in an outside expert, but make sure that part of the session deals with your firm's current problems or opportunities.

The other way is to send your CEO a book or two on the subject, pointing out why it is apropos to the problems the company faces.

Implement Slowly

Implement any difficult strategy slowly, especially if it's of the "repositioning" kind.

People need time to adjust to change. By making changes slowly, you reduce the anxiety that comes with a dramatic shift of strategy.

This all points to the inescapable fact that repositioning is serious stuff. It sets a new direction for a company's business strategy. And when serious decisions are being made, top management must be in the room. ●

Repositioning Is Obvious

When it's time for you to reposition, the problem you face will be obvious, and the solution to the problem will be obvious. But people tend not to see the obvious.

With many big, obvious problems, either hope springs eternal or people want to kick the problem down the road for someone else to handle. This is known as the "psychology of avoidance."

Threats get our attention when they are imminent, while our brain circuitry is often cavalier about the future. We're far more sensitive to changes that are instantaneous than to those that are gradual.

The antidote for the way we are wired against risk is a heavy dose of reality from an outside observer and a willingness to have an open mind. The biggest problem you'll face is a decision in which people are already invested.

In Search of the Obvious

If they are to work, positioning and repositioning ideas must be obvious ideas. That's because they are evident ideas. And if they are evident to you, they will be evident to your customers, which is why they will work.

In 1916, Robert R. Updegraff laid out five tests of obviousness:

1) This problem, when solved, will be simple.
2) Does it check with human nature? The obvious matches existing perceptions.
3) Put it on paper. If the explanation becomes long, involved or ingenious, then very likely it is not obvious.
4) Does it explode in people's minds? Do people say, "Now why didn't we think of that before?"
5) Is the time ripe? Checking the timeliness is often just as important as checking the idea or plan itself.

The final advice is: Try not to overresearch or overthink your positioning or repositioning strategy. Simple and obvious will do the trick. ●

RECOMMENDED READING LIST

If you liked *Repositioning*, you'll also like:

1. ***The Brand Bubble* by John Gerzema and Ed Lebar.** Led by data from Young & Rubicam, the authors guide readers through a five-stage process for reorganization to achieve sustainable brand performance.
2. ***Differentiate or Die* by Jack Trout with Steve Rivkin.** A great companion read to *Repositioning* is this classic about how to be meaningful and stand out to your customers.
3. ***Outside Innovation* by Patricia B. Seybold.** Innovation is what keeps your brand at its best. Seybold shows the best ways possible to involve passionate customers in keeping your brand vital and forward-thinking.

Summary

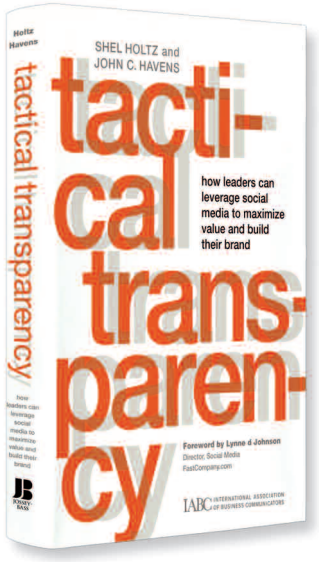
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Marketing: Branding

Tactical Transparency

How Leaders Can Leverage Social Media to Maximize Value and Build Their Brand



by Shel Holtz and John C. Havens

THE SUMMARY IN BRIEF

Organizations are under a microscope as never before. Thanks to the Internet and the growing use of high-speed connections, word of misdeeds and mistakes can spread to millions with unprecedented speed, causing untold damage to an organization's reputation and share price. No longer just a "nice-to-know" concept, transparency has become a state of mind for thousands of CEOs, managers, employees and customers around the globe.

Transparency is the degree to which an organization makes its leaders accessible, allows its employees to reinforce the public view of the company, shares its ethics and values, makes its culture visible, allows the results of its business practices both good and bad to be known, and makes its business strategy known to its investors.

Tactical Transparency provides a methodology that will help organizations create their own unique plans to bring greater authenticity to their companies and brands. Authors Shel Holtz and John C. Havens provide step-by-step details on how executives and professional communicators can create a transparency strategy that will keep their organizations competitive in the 21st century. They explain how organizations can evaluate their readiness for transparency, what they need to do to get ready, and how to effectively communicate their transparency strategy to their customers and employees.

IN THIS SUMMARY, YOU WILL LEARN:

- How to change your traditional sales techniques and embrace the idea of relationship-oriented marketing techniques.
- That engaging in conversation with consumers is a must in today's ever-changing communication environment.
- That the new conference model is the "unconference," where much of the formality of the traditional conference is replaced and where everyone attending is an active participant rather than a passive attendee.
- What the future of transparency is and how transparency is no longer a choice but a competitive requirement.

CONTENTS

What Is Transparency?
Page 2

Someone May Be Looking
Page 3

Follow the Money
Page 4

When Things Go Bad
Page 5

En-Gauge the Conversation
Page 6

Addressing Loss of Control
Page 7

Your Road Map to Transparency
Page 8

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THE COMPLETE SUMMARY: **TACTICAL TRANSPARENCY**

by Shel Holtz and John C. Havens

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John C. Havens is vice president of business development for BlogTalkRadio.com. His About.com *Guide to Podcasting* show has featured interviews with hundreds of new media's leading minds. Previously, he was a professional actor, appearing in such films and TV shows as *The Thomas Crown Affair, Law & Order,* and *Spin City*.

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What Is Transparency?

As Christmas approached in 2006, a blog appeared called *All I Want for Christmas Is a PSP*. Charlie was trying to help his buddy Jeremy get the popular but expensive hand-held entertainment system as a holiday gift. It took only a short time for dozens of people to check the publicly available domain registration and learn the site was registered to a marketing agency called Zipatoni.

The firestorm erupted. Some of the comments posted to the blog included these:

- "This site makes me want to get rid of my PSP."
- "Things must be going really bad for Sony if all they can afford to promote one of their flagship products are you monkeys."
- "If you want a PSP badly enough you should get together with an ad agency. Then try to sell the product through a lame Web site while attempting to speak down to what you consider your target audience."

Even after having been exposed as a fake blog, a deceptive marketing practice, the character Charlie continued trying to convince readers that they were wrong. But the denials only sparked further commentary, which spilled over into message boards. Eventually Sony had to come clean.

In Sept. 2005, media critic, blogger and former *TV Guide* editor Jeff Jarvis wrote a post taking Dell Inc. to task for its failures of customer service and technical support in his efforts to resolve computer problems. Jarvis' series of posts turned into a saga that was followed, reported on, analyzed and spread by hundreds of thousands of people. One man's complaint dragged Dell's already fragile reputation through the mud and affected its share price.

It was a defining moment for Dell, which responded with an overhaul of its approach to customer service and technical support, including the launch of a blog, Direct2Dell, which lays the company bare.

These two stories from real companies, Sony and Dell, portray the extremes of business transparency. Sony introduced a fake identity into an environment where reputation is based on authenticity. It was caught, as inevitably any attempt to deceive will be unveiled, and paid the price with a damaged reputation. Dell, however, began respecting the issues people raised and making their employees accessible to customers. Dell talked openly about problems and engaged customers in conversation about how to fix them. And Dell was rewarded with increased customer loyalty and a reinvigorated reputation.

How Did We Get Here?

A definition of *transparency* must be based on the realities associated with doing business in today's business environment. Those realities have emerged as the result of the convergence of two separate and distinct trends: declining trust in business as usual and the increased public scrutiny under which companies find themselves thanks to the evolution of social media.

Our Definition

The focus here is on *tactical* transparency. The concern is not philosophical but practical. What tools can you use, and how can you make them succeed in order to be sin-

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cerely but prudently transparent in the ways that matter to your stakeholders? There is very little discussion about regulatory compliance but a lot about what customers, consumers, investors, interest groups and other publics can see when they try to look into your company.

The definition of *transparency* is the degree to which an organization shares the following with its stakeholder publics: *its leaders; its employees; its values; its culture; the results of its business practices; and its business strategy.* ●

Someone May Be Looking

While one can hope that the motivation for our current era of transparency stems from an inner desire to promote trust, the nature of modern communications ensures that hiding your head in the sand only increases the impact of your embarrassment when you get caught. At the very least, you likely won't have the support of your public when you need it.

There's good news in all of this: You already have a context for transparency. You practice it in your daily life. Now you just have to translate your personal ethics into the framework of your organization.

The Four Characteristics of Transparency

The basics of situations requiring transparency fall into two primary camps:

1. Something negative has happened, and you need to deal with it.

2. You want to inoculate your organization against such problems by demonstrating your willingness to share information and disclose your business processes.

In either case you'll need to remain open by employing varying degrees of the four characteristics of transparency, or OPEN: *Objectivity; Purpose; Esteem; Navigation.*

If you're worried that someone may be looking, turn around. They are, or soon will be, and hiding is impossible. Begin the process of opening up communication channels between your employees and customers, and see how promoting trust will always be more profitable than spinning lies. ●

Do You Have What It Takes?

To discover where there are gaps in an organization between opacity and transparency, let's explore some of the key characteristics of truly transparent companies.

- Transparent companies do the right thing.
- Transparent companies acknowledge inescapable facts.
- Transparent companies trust their employees.
- Transparent companies have an open-book mindset.
- Leaders and employees of transparent companies are accessible.

Transparent Companies Are Managed by Courageous Leaders

"Leadership, whatever else it takes, takes courage," says Michael Hyatt, president and CEO of Thomas Nelson publishing. "You've got to be willing, as a leader, to set the pace, to be the example, to model what you're asking others to do, and to be courageous in the face of people who might be fearful or are only looking at the downside. You have to focus also on what's the upside, and with very, very modest investments, the returns [on transparency] are huge."

Leadership sets the tone for an organization's culture. "When you have a CEO who blogs, it definitely sets the tone," says Jonathan Schwartz, president and CEO of Sun Microsystems. "When you have a general counsel who blogs, it changes everybody's assumptions of what they ought to be doing on a daily basis. You're much more likely to get in front of a problem, to make the problem known to people, and be much more aggressive and rapid in trying to solve the problem."

Popular Tech Blog Valleywag.com

Popular tech blog Valleywag.com told the story in Nov. 2007 of how college student Kevin Colvin wanted to party on Halloween in Boston. But he was an intern at Anglo Irish Bank and was supposed to be at work on Oct. 31 in New York City. He decided to blow off his job, telling his manager that "something came up at home"; adorned the garb of a fairy princess (literally — with wings and a wand); and had his picture taken by a friend at the party. Enter Facebook, the massive social networking site where anyone's profile is instantly viewable by the Internet community at large. In the case of Kevin, this included his manager, Paul, whose return e-mail stated, "Thanks for letting us know [you wouldn't be at work]. Hope everything is OK in Boston (cool wand)."

The picture and e-mail exchange exploded online with multiple reactions to Kevin's actions and Paul's response.

The lines of privacy and professionalism are blurring. It is ironic that the speed with which personal media can be posted online lies in stark contrast to the permanency of our digital footprints.

From Prospects to People

Transparency is just another way to be willing to engage with the marketplace. I don't just sell to my customers, I love my customers. I embrace my customers and ask them to embrace me. I ask them for their insights and input. As a result, the products we build become assets of those communities. Somebody who feels part of a community is going to be a much more aggressive evangelist for our products than someone who just paid $29.95 for it at a big-box retailer.
— Jonathan Schwartz, president and CEO, Sun Microsystems

The Tactics of Transparency

Transforming your mindset to embrace the idea of relationship-oriented marketing can be a disconcerting paradigm shift if you're accustomed to traditional sales techniques. For a variety of reasons, you cannot guarantee that a person will buy what you have to sell. But you can repeatedly demonstrate your desire to serve that person's needs as they relate to your business relationship. Here's how:

1. Get specific. Investigate the things he deems important about himself, to demonstrate in a meeting that you connect with his content in some way.

2. Make small talk big. The point is not to flatter and certainly not to pry.

3. Make your pitch interactive. Demonstrate your awareness that although you're providing a service to help him solve a problem, you're interested in a partnership, not a dictatorship.

4. Give a call to action. You should also be prepared to offer a next step that will provide value while advancing your relationship.

5. Write down a connection point. It's about demonstrating that you listened to things he said and spent the time to try and help him out with something that's not directly related to a potential sale.

6. Practice good timing. Due diligence is an ongoing process, and one ill-timed communication can sour a relationship you've been working months to create.

7. Follow up.

8. Partnering versus closing. When the plan and the partnership are at the forefront of the proposal and contract, then the onus of the money takes a backseat to the return on investment the initiative will bring.

The Real Return on Investment

Transparency in sales doesn't terminate with a purchase. Making a sale is actually the beginning of what should be a long-term relationship with a person or company you've aligned with to achieve their goals. If you've partnered with someone to help fulfill the vision for her business, your return on investment will be measured in multiple sales versus a one-off purchase made by forcing someone's hand. ●

Follow the Money

There are lots of folks who can monetize inefficiency. Transparency is much tougher to monetize unless you're on the side of creating value or delivering value. Being the intermediary for value is diminishing in social utility as well as financial value.
— Jonathan Schwartz, president and CEO, Sun Microsystems

Both customer and investor confidence in business plunged during a compressed period of time during which bad behavior by those with fiduciary responsibility seemed to make headlines almost daily. Enron, WorldCom, Tyco, Halliburton, Adelphia, Peregrine Systems and even Martha Stewart led publics to believe they could not trust the management teams who were, after all, employed to manage the investments made by the company's owners.

The gap left by that eroded confidence was filled by regulations that forced companies to be more accountable and to minimize the risk to investors in the future. The most onerous of these regulations, known as Sarbanes-Oxley (SOX) after the two senators who introduced the legislation that created it, is also known, tellingly, as the Public Company Accounting Reform and Investor Protection Act of 2002. This legislation contains 11 titles that dictate the responsibilities of a company's board of directors and spell out criminal penalties for dereliction of those responsibilities. In effect, it makes lack of transparency a crime punishable by fine and imprisonment.

Inevitable Change

There are forces, however, paving the way for the adoption of social media as a compliant channel for satisfying Regulation Fair Disclosure, better known as Reg FD. This is the U.S. Securities and Exchange Commission's set of rules designed to ensure that public companies disclose material information concurrently to all investors so that no single segment of the investment community has an unfair trading advantage.

Current practice relies on the distribution of news releases to satisfy Reg FD, where the information might be conveyed by media through a newspaper or TV news report or read on a Web site, such as Yahoo's financial site. Using a blog provides an opportunity for interaction. When financial information is distributed by a service such as PR Newswire or Business Wire, investors

are confident that the content is authoritative. Building the same kind of credibility into a blog post will be necessary before the SEC is comfortable designating blogs as a means of compliance.

When Things Go Bad

If ever there is a time for organizations to adopt a culture of transparency — and if ever there is a time when corporate leadership is most inclined to shutter the windows and hunker down — it is during an organizational crisis.

What Kinds of Crises Are There?

Crisis communication literature has tackled the categories of crises in a number of ways. Here are three major categories to help determine what type of situation your organization may be facing:

- *Meteor crisis*. Completely unexpected, a meteor crisis falls from the sky. It is usually characterized by randomness and senselessness and is viewed as a terrible thing.
- *Predator crisis*. In *The Insider*, Russell Crowe portrayed former tobacco executive Jeffrey Wigand, who delivered confidential company documents to "60 Minutes." In a predator crisis, the company is hardly a victim; it must have dirty laundry in order for a predator to air it.
- *Breakdown crisis*. A breakdown crisis occurs when the company fails to perform.

Exposing the Company to the Employees Who Make It Work

The lesson is clear: If your employment practices are beyond reproach, you need to make sure employees know what they are. It is in a company's own self-interest in this new world of intense scrutiny and instant communication to treat its workers well, since the research suggests that treatment translates into positive views of the company's corporate social responsibility, not to mention increased levels of employee engagement.

Business Literacy

There are aspects of the business that can be exposed to employees — aspects about which employees in many organizations have long been kept in the dark. Ask yourself these questions:

1. Can my employees list our most important customers, what they buy from us, why we're their provider of choice, what we can do to improve those relationships and what we might do to damage them?
2. Can my employees name our key competitors, how we compete with them, what their strengths and weaknesses are, and what our strengths and weaknesses are that might lead a customer to choose one of them instead of us?
3. Do my employees know what we make and sell beyond the products or services for which they have direct responsibility? Do they know what our other business units do?
4. Are my employees knowledgeable about the issues that could become obstacles to our ability to compete, such as legal challenges and regulatory threats?

Meet the Press

Having been focused on using the tools of new media to open the organization, the work of traditional public relations churns on. The increased participation in conversations through resources like blogs does not herald a simultaneous reduction in media relations efforts. The idea that social networks and the increasingly important public commons will replace public journalism is patently absurd, at least for now.

Transparency Channels

Transparency with the media begins with a simple pledge to keep the press informed about stories it's covering. Silence breeds suspicion, but regular updates quell distrust, assuming the information provided is accurate and honest.

The View From the Top

Over at The New PR, a wiki that serves as a community-built resource for communicators seeking information on new media, a page listing CEO bloggers has grown to impressive proportions. Nearly 30 countries are represented. Some, like Austria, Hungary and Israel, feature only a couple of names. But there are 15 in the listing for the United Kingdom, 41 in France and close to 200 in the United States. True, not every one of these names is a CEO. And while some of the companies represented are very small, others are well-known organizations such as Macmillan Publishing, Boeing, Lenovo, Pitney Bowes, NBC, General Motors Corp., Marriott International, Sun Microsystems and McDonald's. The list is by no means comprehensive. Only those who have discovered The New PR and elect to contribute to it have been added to the list.

What Openness Means

Organizations steeped in an opaque culture resist dis-

cussion about anything sensitive and disclosure of anything they are not required to disclose. Transparent organizations don't have problems with these topics. Paul Levy (CEO of Beth Israel Deaconess Hospital in Boston), for example, wrote a post about his salary titled, "Do I Make Too Much?" The post attracted a lot of attention in large part because the candid discussion of his income startled so many people.

The fact that a CEO blog reaches employees as well as other audiences is important to Sun Microsystems President and CEO Jonathan Schwartz:

> *I like to think of ourselves as a very simple business. We want to recruit all the developers in the world, and then we want to help them develop applications that require innovative infrastructure that we like to sell to the world. But there are a lot of moving parts inside Sun, and to put in a blog why we're doing all the things we're doing allows me to communicate not only to the marketplace, but to all employees.*

Blogs Are Tools

Blogs, like any other communication channel, are, at their core, just tools. A CEO or other organizational leader is equally capable of carrying on a conversation that flings open the windows into a company through a podcast, a message board or even a profile on a social network like Facebook. ●

En-Gauge the Conversation

The point is that we're McDonald's and everyone knows us. We're a big brand; we have size; we have influence. We're already part of the discussion anyway. People already talk about us, so the idea is [that] we want to be engaged in that conversation and post the good and the negative.
— Bob Langert, vice president, corporate social responsibility, McDonald's

Whatever the size of your brand or the nature of your business, you have a unique angle on it. If you aren't communicating this value proposition online, you're conspicuous by your absence. More important, if you haven't created a conduit for customers to interact with your brand, you're sending the message that you don't care about their opinion. Whether that's true is irrelevant: If people think you're not listening, they'll eventually start talking about you (in ways you won't like) and buying from someone else.

Blogs that focus on a specific business issue provide two distinct advantages for any organization:

- They provide an opportunity to demonstrate an area of expertise.
- They provide a forum for people to talk about your ideas and brand.

What to Do Next

Get to know some popular policy blogs to see how you can focus on a central issue over a prolonged period of time and create dialogue for better understanding. These three examples are outstanding:

1. Google's public policy blog:
   http://googlepublicpolicy.blogspot.com
2. Cisco's High Tech Policy blog:
   http://blogs.cisco.com/gov
3. The Know HR blog:
   http://www.knowhr.com/blog/ ●

From the Inside Looking Out

Expert Dominic Jones makes an important point. The voices of employees, articulated through employee blogs to which the public has access, provide investors with insight into the depth of talent and subject matter expertise available in the company. Depending on the level of the employee, these blogs can also spotlight the quality of the company's management. And these, Jones said, are critical considerations that influence investment decisions.

Employee Blogs

Most leaders are inclined to laugh when hearing the idea that employees should blog on behalf of the company. Yet the companies that have taken that step report an overwhelming positive outcome compared to few, if any, minor problems. Michael Hyatt, CEO of Thomas Nelson, sees three key benefits deriving from employees who blog for his company:

- To raise the visibility of our company and our products
- To make a contribution to the publishing community
- To give people a look at what goes on inside a real publishing company. ●

Transparency Beyond Text

How much do you read in one day? If you add up the number of e-mails, text messages, magazine and newspaper articles, and other content you digest in one day, it's no wonder we escape to music or video after work to decompress. Media that move beyond text, however, engage our minds in different ways and capture our attention in a more visceral manner. Other media don't demean the importance or ubiquity of text, but offer a compelling way to build trust and community with your consumers or employees.

Multimedia Is One of the Best Channels for Showing Your Face to the World

Transparency accrues from multimedia in a variety of ways, not the least of which is the ability to see and hear real people, making it far easier to judge their credibility than with more traditional text. And as an added benefit, the barriers to the production of multimedia have crumbled. What once required a professional crew, expensive equipment and costly distribution channels now can be produced for little, or even no, money and distributed over the Net at little or no cost. ●

Profile and Privacy

Participating in social networks for your organization also presents important legal and privacy issues that must be addressed when people are creating posting profiles willy-nilly across the Web. When digital footprints exist online in perpetuity, campaigns need to be structured in order to comply with the guidelines established by your organization, before profiles or media are created and posted.

Social networking offers an opportunity for companies to engage in authentic conversation with their employees and customers. It's immediate and personal and allows modes of communication that can't be found in traditional e-mail or phone conversations. But a social networking strategy also needs to be implemented for an organization, largely based on Jonathan Vanasco's notion about thinking:

> *The Internet reflects this very classical American tendency of instant gratification and instant interaction. You don't really think before you post online. You don't think about the context or tone of what you're saying or how does it fit into a larger dialogue. I think for the most part what people need to do more of is think.*

What to Do Next

1. Visit a number of social networking sites and see how they work.
2. Revisit sites that capture your attention.
3. Join a network (or more than one) where you feel a kinship with a community.
4. Blend your online personas by listing the networks you belong to at your central online portal.
5. Adapt the lessons you learn for your personal interactions with social networks for your business. ●

The Case for Face to Face

Transparency is hard to fake in person. Someone who confronts you at work or a party will see your expression and your body language as a response to his or her accusation. In the same way, when you see a friend, you can hug your friend and look into his or her eyes without relying on a webcam.

Knowing it's impossible to meet face to face as often as we might like, business relationships can be greatly enhanced (or diminished) by the ways we interact when we are able to connect in person.

The "Unconference" Movement

"Unconferences" do away with much of the formality that exists around the traditional conference model, largely because everyone who comes is an active participant rather than a passive attendee.

Wikis are typically used for registration — for people who want to come and those who want to speak. The logic here is that everyone has something to say, so why shouldn't they say it? For some unconferences, there's even a model under which you're expected to speak; being a wallflower isn't even an option.

Meetings encourage accountability, vulnerability and a reflection of a basic human need: to convene in person to learn, network and get away from the office. ●

Addressing Loss of Control

Loss of control of your company's message is nothing new. Social media and the improvement of digital technology have simply increased the speed at which messages about your company and your brand can be transmitted by people over whom you have no control.

Control What You Can

1. Be vigilant in your corporate communication policies, especially e-mail, so information that should remain confidential is not leaked.
2. Be vigilant in your fact-checking.
3. Report retractions or corrections of previous stories.
4. Provide multiple ways for customers to opt out of your service, online and off.

Creating transparent portals for your brand actually protects you from more online negativity than does staying silent. Silence implies you don't care and aren't listening. And when clients think you're not listening, they lose trust and buy from your competitors. That's the real loss you should be focused on. ●

Yeah, But…Overcoming Objections

Every organization will face resistance to transparency from forces that see only the downside. Organizations that have thrived on opacity will be the hardest to change, but even those inclined to embrace the principles outlined in this book will run into roadblocks from lawyers, regulatory affairs staff, IT departments, some occupants of the executive suite and external critics.

The objections fall into these major categories:

- Legal and regulatory.
- Competitive.
- Technical.
- Investment.

The Benefits Are Huge

The benefits are indeed huge. Transparency makes it easier to recruit, identify product and service opportunities, avoid onerous regulations and legislation, and forge alliances and partnerships with people and companies that can help your company achieve results that weren't possible before. Transparency creates loyalty among customers, confidence among investors and fairness from the media. ●

Your Road Map to Transparency

By now you should be keenly aware that no organization can hide its head in the sand and avoid implementing the tools that will help it create better dialogue with customers, partners and employees. This transformational process should take place in the following steps:

1. Assess.
2. Adjust the culture.
3. Establish your voice.
4. Create an action plan.

Crises — SWAT Team in Place

Have you got your own SWAT team for your business? If not, here's a place to start:

- Create an action plan for crisis before you're in a crisis.
- Determine the key players in your organization.
- Establish the methodology for how all key players will be communicated to and how to reach them.
- For the first meeting of the key players have the most knowledgeable person explain the crisis and have an agenda along with potential ways to deal with the crisis.
- Establish a time frame.
- Discuss ideas on how to deal with the crisis.
- Evaluate all scenarios.
- However you decide to respond to a crisis, provide channels of feedback for key stakeholders about your decision. ●

The Future of Transparency

The future of transparency is not a matter of asking how much more transparent your organization should be in the future. There are really only two approaches to transparency:

1. That which is required by law
2. The division you make between what you will keep hidden, for competitive or other legitimate reasons, and what you will subject to public scrutiny

From this perspective, the notion of the future of transparency seems a bit shallow. But there are a few factors to consider.

- **More regulation.** If the events that led Sens. Paul Sarbanes and Michael Oxley to introduce legislation that forced transparency on organizations aren't enough to make it clear, opacity will lead to more regulation.
- **Changes in business.** Boeing partnered with a number of other companies around the world, leveraging their capabilities and expertise. Boeing, however, has gone to great lengths to explain the process, its risks and its benefits. The company worked hard to be transparent. Boeing's global, multicompany manufacturing scheme is just one example of how business is undergoing change.
- **Changes in communication.** The communication channels employed by business, media and the public change at a pace that's hard to keep up with. New tools are introduced, it seems every day (and sometimes several times a day). ●

Conclusion

Transparency is not a choice. It is a legal, moral, and competitive requirement. Choice factors into the equation in terms of what you will make transparent and keep secret, and in terms of the strategies and tools you will use to behave in a transparent manner.

Whether your organization recognizes this and adopts the practices outlined or remains opaque and risks the unintended exposure of practices and behaviors you wouldn't want your mother to read about in the newspaper is immaterial.

Either way, you will be seen.

Literally. ●

Summary

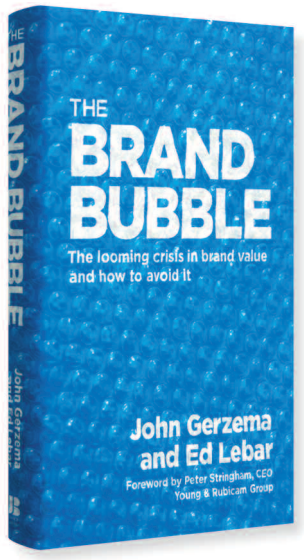
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Marketing: Branding

The Brand Bubble

The Looming Crisis in Brand Value and How to Avoid It



by John Gerzema and Ed Lebar

THE SUMMARY IN BRIEF

There's another bubble hiding in our economy. It represents more than $4 trillion in S&P market capitalization. It's twice the size of the subprime mortgage market. But unlike other bubbles, the assets at risk cannot be traded away or hedged against uncertainty. Rather, they are the fundamental drivers of competitive advantage for most organizations: their brands.

This summary lays out credible evidence that businesses think brands are worth more than the consumers who buy them. The number of high-performance, value-creating brands is diminishing across the board. Yet at the same time, the financial markets keep raising brand valuations. The result is a brand bubble that could erase large portions of corporate intangible value and send another shockwave through the global economy.

In this summary, the authors of *The Brand Bubble* reveal their surprising findings from extensive academic research, featuring the discovery of *energized differentiation*, a quantifiable measure of a brand's motion, creativity and continuous evolution. Brands with this quality are irresistible to consumers and demonstrably more valuable to business. This summary guides readers through a five-stage process for reorganizing the organization around the brand — the key to sustainable, profitable brand performance.

IN THIS SUMMARY, YOU WILL LEARN:

- How to make your brand irresistible to consumers.
- Why you must embrace the concept that everything is now a marketing channel.
- How to break through the static, short-term cycle of brand management.
- Ways to command greater levels of support and more leeway to experiment and explore.

CONTENTS

Overvalued Brands Page 2

Can You Say 'Irresistible'? Page 3

Wall Street, Meet Main Street Page 3

Welcome to ConsumerLand Page 4

Energized Differentiation Page 5

The Obstacle to Beat Back Page 6

A New Imperative Page 7

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THE COMPLETE SUMMARY: **THE BRAND BUBBLE**

by John Gerzema and Ed Lebar

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PART ONE: INTRODUCTION

Tulipmania and Inflated Brands

In 1841, Charles Mackay wrote his famous book *Extraordinary Popular Delusions and the Madness of Crowds* to describe various marketing phenomena. Of special note was his passage on "Tulipmania," an occurrence that took place in Holland in the early decades of the 1600s. The madness began when tulip bulbs imported from Turkey were found to grow extremely well in Dutch soil. The Dutch aristocracy acquired an immense taste for their beauty, and seeing how much could be made from tulips, thousands of average citizens sold their assets and began buying the bulbs.

People from all economic classes began trading in tulip bulbs at exorbitant prices. Speculators even took out futures contracts on unplanted bulbs, convinced that some varieties were slated to become the most expensive objects in the world. But at the height of the hysteria, the craze for tulips suddenly withered, leaving thousands of Holland's most successful businessmen holding worthless contracts while the less affluent who had invested in the flower lost entire life savings over a bunch of dried bulbs.

Irrational Investing

Tulipmania might have been no more than a footnote in Dutch history were it not such a clear example of something that has happened time and again around the globe over the last several centuries. As recently as the past decade, modern business analysts using econometric models and computer algorithms acted as blindly to irrational investing as their counterparts in 17th-century Holland. Financial busts stemming from the dot-coms, Internet equipment manufacturers and subprime mortgages are but a few examples of recent market tumbles after which investors, like the Dutch and their shriveled bulbs, were left with inordinate losses.

A bubble is a curious thing. In hindsight, it seems so obvious and predictable, while anyone caught up in the middle of one is blind to its potential for disaster. In all bubbles, one constant always predicates a collapse. That is the optimistic assumption that someone else will always be willing to buy what you are selling, regardless of how irrationally high the price is relative to the bare facts of the product's underlying value.

The Impending Brand Bubble

Now, another bubble is hiding in our economy. This bubble represents $4 trillion in S&P market capitalization alone. It's twice the size of the subprime mortgage market. And it accounts for more than one-third of all shareholder value. Credible evidence suggests that *financial markets think brands are worth more than the consumers who buy them*. The constantly rising valuation of major brands is creating a brand bubble, one that could erase large portions of intangible value in firms and send a shockwave through the global economy.

In essence, the multiples that markets place on brand value overstate actual consumer sentiment, so the value creation that brands bring is greatly exaggerated. That is, Wall Street is long on brands; consumers are short on brands.

Overvalued Brands

Fissures are forming in the pillars of brand equity. This conclusion is based on research of 15 years of brand and financial data from Young & Rubicam's BrandAsset Valuator, the world's largest study of consumer attitudes and perceptions on brands. There is a growing divergence between brand valuation and brand speculation. Data indicates that investors are irrationally overvaluing

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Rebecca S. Clement, Publisher; **Sarah T. Dayton**, Editor In Chief; **Christine Wright**, Senior Graphic Designer; **Chris Lauer**, Contributing Editor

brands and that if leading companies don't take steps to change their approach, more than a few of them might soon experience dramatic declines in market value.

The problem is that these stellar brands are becoming fewer in number. In today's changing consumer climate, exceptional brands are just that — exceptions. Most of the brands lining supermarket shelves, hanging from department store racks or touting their superiority on television are experiencing a rapid diminution of perceived value. Consumers are simply falling out of love with a majority of brands they buy.

Can You Say 'Irresistible'?

Some brands constantly create *exceptional attitude change* that keeps driving their financial numbers upward. They pulse with a kind of creative life force that pushes their values upward even in declining markets. They continue evolving over time, providing a steady forward-looking vision and continuous excitement among the customers they serve. They have something unique: energy.

Isolating the Nature of Energy

Energy is the consumer perception of motion and direction in a brand. Energy can be found in any brand, large or small, new or old, in any category. And regardless of how much energy a brand has, a change in energy forecasts a change in the financial performance of the firm.

We get energized by ideas that reframe our view of the world or help us reach deeper inside ourselves. Energy develops when there is conviction, creativity, inspiration, optimism and hope. And just as in the human condition, there is energy in brands.

People gravitate toward brands that, despite having little different to offer, seem to have a certain thing about them. This "thing" is the ability of a brand to be "irresistible." The brands accountable for disproportionate value creation have a palpable and measurable energy that make them so compelling that they foster an irrational fidelity.

Principles of an Irresistible Brand

Here are six key principles that identify the essential characteristics of an irresistible brand:

- Irresistible brands are highly irrational and yet entirely irrefutable. They are provocative and daring while pleasing and reassuring.
- Irresistible brands move with innate purpose and conviction.
- Irresistible brands constantly reinvent themselves; they have an insatiable appetite for change.
- Irresistible brands engage customers on their own terms. They speak in a language all their own.
- Irresistible brands don't force devotion — they compel it. These brands have a magnetism that attracts without chasing.
- Irresistible brands move culture as well as categories. Often, these brands' actions have a disproportional impact on society.

It is not essential that consumers sense all six of these characteristics; one is sufficient, provided it is unique to the brand. But as with any recipe for success, the more energy consumers derive from a brand, the more irresistible the brand becomes and the more powerful it becomes as an agent of creating future value.

Wall Street, Meet Main Street

Consumers don't just buy brands — they invest in them. Faced with so much choice in the marketplace, *consumers now select brands based on the same principles investors use to select stocks.* In choosing a brand, consumers now seek to maximize the return on their investment, whether that return comes to them in enjoyment, knowledge, security, appearance or social currency. They want to invest in a brand with a plan, one that brings them benefits tomorrow, not just today.

Five Parallel Behaviors of Consumers and Investors

Consumers apply five of the same thought processes in choosing what brands to buy as investors use to choose what assets they hold:

1. Consumers and investors seek future benefits. Today's consumers are voracious planners. They decide their future now, and this extends to their brand choices.

2. Consumers and investors want to maximize current returns. Like investors, today's consumers also want as much immediate return as they can get.

3. Consumers and investors accumulate information and knowledge before investing. Today's consumers behave like analysts: They have an endless appetite for information, and now they have access to it.

4. Consumers and investors watch for movement to simplify choice. Like investors, today's consumers track brands, share information and ask each other, "Is this a hot brand?"

5. Consumers and investors demand transparency and accountability. Since the Enron debacle and the parade of corporate scandals that followed it, investors have had little tolerance for executive chicanery. Evidence of ethical behavior, social responsibility and concern for sustainability now weigh heavily on consumer choices as well.

When you put all these behaviors together, the result is a consumer who bases decisions on a psychology not all that different from the savvy investor's. This behavior is relatively new, a reflection of the increasing sophistication today's consumers bring to the buying process.

Since basic principles of investor management now apply to brand management, customer relations become remarkably similar to investor relations, making it possible to unify various ideologies about how brands and companies should be managed. ●

The Postmodern Craving for Creativity

The British estimate that their creative and cultural industries such as architecture, filmmaking and advertising account for 7.1 percent of their overall economy, employing almost 2 million and placing this type of work on a par with the financial industry. The creative edge is now where competitive advantage is achieved through startling innovation and paradigm-shifting thought.

The growing societal attraction to creativity has its roots in the postmodern world's existential angst and our need to realize the human search for meaning. Modernism romanced us with the idea that things can only get better. Modernism promised that our whites can be whiter, our cars can be faster and our houses can be bigger. It perpetuated the idea that progress is our birthright and that we can buy improvement through material acquisition.

So what about postmodernism? It happens when someone points out that modernism can no longer conceal the truths made all too apparent by contemporary life. Consumers are torn between wanting to believe modernist promises and being too savvy to suspend disbelief.

Happiness, Honesty and Hope

At its most primal level, creativity promises *happiness, honesty* and *hope*. Creativity counteracts the lack of meaning. Creativity promises guidance. Creative people and innovative ideas are inspirational. Creativity subliminally signals numerous benefits to our well-being, qualities like youthfulness, immortality, confidence, truth, freedom and self-determination. We admire creative people, companies, brands, products and services because they produce a positive and often unfiltered vision of human existence, which brings added meaning in small or even large ways to our lives. Creativity is embedded in the spirit of irresistible brands.

For now, creativity is the new must-have of the marketplace because it offers honesty, progress and a way to find answers to life's uncertainties. Innovation and new ideas, whether in media, consumer content, products, architecture, design or science — or other pursuits — is in such demand because it comforts like never before. It's creativity that encourages people to dream about tomorrow and nurtures their efforts to do so. ●

Welcome to ConsumerLand

"ConsumerLand" is a magical place where fantasy meets reality, creativity meets commerce and technology meets passion. This is a land where consumers have unprecedented technology at their fingertips to envision more ambitious dreams and express themselves more vividly, which in turn gives them unprecedented power to alter their relationship with brands. The broadband world has amplified consumer behavior as critics, creators, parents, buyers and citizens. And it has heightened their expectations of brands and put air into the brand bubble.

In ConsumerLand, people may behave differently, but they're still pursuing timeless human wants and needs. We've always had friends; now we log on to Facebook and MySpace. We've always let our fingers do the walking; now we use Google and craigslist.

The problem is, many companies still operate their marketing departments according to the old thinking of persuasion, metrics and an "us-them" landscape. They're blind to the behavioral shifts transforming customers right in front of their eyes. As a result, consumers drift further away, and we continue to see brand measures decay and crack. It's those enterprises that can't see the brand bubble blowing up around them.

Lessons Learned

ConsumerLand is taking a harsh and critical look at your business and your brands, creating new principles to abide by, including:

- We don't control our brands anymore; we simply guide them through the marketplace of consumers.
- We no longer have a linear communication path to consumers. They have an unprecedented ability to route around marketers to hear whatever they want, whenever they want, if at all. You can't just go after them. You must attract them.
- Consumers are no longer passive recipients waiting for marketing monologues. Brands must seek out ways to engage them.
- Some consumers will produce content for brands, regardless of whether we want them to or not.
- People trust other people more than they trust brands.
- Consumers want excitement and dynamism out of their brands.

No specific formula will guide your operations in ConsumerLand; marketers must instead experiment with

various approaches. *Marketing communications need to be marketing conversations.*

PART TWO: APPLICATION

Stage One — Exploration: Performing an Energy Audit

Changing your brand management is a conscious process, one that can be managed and directed. New skills can be learned. A more inclusive form of brand management can be developed, one that recognizes that everyone in the organization is accountable for the dynamic relationship between the consumer and the brand.

The process starts with an *Energy Audit* to assess the level of energy currently present in your brand. Your goal is to capture a baseline measure that identifies the current sources of energy, so you can understand your brand's strengths and weaknesses and detect how well your brand management is aligned with the dynamics of the new marketplace. Equally important, the Energy Audit allows you to identify potential pathways for building even higher levels of energy.

Energized Differentiation

Energized Differentiation is formed from two dimensions — energy and differentiation — each having several elements. Three attribute clusters comprise energy:

- **Vision:** The brand's purpose and aspirations, often originating from the leadership, convictions and reputation of the company behind the brand.
- **Invention:** The most tangible dimension, demonstrating the brand's perceptions through product or service innovation, design, content and other tactile brand experiences.
- **Dynamism:** How the brand expresses itself in a dynamic way in the marketplace to create persona, emotion, advocacy and evangelism through its marketing and other forms of conversations with consumers.

Differentiation is made up of:

- **Offering:** The measure of the brand's special characteristics in terms of products, services and other content that the consumer experiences.
- **Uniqueness:** The brand's essence, positioning and brand equity.
- **Distinction:** The reputation the brand has earned through existing communications and brand image created up to this point.

The First Law of Energy

Building creativity in an organization is undermined by the fact that *many companies confuse risk avoidance with risk management.*

Getting past risk avoidance is possible if you are willing to believe the statistics. The numbers supporting risk taking are convincing and can help overcome management anxiety if you let them. The statistics are embedded in the first Law of Energy, the Law of Averages: *Creativity spreads out risk.*

When enterprises spread out creativity across their brand, they actually mitigate risk. That's because almost nothing restricts the consumers' definition of creativity. People can sense energy in large, established companies that excel in management and business models, as well as in small, niche companies that stand out in product or service innovation or R&D.

No longer constrained by geography, media distribution restrictions or production resources, creativity can be sourced in any location — and can travel anywhere, to be shared by anyone and imbued with meaning almost instantly. Companies now have a multitude of exciting new ways to have marketplace conversations.

The New Rule of Brand Management

In ConsumerLand, brand performance is no longer black and white. There is no offline versus online. This leads us to the Stage 1 New Rule of Brand Management: **Everything is media and everything communicates.**

Companies must embrace the concept that everything is now media and therefore a marketing channel. Today, media isn't just something advertisers pay for. Media is any point where the consumer engages with a brand, or with its company, for that matter. Consumers look everywhere and see everything. The enterprise itself is a series of touch-points, offering endless ways to inspire brand conversations and channel energy back to consumers. These new pathways often detour around traditional marketing practices, but they're still media, and they're perceived by consumers as energy.

Stage Two — Distillation: Identifying the Energy Core

The core of brand thinking is: *To achieve our goals, we need to make the brand an organizing principle for the business.* This requires finding a central brand thought that everyone can buy into, so they can all work to make it real. This is not simply an advertising idea but a galvanizing brand idea that creates unity in the organization while bringing the consumer and the brand alive for everyone.

An Energy Core

This process building is called an *Energy Core.* The goal is

to synthesize a single energy pulse that has the power to infuse and inform every aspect of the enterprise's activities, a Core that can radiate ideas to further enhance the brand's Vision, Invention and Dynamism. The Energy Core captures the essential idea behind the brand's existence. It defines the brand's role in the marketplace and within the organization.

The Energy Core is the coalescing expression of the brand's positioning. It helps institutionalize culture and systems around the one powerfully defined idea that underpins the brand. It achieves a common foundation for one operating philosophy and point of reference. A strong, solid Energy Core becomes the central organizing idea that people embrace and mobilize into action.

An Energy Core is about building a company that acts on what it says.

The Second Law of Energy

To surmount the usual corporate shareholder-centric view of the world, to resolve the conflict of agendas within the enterprise and to ensure that everyone is focused on creating a strong, energized brand, companies should adhere to the second Law of Energy, the Law of Openness: *Brands don't control, they enhance and extend.*

For companies to adhere to the Law of Openness, they must realize their brands are public servants as much as agents of commerce. Rather than working to force consumers to keep the brand top of mind, they must instead work to keep consumers on top of their minds. This thinking is embodied in the Stage 2 New Rule of Brand Management: **Treat customers like investors.**

Today, brands must think of themselves as being in the business of attracting consumers in the same way their enterprises attract investors. ●

Stage Three — Ignition: Creating an Energized Value Chain

In *ignition,* the enterprise takes the fuel from its Energy Core and uses it to drive the brand forward, continuously activating and renewing the sources of Vision, Invention and Dynamism. This then transfers energy out to consumers and back through the organization.

In chemistry, ignition occurs when the heat produced by a reaction becomes sufficient to sustain it. Similarly, in business, ignition occurs when the excitement produced by the Energy Core becomes sufficient to sustain creativity, customer attraction and business growth.

Where does that spark come from? It can only come from connecting management with employees, employees with each other and the company with the outside world. The organization's goals for the brand must become real for everyone. All participants must understand how their own actions boost the energy levels in the brand and fuel the Core.

The Obstacle to Beat Back

Only continuous business innovation will create sustainable competitive advantage. But when management is focused primarily on short-term performance, an Energized Value Chain is never optimized. The distractions that cause managers to fail to take a long-term view form the third obstacle to true brand-centered enterprise integration: *Management's focus is primarily on today's profitability.*

Given the pressure to drive quarterly earnings and the relative absence of forward-looking brand metrics, marketing's perceived worth inevitably ends up being judged largely on current sales. This turns marketing into a leaf blower — primarily pushing out current inventory to maximize current quarterly earnings for shareholders.

The Third Law of Energy

The way to break through the static, short-term cycle of brand management is to embrace the third Law of Energy, the Law of Direction: *A brand is not a place, it's a direction.*

ConsumerLand runs on a Darwinian principle. Like animals in the wild, consumers handle a vast, diversified brandscape by staying alert to movement. Consumers now cope with life by making decisions based on pieces of the picture that are changing, rather than on what stays the same. Sameness recedes into the background. With change occurring at such an accelerated rate, and confronted with such an astonishing number of products and choices, consumers worry about falling behind the learning curve, betting on the wrong technology or investing in a product that rapidly becomes obsolete.

The New Rule of Brand Management

Through a brand, consumers expect future utility on the part of the entire company. Managing the brand and its momentum and direction is now everyone's responsibility. Every link in the value chain needs to be devoted to the brand and the consumer to align strategic decisions with product and service innovation, brand management, customer experience and marketing. To achieve this, the brand and its Energy Core must be used as a basis for guiding the business forward, rather than simply a brand-building communications function detached from business strategy. The New Rule of Brand Management for this stage is: **Drive the brand back through the organization.**

Instead of simply sending a brand into the marketplace, a company with an Energized Value Chain constantly

thinks, plans and acts from the viewpoint of the brand. This company is able to balance the short with the long and maintain the energy supply necessary to propel the brand forward. Together these moves create a culture that consistently champions creativity and embraces change.

Stage Four — Fusion: Becoming an Energy-Driven Enterprise

Management must now focus on formalizing this way of working throughout the organization. Stakeholders need to transfer their energy and passion to their business units and functions. At this stage, management is asking, "How do we know this is working? Are our plans taking hold?" When management's aspirations for the brand and business are becoming part of the culture, that's the start of the final stage of transformation called *fusion*, a defining characteristic of companies that launch out of their categories and exceed customer expectations.

A New Imperative

"Brand as organizing principle" in the company creates a new imperative for business. The brand is the central focus of all decision making. Consumer insights are a catalyst to internal collaboration and marketplace conversations. The brand and the consumer are at the heart of business strategy.

Resources mean money, people and capabilities so that marketing can be a way of thinking across the company. You don't need a bigger marketing department; you need a marketing mindset that permeates the entire organization.

The Fourth Law of Energy

Remarkable brands often have remarkable marketing. And when brands are remarkable marketers, they do great work, which attracts greater resources both inside and outside the company. Consumers give them permission to be ever more daring, to experiment and explore new frontiers. If something fails, they absolve the brand and forgive the error, appreciating the effort. They even build communities to insulate the brand from competitors and criticism. This thinking is embedded in the fourth Law of Energy: the Law of Immunity: *Brands with remarkable marketing access remarkable privileges.*

As category disruption happens more frequently, brands must increasingly extend their reach, reinvent their business models and head into new frontiers of growth and profitability. Brands with immersive and highly integrated marketing can command greater levels of support and more leeway to experiment and explore. Consumers, in acting like investors, will champion brands that take calculated risks while penalizing those that play it too safe.

Brands Must Be Verbs

To compete in today's world, brands must be verbs. Rather than being a fixed, stationary promise, the brands consumers notice and attach themselves to are the ones that are heading somewhere. If a brand isn't moving, it's invisible.

The New Rule of Brand Management

Rather than being insular, marketing needs to pervade the mindset of the entire enterprise. A new rule here is the Stage 4 New Rule of Brand Management: **Return marketing back upstream into business strategy.**

Why is it that some of the best CMOs are CEOs? These include people like Jobs, Murdoch, Schultz, Branson, Nordstrom and Whitman. The approach they take to their brands is evidence for a more broadly defined role for marketing. These leaders coalesce marketing into a generalist capability in the organization, rather than segmenting it into specialties and silos.

Stage Five — Renewal: Active Listening and Constant Refreshing of Brand Meaning

Today, brands must be in a state of constant *renewal.* They must subject themselves to never-ending feedback. They must be ready to reshape themselves over and over again, in whatever form that takes. Brands, like business, are in permanent flux. While brands are decaying in ever more compressed cycles of time, energized brands are leading, adapting, surprising, innovating, involving and responding — behaving differently at different times with different customers, and collaborating, not just persuading. With expanding consumer power and limitless choice, brands cannot possibly stay the same for long.

In today's world, market position has never been more temporary. Success is often a momentary high, followed by a tumbling fall. We must listen carefully to the market and learn from its mistakes in a forward-looking way. We must continuously modify, personalize, share and improve upon ourselves. Our brands must be an agent of constant surprise.

The fact is, everything is moving faster today, creating unparalleled pressure on brands to be quicker, smarter, leaner, more responsive and able to innovate more quickly. A critical factor slowing momentum is often the need to protect and vet the sacred strategy. Strategic accuracy often trumps the needs for the brand to respond to meet consumers' changing needs. This

Break Free From Monotony

When faced with a decision about your brand, consider it your opportunity to act, to be unlike so many brands looking to repeat past glories through an endless recycling of the same tired formula. Today, the biggest asset a brand can possess is its capacity to change. Brands that break free from monotony and lead consumers to hope and dream, to socialize or simply amaze — these brands are proven to derive superior economic performance.

inability to change lies at the heart of consumer discontent with so many stagnant and predictable brands.

The Fifth Law of Energy

The fifth Law of Energy points the way to break out of this dilemma — the Law of Reflex: *Tactics are strategy, strategy is tactics*.

Conventional wisdom states that strategy is what matters and tactics are just short-term initiatives that don't build brands. Thus marketers devote an excessive amount of time to thinking about, developing, researching and selling strategy. Meanwhile, they ignore a real-world truth of today: Strategy doesn't always come first, nor does it necessarily have to. Approaching a strategy vortex, you can easily get sucked in and lose focus on your customer, or you can strategize too far out into the future, preventing yourself from maximizing opportunities in the here and now.

Strategy and Tactics

Strategy and tactics are more powerful when they lean on each other. Tactics propel strategy forward into action, and action helps a brand be more strategic. Both contribute value, because learning is a byproduct of action, not inaction. Together, the new consumer media and digital environment offer brands endless opportunities to be constantly surprising and refreshing. Tactics can keep a brand fresh and prolific, and its creativity becomes more disciplined in the process. When all those wonderfully creative tactical ideas start flying in the same direction, an energized brand becomes energy efficient and begins to gain speed and momentum. Thus, we arrive at the Stage 5 New Rule of Brand Management: **Act accurately, but by all means, act.**

Taking action anytime it's called for is why irresistible brands prove themselves to be endless sources of creativity and reinvention. An energized brand places itself in a state of constant change — fueled by its ever-renewing Vision, Invention and Dynamism. While inefficient brands stall and restart, an energy-efficient brand applies continuous force, renewing more energy with each action. With enough action, a brand's energy becomes greater than its mass, and it actually needs less force to keep it going — less advertising and less promotion. It rarely if ever offers a discount. Instead, consumers create the energy around the brand, advocating and propelling it forward. ●

Epilogue: A Brand May Be Famous, But Is It Creating Returns for Shareholders?

Brand innovation is important as both a fiduciary responsibility and an ever-vital competitive weapon for business. Consumers are judging brands on their ability to deliver value tomorrow as well as today, so redefining the future of brand management to both grow and protect shareholder value is now a key imperative for business.

Business today must maximize consumer perceptions of value by continuously managing forward brand expectations with creativity, innovation and new brand experiences. We must strip away the hype and deliver real value for our brands to be seen as worthy of consumer investment. Just as Warren Buffett exemplifies the wisdom of investing in value stocks, consumers are now recognizing the same intrinsic value in brands. Companies that organize around their consumer and bring their brand into their business will enhance future shareholder value by restoring and enhancing consumer value.

Creative Brands

Energized Differentiation is the new force driving this shift. In a fractured, chaotic and uncertain world, consumers are drawn to creativity because a brand with a creative attitude helps them hedge against the future.

Consumers invest in highly creative brands. Most brands have customers, but brands with energy have followers. The idea isn't so outlandish. After all, a brand, regardless of its balance sheet value, is only ever worth something if consumers want to buy it ... and buy it again. ●

RECOMMENDED READING LIST

If you liked *The Brand Bubble*, you'll also like:

1. ***Selling Blue Elephants* by Howard Moskowitz and Alex Gofman.** According to the authors, great products don't come from focus groups, but from RDE (Rule Developing Experimentation).
2. ***Personality Not Included* by Rohit Bhargava.** In today's social media, identities are shaped as much by perception as communication and marketing are all about building relationships with customers.
3. ***Mass Affluence* by Paul Nunes and Brian Johnson.** The authors outline seven new rules for marketing to today's consumer.

Summary

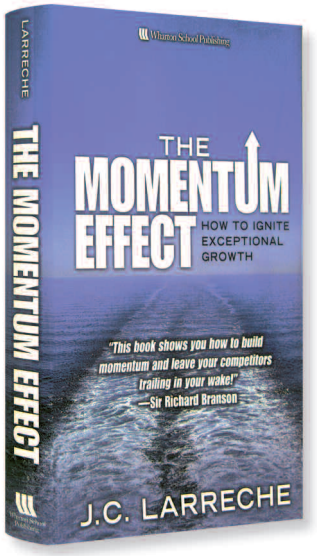
September 2008

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Marketing: Strategy

The Momentum Effect

How to Ignite Exceptional Growth



by J.C. Larreche

THE SUMMARY IN BRIEF

Delivering profitable growth year after year is the No. 1, non-negotiable imperative facing today's business leaders. Many firms struggle to meet it, others achieve it in fits and starts but only a select few have discovered the secret to sustained high growth: momentum. They've learned how to create the conditions that lead to exceptional organic growth — which feeds on itself, continually accelerating the business forward. In this summary of award-winning marketing professor J.C. Larreche's *The Momentum Effect,* the author introduces a complete framework for gaining momentum, *keeping it* and *harnessing* its power.

Larreche sets out the process for developing the "power offers" that lie at the heart of momentum. He offers a systematic process for creating momentum for any business, in any industry, under any market conditions, which allows companies to deliver exceptional growth without the stupendous efforts most firms are forced to deliver every day.

Taken individually, each element of momentum strategy is very simple. It is part creativity, part business acumen, part psychology and part simple common sense. This summary shows marketers how to implement their own momentum strategies and build the leadership competencies to deliver highly profitable growth indefinitely.

IN THIS SUMMARY, YOU WILL LEARN:

- How momentum starts, and how to maintain it.
- What a "power offer" is, and how to create one.
- What employees need to do to create company momentum.
- Why some customers are worth letting go.
- How some companies have started and maintained momentum for their organizations.
- Tips to help managers on their journey toward momentum leadership.
- How leaders can systematically generate and direct momentum.

CONTENTS

The Power of Momentum Page 2
The Source of Momentum Pages 2, 3
The Road to Momentum Page 3
Compelling Insights Pages 3, 4
Compelling Value Page 4
Compelling Equity Pages 4, 5
Power Offer Design Page 5
Power Offer Execution Pages 5, 6
Vibrant Satisfaction Page 6
Vibrant Retention Pages 6, 7
Vibrant Engagement Page 7
Internal Momentum Pages 7, 8
Momentum Leadership Page 8
The Momentum Journey Page 8

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THE COMPLETE SUMMARY: **THE MOMENTUM EFFECT**

by J.C. Larreche

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For additional information on the author, go to http://my.summary.com

The Power of Momentum

How can a company find a way to deliver continuous, exceptional growth year after year? Researchers went looking to find out exactly what momentum is and how momentum-powered firms acquire it.

They realized that if momentum was powering a firm's success, then its *relative* marketing spending should be decreasing. To test their hypothesis, they investigated the effect of marketing investments on the long-term growth of large, established firms. They looked at these firms' marketing behavior and tracked the effect that changes in this behavior had on sales revenue, net earnings and stock price.

Pushers, Plodders and Pioneers

The researchers divided the firms into three groups according to how their marketing behavior could be described: Pushers, Plodders and Pioneers. The Pushers were those companies that pushed their businesses hard in the traditional way, seeking to drive sales through aggressive increases in relative marketing spending. Then there were the Plodders. Their marketing-to-sales ratio remained more or less constant for 20 years. Finally, there was the remaining quarter — those firms that were, either boldly or foolhardily, heading in the opposite direction from the Pushers and decreasing their relative marketing spending. Despite having *decreased* their advertising-to-sales ratio, these momentum-powered companies created shareholder value 80 percent *above* the Dow Jones Indexes over the 20-year period.

Although the combination of pushing hard with marketing investments and slashing other costs can deliver growth, the Pioneers' achievements demonstrate that there is a more creative, exciting and smarter alternative that delivers even better results. They created specific conditions that ignited an exceptional organic growth that feeds on itself: momentum growth. ●

The Source of Momentum

Value creation starts with customers who spend their money to have their needs satisfied. A firm's ability to move that value from its customers to its stakeholders depends on its capacity to execute three fundamental business competencies: *value extraction, value capture* and *value origination*. Value extraction is about ensuring that the firm is efficient enough to not waste large amounts of the value it captures before passing it on to stakeholders. Value capture is the process through which value is gained by the firm, either from competitors or partners — that is, through gains in market share or by making sure that the firm is obtaining its fair share from alliances with third parties such as suppliers or resellers. Finally, value origination involves the creation of new products or services that customers esteem highly enough to pay for.

The source of momentum lies in value origination, but the momentum inherent in that source can be exploited only when certain conditions are aligned and reach a sufficient level of intensity. First, firms need to be able to develop offers that are perceived as compelling by customers. Next, the momentum-powered firm is able to capture all the value that it has originated because the speed of its growth makes it difficult for competitors to react effectively.

Perfectly Crafted Offers

Most businesses compensate for inadequate products and poor customer targeting by pushing their products on a skeptical marketplace. To compensate for this expensive marketing, they are forced to cut costs on the very activities

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Rebecca S. Clement, Publisher; **Sarah T. Dayton**, Editor in Chief; **Chris Lauer**, Senior Editor; **Christine Wright**, Senior Graphic Designer; **Christina W. Orem**, Contributing Editor

that could improve the attractiveness of their offer: operations and R and D. Researchers call it *compensating strategy*.

Creating offers so perfectly crafted to customers' needs and values creates powerful customer engagement — a momentum that obviates the need for expensive sales and marketing and the cost-cutting necessary to fund them.

The Road to Momentum

For a business to take the road to momentum, two factors must be in place: traction and movement. The first needs a method of designing a product that is so compelling to customers they will adopt it without having to be convinced by stupendous marketing or sales resources. The second requires all sources of resistance to be removed and all sources of energy to be brought into play, creating a vibrant buzz that keeps the momentum going.

What is the connection that turns traction into movement? *Power offers*: those offers that are so carefully crafted that customers find them irresistible. It is on the strength of the power offer that momentum starts or stutters.

Momentum Design

Leaders of firms that build momentum are skilled at preparing a corporate mindset that picks up *compelling insights* that in turn lead to developing great products. The discovery of *compelling insights* allows us to better comprehend what drives compelling value.

In addition to a deep examination of the value that the firm can offer customers, the process of strategic exploration should be applied to the value that customers offer the firm, in a search for *compelling equity*. Companies can acquire compelling customer equity by deeply understanding not just the obvious long-term direct financial contribution of different customer groups but also other dimensions of equity such as the potential of word-of-mouth recommendations and the impact that opinion leadership can have on employees.

Compelling Insights

Firms need tools to help them structure their exploration — instruments that set out and explain the different paths to discovery and suggest ways to uncover compelling insights. The *insight discovery matrix* is such a tool. It shows how four discovery paths are defined by the relative awareness of the two key partners: the firm and the customers.

The knowing-doing discovery path contains unsatisfied customer needs that both the firm and customers are aware of. The listening discovery path contains unsatisfied needs that customers are aware of but the firm is not. The learning discovery path contains unsatisfied customer needs that the firm has unveiled but of which the customer is unaware. The white discovery path contains unsatisfied needs that no one has yet discovered but which might represent tremendous future business opportunities.

The Exploration Process

Usable tools include focus groups, think tanks, projective techniques, inspirational visits and field trips, as well as video observation and other ethnographic methods. But they all have one thing in common: They encourage employees to meet customers, involve customers and think in terms of customers. The three most important areas of conflict between analytical and exploratory approaches to customers are concern about taking time out, resistance to external activities and mistrust of small sample sizes.

A common weakness of momentum-deficient firms is the blind spot, the belief — probably not expressed and possibly not even conscious — that their products are pretty much the best they could be. The following guiding principles should help rectify the balance:

- Compelling insights are the launch pad of momentum.
- Compelling customer insights help create momentum for the firm in two ways: first, by revealing new and better ways of satisfying customer needs that lead to compelling customer value, and second, by uncovering new customers and new opportunities with existing

Momentum Design at Skype

Skype is the Internet telephony company created in 2003 by Niklas Zennström and Janus Friis. Skype offers free voice communication from any computer with a broadband Internet connection to any other computer with a broadband connection.

Skype's momentum first derived from its superior understanding of broadband users. They use keyboard chat services but also need to communicate verbally. And traditional telephony does not allow video transmission, which broadband does. This was the initial insight, the need for a single tool that integrated Internet chat, audio communication and video transmission on the same PC that is used for other tasks.

It was detailed customer understanding and the ingenuity of Skype's founders that enabled them to create the power offer that everyone else missed. Skype's final piece of genius was in its marketing line: "The whole world can talk for free." The brilliance of that line — the communication of the offer — marks the point where the design of power offers, enabled by the traction that the firm has acquired, meets the execution that is needed to start momentum.

customers that will lead to compelling customer equity.

• The intense and revealing insights that drive momentum cannot be discovered through traditional management analysis alone.

• The insight discovery matrix offers established firms a systematic way to achieve what entrepreneurial firms manage by instinct.

• Because the exploration process takes managers outside their comfort zones, firms must do all they can to encourage and enable their employees to make the step. ●

Compelling Value

Customers develop their perceptions of value by intuitively trading off perceived benefits against perceived costs. At one extreme is the position that all new offers should strive to reach: compelling value that creates customer traction. At the other extreme is the region of inferior value.

To develop an understanding of their position on this *customer value map*, firms must embark on a systematic exploration of the depths of customer benefits versus customer costs. To do this, they need a tool that helps this exploration, a lens to correct the traditional, myopic vision of customer value. This tool is the *customer value wedge*. Its shape evokes a metal wedge for splitting wood or stone to reveal what is inside. With the customer value wedge as a tool, you start with the more familiar financial and functional elements of value, move on to the intangible aspects and then delve into the depths of the emotional drivers of value.

Going beyond the limits of the standard, the acceptable and the average enables momentum-powered firms to uncover insights into customers' perceptions, and this is what builds compelling value. Five guiding principles of compelling customer value serve as a lens to correct this myopia and uncover growth opportunities:

1. Customer value drives business, not products.
2. A product has no intrinsic, absolute value.
3. Customer decisions involve a constant trade-off of perceived costs and perceived benefits.
4. Perception of value does not follow a universally agreed rationality.
5. Perceived customer value must be continuously optimized by systematically decreasing customer costs, increasing customer benefits and exploring alternative customer groups. ●

Compelling Equity

Although firms do not own them, customers are a company's main asset. What a customer is worth in total to the firm, taking into account all benefits and costs over the course of a business relationship, is called customer equity. Momentum-powered firms are able to extract superior equity from their customers.

A useful tool for systematically investigating the elements that influence customer equity is a wedge similar to the one first encountered in the examination of customer value — in this case reconfigured to form the *customer equity wedge*. With the wedge as a tool, the natural way to start is with the financial and functional elements at the top and then to go deeper into the intangible and emotional elements.

The Customer Equity Map

Although the customer equity wedge is an in-depth exploration tool for figuring out the benefits that different types of customers bring to a firm and the costs of serving them, companies also need a broad, strategic view of the relative equity of these different customer groups. The *customer equity map* provides this.

Customer groups that are on a diagonal that sweeps from lower left to upper right offer a firm normal equity. This means they represent a mix of benefits and costs that brings the firm returns in line with expectations. Along the diagonal, they represent balanced combinations that make sense for the firm: Increasing business costs are matched by increasing benefits brought by customers. In the lower-left corner, "economy" customers are offered limited benefits but cost little to serve. The "midrange" customers provide average levels of benefits in return for average business costs. At the top of the diagonal are "premium" customers who bring high benefits but are more expensive to serve.

One of the objectives of momentum strategy is to attract customers who bring compelling equity. They would be positioned in the upper-left corner of the customer equity map, bringing high benefits at relatively low business costs. In the lower-right corner of the customer equity map are customer groups whose cost of service is disproportionate to the benefits they deliver to the firm.

Optimizing Customer Equity

One must not lose sight of a basic fact: Ultimate customer traction, and hence ultimate momentum, is achieved when an increase in customer equity is balanced by an increase in customer value. The following five guiding principles will help you do the same:

• Customers really are a firm's most important "assets," although they are not the traditional balance sheet assets of company property.

• Transaction myopia results from the routine of business operations.

• Average customer lifetime is a first estimate of customer equity.

• Acting on customer equity requires a deep understanding of the total business costs and benefits related to serving customers.

• To remain compelling, customer equity must be continuously optimized by systematically chasing down and eliminating equity destroyers, building up equity enhancers and exploring alternative customer groups. ●

Power Offer Design

Power offers share one trait: resonance. They resonate with their customers' needs, wants and emotions while offering their creators superior profit. That grip between compelling value and compelling equity provides the traction that starts momentum.

Power offers are the defining characteristic of momentum-powered firms. Customers targeted by a power offer perceive it as offering such unquestionable value that they are magnetically drawn to it. The marketing and communications behind a power offer support the value that the offer delivers but can never substitute for it.

Compelling Proposition

A power offer must deliver compelling value to its target customer. This value must be encapsulated in a compelling proposition. This should crystallize, in just a few words, the deepest emotional elements of perceived value — those that drive purchasing behavior.

A compelling target has two dimensions that are present in all power offers; first, resonance: the fit between the compelling proposition and the compelling target, resulting in a superior perceived customer value, a compelling value; second, the economic significance of the compelling target in terms of the contribution it can make to the profitable growth of the firm — the compelling equity it offers.

Power crafting requires every possible design element to be integrated to deliver the highest possible value to targeted customers and extract the highest possible equity for the firm. They can be crafted through a variety of means, including technology, design, manufacturing, pricing, packaging, advertising, promotion and distribution.

The Virtuous Circle of Power Offer Design

A compelling proposition, a compelling target or strong power crafting can often be sufficient by itself to make an ordinary product successful. Frequently, one of these three elements lies at the origin of what eventually becomes a power offer. But what creates real momentum growth is the synergy that develops when these three pillars of a power offer are aligned and resonant. ●

Power Offer Execution

The execution of a power offer is the beginning of a chain reaction that builds momentum and drives profitable growth: vibrant execution. This vibrancy and ambition runs through the whole second engine of momentum strategy: not just good customer satisfaction, but *vibrant satisfaction*; not just better-than-average customer retention, but *vibrant retention*; not just a level of customer engagement, but *vibrant engagement*.

Maintaining momentum can be achieved in two phases: first, by ironing out any problems in the execution of the offer at each of three stages — customer satisfaction, customer retention and customer engagement — by discovering sources of friction and mobilizing the entire organization to eradicate them; second, by constantly learning from customers and feeding the resultant new insights and opportunities back into improvement of the power offer design.

Building and Sustaining Momentum

Building and sustaining momentum requires an approach to systematically nurture the forces that improve it and to systematically decrease or eliminate the forces that hinder it. One approach is MDC. That stands for *mobilize* stakeholders, *detect* sources of frictions and insights, and *convert* customers.

Mobilize first, because momentum requires organizations to unify and motivate their stakeholders toward the single-minded pursuit of vibrant levels of customer satisfaction, retention and engagement. Detect second, because insights and sources of friction at all levels are the potential boosters and deterrents of momentum. Convert third, because momentum ultimately depends on increasing the number of customers with vibrant emotions for the firm and its products.

Here are five guiding principles for effectively executing power offers:

• The momentum business model builds and aligns the three pillars of a power offer: a compelling proposition, a compelling target and power crafting, so that they resonate and create customer traction.

• Continuous adaptations and improvements must be explored during the execution of a power offer and fed back into its design.

• Relatively small changes in momentum drivers such as retention, cross-selling and customer recommendations can have a substantial and sustainable impact on a firm's future competitive position.

• The accelerating effects of four related components:

power offer, vibrant levels of customer satisfaction, retention and engagement, lend a potent thrust to momentum.

• Building and maintaining momentum requires a clear understanding of the emotional drivers of behavior and a systematic road map for action called MDC, for *mobilize, detect* and *convert*. ●

Vibrant Satisfaction

Many companies have a significant number of customers whose relationship with the firm never develops beyond the transactional. Companies should measure their success by the number of *delighted* customers they have — people so thrilled with a product or service that they can't help but tell others about it.

The Emotions Beneath Satisfaction

It is only when customers start to be truly satisfied that they begin to develop positive feeling, and only when they become very satisfied that they get emotional. They will be loyal to the company, quick to adopt its new products and to recommend them to others. They are the firm's *Champions*. If dissatisfaction becomes so high that it creates negative emotions, these disgruntled customers will endeavor to discourage other customers, causing damage to a company's reputation. They are the firm's *Desperados*.

The most common method of measuring customer satisfaction is surveys. The standard customer satisfaction ratings are reported as a percentage, combining the customers who say they are "satisfied" and those who respond "very satisfied." This kind of basic reporting provides overly generous ratings. Customer *delight* should be the only outcome that makes management jump with glee and trumpet the news about their satisfied customers.

Strategies for Vibrant Satisfaction

Here is how MDC acts as a guide to fostering vibrant satisfaction:

• **Mobilize for Vibrant Satisfaction.** Setting up this mobilization campaign requires care, consideration and intelligence. First, employees must trust the numbers, so they have to know how they are derived. Second, measuring customer satisfaction should be perceived not as a threatening or controlling mechanism but, rather, as a tool for driving growth. Third, employees will be inspired by details that are relevant to their experience.

• **Detect Sources of Dissatisfaction.** The first path to detecting sources of dissatisfaction is knowing-doing. If sources of dissatisfaction are known to both customers and the firm, they must be tackled instantly. The second path — listening to customers — is always the principal one. The third path, customer learning, can also be crucial, because sometimes dissatisfaction arises when customers do not understand the nature of offers or how they can be used effectively. But the most challenging, and rewarding, path for companies tracking down customer dissatisfaction is the white one, the unknown virgin land blanketed in snow. If a source of dissatisfaction is obscure for both the firm and the customers, it will be very tricky to pinpoint.

• **Convert Unsatisfied Customers.** At the customer satisfaction stage, momentum is accelerated by converting Desperados and passive customers to Champions. First, a firm should be close enough to its customers to detect sources of dissatisfaction as early as possible. The second step involves apologizing to the customer for the inconvenience. Finally, following prompt analysis, a firm should compensate the customer in a way that will be perceived as better than fair. In most companies, investment in customer recovery has a higher financial return than any other investment alternative. ●

Vibrant Retention

Vibrant retention is much richer and more nuanced than it might appear. For one thing, a business shouldn't run after every potential customer. Employees tend to unconsciously focus on the painful ones — customers who shout the loudest for attention — but high-maintenance types who scream louder to get more for less may actually be liabilities. In addition, customer retention is influenced by customer satisfaction, certainly, but satisfaction does not guarantee retention.

The *Runaways* are those unhappy customers who decide not to buy from the company anymore. The *Loyals* are those who keep buying over time a product for which they have strong positive emotions. Some customers will repeatedly buy the same product because it simplifies their life, so long as they don't believe they're losing too much of their freedom in exchange. However, if they perceive that they are forced to buy the same product, either because of a quasi-monopoly or because the switching cost is too high, then they resent it. Firms need to understand these human drivers because the evolution of technology and communications is constantly increasing the potential for customer mobility. The captive customer is slowly becoming a thing of the past.

Retention Metrics

There is no standard measurement for customer retention, but the most commonly used method tells a firm how many of last year's customers are still doing business with it. The minimum retention rate to qualify as a momentum-powered firm must be 90 percent. Anything

below a 70 percent retention rate means that the average customer lifetime is insignificant. Even at an 80 percent retention rate, which sounds good on paper, the average relationship with a customer lasts just four years.

Passive retention describes customers who buy the same product but have no emotional attachment to it. A customer retention portfolio should distinguish between two types of passive customers: Settlers and Switchers. *Settlers* are retained, but although they will not actively punish the firm, they will not actively praise it. *Switchers*, while having no strong feelings — good or bad — about the firm, defect easily.

Forced retention occurs when dissatisfied customers stay with a product or a firm reluctantly. In terms of their satisfaction levels, they are Desperados. In terms of retention, they take on one of two personas: Prisoners or Runaways. *Prisoners* are also Desperados, but they have not yet summoned the courage or motivation to defect and are retained by the firm. Runaways leave the company.

If active retention refers to customers who are actively interacting with the firm, *vibrant retention* describes those customers who are really committed. In terms of satisfaction, they are your Champions. In terms of retention of customers, Champions fall into two different categories: Loyals, those champions inside the firm; and *Adventurers*, the champions outside. Adventurers are also satisfied but will continue to shop around, perhaps because they are curious or simply because they enjoy exercising their freedom.

Strategies for Vibrant Retention

In many companies, customers leave and go unnoticed. With companies enjoying a high retention rate, however, the picture is rather different. These happy firms gain more value in converting those few customers who do defect, and they can engage in a systematic recovery of defectors. The first step is establishing a two-way communication with existing customers that makes it easy for them to report their concerns. The second component is to set up systems to identify potential defectors. Finally, potential defectors must be approached to gain an understanding of their position and the reason for their change in behavior. ●

Vibrant Engagement

The enthusiasm of customers' support of a firm is the real test of engagement. The most commonly used customer engagement metric is the recommendations score, which represents the percentage of customers who have made positive recommendations.

Although very negative customers can do a lot of damage to the reputation of the firm, they are called *Complainers* to distinguish them from noncustomers with negative behavior, the *Detractors*. In a similar fashion, noncustomers will have difficulty in becoming *Advocates* in the sense of credibly recommending the purchase of a product they have not bought themselves. They are called *Supporters* to distinguish them from positively engaged customers who are the real advocates.

The strategy for action follows the MDC framework: Mobilize for vibrant engagement, detect sources of engagement and convert for vibrant engagement. The general principle is to create tools and platforms that make it easier and more attractive for customers and noncustomers to engage with the firm and its products. ●

Internal Momentum

Systematically discovering insights into your employees' world is just as important as doing so with customers — and the same tools can be used for both. However, although customers are usually very willing to speak their minds, in many cases employees will not respond freely unless they trust the openness and genuineness of the process.

Employees should be recruited in terms of the values they contribute, and these should be coherent with the company's core values. Because there is more than one type of employee, there need to be different power offers, targeted at different parts of the organization, each delivering different compelling value and securing different compelling equity.

Obstacles to employee satisfaction have to be discovered and eliminated. The smart firm nurtures employees in the same way it approaches customer retention. Loyals should be gratified, Adventurers and Switchers regained, and Settlers and Prisoners motivated and re-energized (or, in the last resort, dismissed) before they damage the organization's reputation. Finally, Runaways must be intercepted so that even if they cannot be turned around (which should be your first goal), lessons can be learned from their reasons for defecting.

The Momentum Culture

Momentum cannot be ordered into existence. To acquire real momentum, the employee behaviors that build it must become instinctive and automatic.

Customer spirit, the first pillar of this winning ethos, goes deeper than merely understanding the customer. It is the recognition that a company's battlefields are the markets it serves. Developing a customer spirit within a company involves raising awareness and a sense of urgency about the external battlefield by continuously

Wal-Mart's German Fiasco

Sudden crises are the acid test of an organization's reflexes and its real culture. When Wal-Mart expanded into Germany in 1998 and 1999 by buying two existing chains of hypermarkets, it made a number of mistakes. It moved hundreds of Wal-Mart employees to Germany in an effort to turn the acquired firms into German-speaking Wal-Marts. Trying to impose the Wal-Mart cheer — archetypically American — on disconcerted German employees was a bungle. Germans aren't from Arkansas.

By 2006, Wal-Mart had failed to make its German operations profitable. Less than a decade after its entry, the firm decided to sell its 85 stores.

emphasizing the importance of the customer.

There are two main factors that act as potential-limiting barriers in large established firms: constrained behavior and constrained initiative. *Constrained behavior* is the fate of people who have to exercise care to appear and act in a way that is not their "real" self. *Constrained initiative* is about people feeling they cannot follow through on great ideas that they believe could create value for the firm. There is a general feeling that it's not even worth trying something that lies outside the set routine, because it is too difficult to get the resources, because it will not be rewarded or because the penalties in case of failure are too high. ●

Momentum Leadership

To help leaders implement momentum strategy, it is especially useful to create a momentum-leadership ladder, organized into levels from one to five stars.

A Momentum-Leadership Ladder

One-star momentum leadership describes leaders who have developed an awareness of the importance of being customer focused, but without translating this awareness into a set of actions.

Going a step further, two-star momentum leadership defines leaders who have launched several successful customer-focused actions that have succeeded in improving the customer experience with the firm and its products.

Leaders who deserve three momentum-leadership stars have established customer momentum. They have placed customers at the center of all their activity, so much so that they have created momentum and sustainable growth.

Four-star Momentum Leaders recognize that success lies in the ability to convince both customers and employees.

Five-star Momentum Leaders are aware of their internal and external customers, but they are also able to master even more complexity. Most leaders fall short of momentum leadership's fifth star.

Five Tips for Managers

Building external and internal momentum is the proof of their leadership, of course, but five tips can help managers on their journey toward momentum-leadership stars:

- **Commit to value origination.** The real sources of value creation are the customers, and there is no option but to understand and serve them.
- **Practice momentum concepts continuously with your contacts.** If the people with whom you have contact can't feel you creating momentum, how much are they going to pass it on to their teams?
- **Have respect for people.** That doesn't mean wanting to be loved but, rather, trying to provide as much value as possible to others.
- **Spend quality time with customers, employees and stakeholders.** Keep in touch with reality, gather insights, support people at the front line and integrate across different departments of the firm.
- **Be momentum consistent.** Consistency is what we expect most from leaders. It means repeating the same message and behaving in the same way. ●

The Momentum Journey

The momentum path you will follow to sustainable, profitable growth requires you to supplement the control and logic of managerial analysis with a process of exploration and discovery. This is not how established firms usually operate, so you will probably face challenges as you attempt to convince others of the compelling benefits of momentum strategy. To help you face this challenge, here are four simple ingredients of successful change toward momentum:

- *Patience* is a precious quality on the momentum journey.
- *Timing* is everything, and it should be chosen carefully to suit both internal and external stakeholders.
- *Sense of urgency* is vital.
- *Powerful images* are essential tools for energizing your people. ●

RECOMMENDED READING LIST

If you liked *The Momentum Effect*, you'll also like:

1. ***The Alchemy of Growth by Mehrdad Baghai,* Stephen Coley and David White.** The authors introduce a powerful concept of strategic planning.
2. ***Meatball Sundae* by Seth Godin.** Marketing legend Seth Godin's book is the definitive guide to the 14 trends no marketer can afford to ignore.
3. ***Convergence Marketing* by Yoram (Jerry) Wind and Vijay Mahajan with Robert E. Gunther.** The authors examine ways to successfully engage customers, and look into the future of business and technology.

Summary

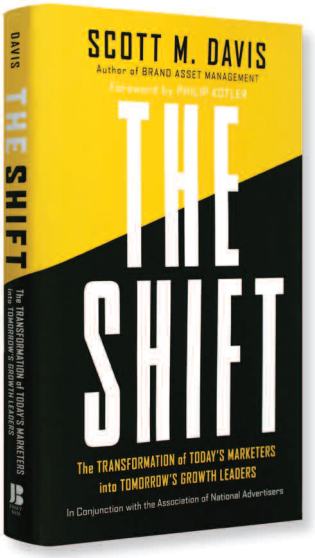
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Marketing: Strategies

The Shift

The Transformation of Today's Marketers Into Tomorrow's Growth Leaders



by Scott M. Davis

THE SUMMARY IN BRIEF

Traditional marketers live in a short-term world built on an ever-narrowing platform of marketing communications and promotions. They are often limited to running agency relationships and enabling the sales force, while constantly being squeezed for funds they do not have. But the days of marketers operating in a vacuum, and marketing and business strategies being created independently of one another are ending. The best marketers are now creating integrated perspectives that start with the growth aspirations of their entire organization.

This summary shows how this new breed of Visionary Marketers has become a successful catalyst for growth and transformation within an organization, as well as how you can become a marketing visionary, too. It also outlines the five shifts marketers must undertake to fundamentally shift the role of marketing and help drive both the growth agenda and bottom-line results.

It is critical for all marketers to begin leading the charge to growth in their organizations. Author Scott Davis shows how Visionary Marketers are implementing innovative ways to win new customers and build more meaningful relationships with current customers while keeping competitors at bay.

IN THIS SUMMARY, YOU WILL LEARN:

- How to balance short-term pressures to show results while staying aligned with the enterprise's longer-term vision.
- How to continuously drive innovation in a pervasive way.
- How to navigate new and old media choices to reach customers in meaningful ways.
- How to operate and win in increasingly complex internal and external environments.
- How to maintain a relentless focus on the customer.

CONTENTS

The First Shift: From Creating Marketing Strategies to Driving Business Impact
Page 3

The Second Shift: From Controlling the Message to Galvanizing Your Network
Page 4

The Third Shift: From Incremental Improvements to Pervasive Innovation
Page 5

The Fourth Shift: From Managing Marketing Investments to Inspiring Marketing Excellence
Page 6

The Fifth Shift: From an Operational Focus to a Relentless Customer Focus
Page 7

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THE COMPLETE SUMMARY: **THE SHIFT**

by Scott M. Davis

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It's All About Growth

Successful marketing executives today aren't acting quite like marketers of the past. Welcome to a new era in marketing, an era in which Visionary Marketers know: **No one is better suited to drive the growth agenda than the head of marketing.**

These Visionary Marketers are seizing the challenge to become the senior executives in charge of their company's growth agenda. Clearly, this is a golden moment in time for all marketers to rewrite the traditional playbook and shift their responsibilities from supporting sales to direct line responsibility for successful and profitable growth.

This new breed has guts. They represent a dramatic shift from traditional marketers, who are often limited to running the agency relationship, supporting the sales force and constantly being squeezed for the nickels they do not have.

Visionary Marketers

Dozens of Visionary Marketers have seized the moment: They know that marketing, at its best, holds the keys to growth. From deeply understanding today's and tomorrow's customers' needs, wants, behaviors and media consumption patterns, to translating these into new products, services, experiences and relationships that customers want, Visionary Marketers are helping their organizations match customer dynamics with internal capabilities for maximum external impact.

One visionary marketer who has made the shift is Russ Klein, marketing leader of Burger King Corp. He has the guts to assert, "Anything that's a growth factor is fair game for me to stick my nose into." Klein is responsible for product mix, pricing strategy, product development, market planning, supply chain and mix management, in addition to more traditional marketing responsibilities. Everyone in the company considers Klein to be the CEO's right-hand man, as reflected in his title — President, Global Marketing Strategy and Innovation.

The Time Is Now

The days of marketing strategies and business strategies being created primarily independent of one another and in different documents, with different authors and written in different fonts is going to end. The best marketers are creating integrated perspectives that start with the growth aspirations of the organization.

Through the confluence of necessity and opportunity, there has never been a better time for both the organization as a whole and marketers as individuals to step up and make the right shifts not only to survive, but to capitalize and ultimately thrive in their respective markets and organizations. ●

Introduction: Preparing to Make *The Shift*

The new formula for success starts with a new imperative. Marketers must become deeper strategic thinkers and bring that capability to bear across more of the business landscape. Those who contribute strategically and use their skills, capabilities and knowledge will accomplish both shifts. That's the path Mark Waller, senior vice president of marketing and sales of the National Football League, has been taking.

His responsibilities build on each other: "First, I'm charged with having absolute clarity of consumer understanding. Second, I must translate that understanding

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Rebecca S. Clement, Publisher; **Sarah T. Dayton**, Editor in Chief; **Andrew Clancy**, Senior Editor; **Edward O'Neill**, Graphic Designer; **Chris Lauer**, Contributing Editor

into brand and business building strategies, and finally, I have to have a plan to commercialize those strategies in the market."

Waller is on to an approach that can be leveraged for you to become the guru of growth in your company. Visionary Marketers who have made *The Shift* agree that there really is only one purpose in making a shift: to help drive the company's growth goals and agenda — in effect, becoming the CEO's partner.

Visionary Marketers' Recipe for Success

The marketer who aspires to become the CEO's true partner in growth needs to bring together a balance of hard and soft skills. The aspiring Visionary Marketer must:

- Consistently exceed expectations for marketing excellence.
- Build operating credibility with the CEO, CFO and the rest of the C-suite.
- Show capability and muscle in driving strategic discussions at the corporate level.
- Consistently innovate across the enterprise.
- Lead by example, and inspire the organization to deliver results based on world-class marketing and business strategies and plans.

Exceed Expectations

Of course, the basic ingredient — exceeding your company's expectations for marketing excellence — is a prerequisite to earning the right for a more strategic profile. If you can't handle the responsibilities you already have, then why should the CEO think you're ready for more? That's the stark, realistic situation at the top — CEOs will bring the right marketer into the inner circle, but that marketer must be proven. By successfully executing a world-class marketing plan, intimately tied to the company's strategic growth plan and delivering quantifiable results, you will make a convincing argument that, as a marketer, you can play two roles simultaneously: that of a great strategic thinker and that of a great in-market executor. ●

The First Shift: From Creating Marketing Strategies to Driving Business Impact

Ranjana Clark, former CMO at Wachovia and now Head, wholesale customer experience group at Wells Fargo, shared her story about her realization that a shift was going to occur at the bank. She knew that the company needed Marketing to play more of a strategic role. But what did that mean?

Clark says, "My first charge was not to freshen up the brand or build a new campaign. I realized then and there that my character would be different from that of my predecessors and that I was going to be counted on to be one of the architects of business strategy for Wachovia."

Ultimately Clark made *The Shift* to business impact, pulling out all of the stops to become a strategic architect for Wachovia.

A Definable Set of Actions

She began in a way that you, as an aspiring visionary marketer, can learn from. By working your way through a definable set of actions, with an awareness of your organization's receptivity to change, you can develop the mind-set, track record and capabilities necessary to prove your abilities to tackle business strategy — not just marketing strategies — and drive business impact. Three critical elements are needed to start to make this shift from creating marketing strategies to driving business impact:

- **Leveraging customer insights as your secret weapon.** Fully owning this secret weapon means both knowing your customer better than any other executive *and* consistently translating this knowledge into actionable consumer insights and in-market execution.
- **Always operating with a profit-and-loss mind-set.** What really matters is that, day in and day out, you consistently have a perspective and action orientation based on an understanding of how the company makes money, how investment decisions in one area impact others, and always bring a top- and bottom-line perspective to the decisions at hand.
- **Earning organization-wide credibility and trust.** You will have to succeed at basic marketing communication tactics *and* show muscle in resolving complex business issues. You must unemotionally analyze your budget to make trade-offs within the context of the goals of the overall organization. At the same time, you'll have to be comfortable in driving or co-driving all of the elements of the traditional purchase funnel, from awareness through loyalty, incorporating all of Philip Kotler's 4 P's (product, price, place and promotion).

Your Five-Step Plan to Victory

Heads of Marketing who have led the strategy dialogue have generally followed a five-step path that starts with the simple notion that they are taking the organization on a journey over time, aimed at helping the exec-

utive team articulate the three- to five-year vision and its strategy. Here are those steps:

Step 1: Get alignment. Get alignment that this is something the organization can benefit from and that there is merit in embarking on this path.

Step 2. Equip the C-suite to engage in the dialogue in a meaningful way. The more upfront engagement, debate and education you arm your peers with, the more fruitful the strategic dialogue down the road will be.

Step 3: Start and lead the dialogue. This dialogue will be somewhat informed by your current profile and the data with which you have carefully armed your executive team.

Step 4: Lay out the strategies to bridge the gap between today and tomorrow. Only if you can become conversant across the entire range of strategic issues and across functions, geographies, businesses, products and services will Marketing be able to sell itself as a strategic asset for the entire organization and a long-term partner for the CEO.

Step 5: Own the imperatives. Owning the list of strategic imperatives, along with the commensurate work plans, ownership, activities, milestones, metrics and timing, while assisting each owner with his or her strategic imperative, will help the Visionary Marketer sustain a "shifted" position. ●

The Second Shift: From Controlling the Message to Galvanizing Your Network

The Network Era is the third era in modern marketing. The first marketing era, often referred to as the golden age of advertising, was a world of one-way communications: Marketers were in total control of the message and the vehicles to leverage.

The first marketing era, following World War II, was the beginning of brand building and the rise of mass communication in the form of TV, print and radio advertising, and sponsorships were the hallmarks of this era, which lasted until the mid-1990s. At that time a shift occurred with the Internet ushering in the second marketing era, allowing two-way communications, solicitation of input and feedback from customers to improve the offer, and a new approach to building loyalty across key, profitable segments.

During the current, third marketing era, two-way communication has expanded among an exploding number of stakeholders. This Network Era can be defined by the confluence of five core dynamics:

- An explosion in not just the number of, but also the power and increasing influence of a myriad of stakeholder types.
- The novel and rapidly exploding innovation and introduction of thousands of new communication and interaction mechanisms to influence purchase behaviors.
- The increasing impact of the coalition activity of multiple networks that are able to build, define or tear down new markets.
- Citizen marketing, or leveraging the network to unleash the full power of the consumer as marketer, whereby individuals create and participate in marketing campaigns for their favorite products, becoming loyal word-of-mouth advocates (or detractors).
- An increasing openness and transparency in a two-way manner — about consumers, their lives, their patterns of behavior and their spending habits, as well as how a company goes to market.

To fully embrace these dynamics, it remains important to continue to remember that the underlying purpose and intended impact of marketing for the Visionary Marketer remain the same as in the first two eras: getting products and services into customers' hands as effectively, efficiently and profitably as possible.

Thriving in the Network Era

As you begin to understand your network and the strategic opportunity it can provide your company, start by being clear on what your company is trying to achieve strategically, how your company makes money, how your company gets the greatest number of valuable customers interested in your brand and, most important, which elements of the marketing strategy and brand network you can control and which you can only influence. This information is a necessary starting point for considering the opportunities associated with your company's network.

Furthermore, you need to recognize the context of the networked world in which brands and organizations operate, tied to the four critical Network Era success principles:

1. *From control to influence.* In the past, Marketing was was about trying to control every interaction or touch point. In the networked world, marketers must recognize that it is impossible to control everything. At best, they can hope to influence stakeholders and facilitate the right kind of experience.

2. *From push to pull.* In a customer-centric world, customers are telling companies what they want and don't want from their company of choice. The days of companies telling customers what they are going to get are over.
3. *From communication to engagement and participation.* In the networked world, brands need to engage stakeholders with information, activities and services that add value, as well as participate in the conversation and experience.
4. *From closed to open, transparent and authentic.* In a digitally driven world, all information makes its way to the Web, where brands are identified for bad products, practices or services. The best strategy is to be open, honest and authentic from the start and let the network do much of the heavy lifting. ●

The Third Shift: From Incremental Improvements to Pervasive Innovation

Barry Judge, CMO of Best Buy, says, "It is hard to define where innovation begins and ends for us. In order to do better, year over year, you need to constantly innovate and try and reinvent yourself. I can no longer distinguish between which parts of my job are innovation-oriented and which are not."

Judge has obviously internalized this Third Shift, which is defined as moving from incremental improvements to pervasive innovation — innovation that can come from anywhere and can have an impact everywhere. Innovation is pervasive in everything Judge and his Best Buy counterparts think and do in order to profitably grow. From Geek Squad (tech support) to Magnolia (in-home theater) to Rewards Zones (loyalty program) to its recently launched musical instrument store within a store, Best Buy continues to see innovation as its lifeblood and looks to Marketing to help lead the charge.

Pervasive Innovation

Traditional incremental innovation is usually defined by new products, new services, new offerings and the successful management of a new product pipeline. Most innovation efforts occur at a business unit, divisional or functional level, and thus most innovation efforts are insular and siloed, and not always harnessing the myriad inputs at the company's disposal.

Pervasive innovation is a mind-set incorporating all fresh and new ideas, aimed at improving a business' overall performance, inside and outside the organization. Pervasive innovation includes new products, new services and new offerings, but it can also include new business models, new experiences, new cultures, new mind-sets — basically new ideas — to solve old and new problems inside and outside the company. Pervasive innovation is a way of life, part of a company's DNA and the lifeline for many companies to meet their future aspirations.

A Shift Toward Customer-Led Innovation

Procter & Gamble and General Electric have changed their innovation mind-sets and approaches to effectively innovate how they go about innovation. In each case, one of the hallmarks is a shift to involving multiple stakeholders in shaping their innovation output:

- *Procter & Gamble expands beyond its R&D lab as a source of innovation.* P&G CEO A. G. Lafley states that innovation is "purpose driven, people led and the heart of our business model." In 2003, when he realized the company's age-old R&D-centric innovation model could no longer achieve the levels of growth he, his board and shareholders demanded, he ordered P&G to move from a strictly R&D-driven system to an open innovation system. P&G now takes its customer insight knowledge generated by the marketing teams and translates the top consumer needs into science-based problems. P&G then reaches out to a worldwide network of technology entrepreneurs who seek to solve these consumer needs.
- *GE's imagination is always at work as it continues to break through with big ideas.* GE CEO Jeff Immelt established the $100 million breakthrough concept a few years back to help energize organic sales and better harness the power of the different lines of business, which at times got too mired in the day-to-day business to "imagine what if?" Immelt created a system to push innovation throughout the organization. He required business unit teams to submit at least three Innovation Breakthrough (IB) proposals each year that would ultimately go before GE's version of an innovation and growth council for review and discussion. Through 2007, IBs accounted for $30 billion in new revenues based on $7 billion in investments.

Fusing Visionary Marketing and Innovation

Clearly, the shift from incremental improvements to pervasive innovation is a journey, not an all-or-nothing leap. The primary steps that aspiring Visionary Marketers need to make live within their domain and capability set. There are three steps:

Step 1: Become a customer zealot. Listen carefully to what those in the field are telling you, follow up extensively with probing questions and observe relentlessly.

Step 2: Get connected. Make a list of the people and organizations with whom your company has relationships. Within these connections, Visionary Marketers will thrive in their quest for inspiration.

Step 3: Inspire and lead. Leading through influence and collaboration, as opposed to command and control, is as powerful an approach to innovation leadership as you will find. ●

We're All in This Together

Here are four guiding principles that make any organizational transformation work and stick for the long term:

- Align the goals and objectives of functional and geographical heads to the goals of the company.
- For long-term success, the CEO must be a proponent of the transformation.
- Building a transformational business case, road map and story to tell will help in getting the entire organization, especially executive peers, to see the tangible and intangible rationale behind making *The Shift.*
- The important mind-set shift is to recognize that everyone reports to the customer.

The Fourth Shift: From Managing Marketing Investments to Inspiring Marketing Excellence

Going forward, Visionary Marketers will be interested only in maximizing the investments made across all the marketing levers (Big M marketing) and will no longer tolerate or find useful, on its own, just focusing on marketing communications (or Small M marketing). This mind-set shift is brought to life best by Barry Judge, CMO of Best Buy, who elegantly sums up what this shift is really all about in a head-on manner: "No one is interested anymore in just seeing awareness levels or only return on investment for our communications efforts. They want to hear ideas about how to help double the size of the company and what role Marketing and all functions will play in getting there!"

For this to become a reality, marketers will need to move beyond just working on, looking out for and protecting their traditional marketing agenda and budget. Instead, Visionary Marketers need to move forward with an expansive mind-set that encompasses the entire growth budget, agenda and charter. This is why marketing excellence, growth and accountability go hand-in-hand for Visionary Marketers.

Marketing Excellence, Growth and Accountability

Marketers are now exposed, internally and externally, in ways they have never experienced in the past. All functional areas are under increased pressure to show results, but none is under more pressure to do so than Marketing. Marketers can no longer sit on the sidelines, doing what they have traditionally done and watching as others transform their go-to-market approaches.

Marketers understand that they need to become more accountable for growth, and with this accountability comes the need to demonstrate measurable results: increasing revenues, increasing market share, stronger brands and increasing profit margins. To get these results, it is no longer enough to demonstrate depth of understanding of consumer insights alone. Marketers need to operate with (and demonstrate) a P&L mind-set, always in service of business impact because the organization needs them to and because CEOs and CFOs will demand it.

What the 'Big M' Marketing Shift Requires

If Marketing is going to move toward a more strategically oriented growth agenda, a number of internal changes need to take place in the organization.

At the top of the list, the historic division between corporate and line or product marketing budget dollars has to disappear, at least philosophically. In addition, the classic divide between allocating dollars for demand generation versus brand building will disappear; companies will no longer treat marketing investments separately; hard measures will prevail; and an overall growth budget will become the norm. This means that even brand-building investments need to be measured and defined relative to growth objectives and not traditional tracking objectives.

Taking Experimentation to the Next Level

Visionary Marketers are discovering the power of experimentation, where they embed the analytical results of the test-and-learn approach across all the marketing levers of pricing, product, distribution, sales and promotions. Such integrated experimentation allows marketers to mimic business situations in a microcosm, in a way

that is far less risky for the business. Applying advanced experimentation across product, price, place and promotion helps Visionary Marketers move closer to the reality of how companies manage their business in the real world by varying the elements of the marketing mix and understanding how each of the levers works in conjunction with one another yet affords the company the ability to not go "all-in" at once.

What may be a challenge for companies trying to execute against a full experimentation approach is that different Big M marketing levers may sit in different parts of the organization (for example, pricing with procurement or offering with R&D). By forcing an enterprise-wide experimentation mind-set throughout the organization, Visionary Marketers and their C-suite peers can bring to light the power of this potentially missed set of interactions, tied to a previously engrained silo mentality.

Leveraging Test and Learn into In-Market Success

All of the sophisticated experimental design and analytics will be for naught if you do not follow through with superior in-market execution. The rich data collected across marketing variables, market dynamics and customer segments allow finely tuned market-level guidance in "Marketing Playbooks."

Marketing Playbooks help guide and arm segment- or geographically-based leaders with the information and go-to-market approaches they need to maximize success in the segments they are trying to win.

In addition, well-constructed playbooks will provide precise details on cost and return estimates tied to the mix of vehicles being leveraged as well as provide details on the precise marketing mix to apply to win with a specific target segment, given whatever unique set of market circumstances exist.

If the company focuses on sales efforts by region, the marketer will create a regionally focused Marketing Playbook with a snapshot of the local market and the specific tactics required to succeed to generate sales.

If the company organizes around customer segments, the Visionary Marketer can slice the data by segment, providing a snapshot of the research on that segment and developing a Marketing Playbook for the customer segment level.

Once Marketing Playbooks are built, the next issue is integrating the inputs into actual decision-making processes.

Using the results from advanced experimentation as a guide and regional- or segment-specific Marketing Playbooks as a byproduct, Visionary Marketers help to identify the business levers, independently and in combination, that will help drive business success through a well-scripted, play-by-play format. ●

The Fifth Shift: From an Operational Focus to a Relentless Customer Focus

Customers want the experience you promised, the quality levels they expect, service levels that are best in class and an indisputable value for their money. In return, they will give you the loyalty you yearn for, the share of wallet you believe you have earned, the openness to try your latest and greatest offerings, and the forgiveness you will ask for if you make a mistake. It's quite a give-and-take — and achievable only if the organization is working in unison on delivering in a customer-led way.

You need to be all-in and relentlessly focused on your customers.

Collaboration in service of the customer necessitates collective buy-in around the importance of operating from the customers' perspective and then driving the requisite internal actions to drive the right in-market activities to get to the desired outcomes — delighted customers.

Start Working Inward From the Customer

Stop thinking about how you are organized internally, and start thinking about how the customer experiences you on both a day-to-day basis and at those critical moments of truth that often help to define the type of experience and relationship a customer ultimately has with your company. Once you start with the customer in mind and work your way back through the company's organizational structure, you will quickly see a dizzying number of organizational touch points and functions that influence the overall customer experience. You may also see that the organization is not truly organized for maximum success from the customer's perspective.

For instance, from a customer's outside-in perspective, there may be a billing issue that lives in Information Technology or a call center issue that lives in Customer Service. It may be a broker issue that lives in the Sales organization or a product issue with R&D. Each of these issues can have an undeniable influence on the customer's experience with your company, product, service or brand, and at any point, any one of these

touch points could make or break the customer relationship. Who is overseeing these functions to make sure they are aligned to deliver a world-class customer experience? For most companies, that "who" is not very clear, and none of the functional areas should be excused from operating in a truly customer-driven, customer-centered, customer-is-king way.

Critical Moments of Truth

Most organizations are not equipped to deliver and win at critical moments of truth — by the customer's watch — because they are rarely organized around how the customer wants to engage with the organization. Most companies tend to organize for operational effectiveness and efficiency, and are tied to approaches that work well for the organization but not necessarily for the customer.

According to a CMO Council study, "Marketers must find a way to drive cross-functional alignment between the brand promise and the delivery of the brand promise at all customer touch points … and take the lead within the company to make sure that every function understands its role in delivering the desired customer experience … and it will only happen when activities are well orchestrated, managed and measured."

Two Critical Questions

So the critical Fifth Shift questions to address are:

- Can the Visionary Marketer take the lead role in repositioning the customer to be the center of the organizational universe, coordinating touch points and functions to deliver with a customer-first mind-set, in effect working for the customer?
- Can the Visionary Marketer help the organization rethink how it is (or is not) set up to win?

To answer these questions, you need to return to the question of control versus influence: Should the Visionary Marketer exert control to drive customer-centered change — or exert smart influence and collaboration to accomplish these goals?

Visionary Marketers would be smart to use organizational influence and collaboration to help their companies start the journey of organizing around the customer. They must start at the very top and leverage an appropriate balance of collaboration, influence and shared leadership with the appropriate doses of vision and inspiration. This type of marketer-led influence model will induce marketers to borrow some approaches from their softer side of marketing influence: building alliances and coalitions, understanding and listening to peers' concerns and issues, engaging in dialogues and debates that provide direction rather than dissension and bringing others into the conversation so it is an organization-wide conversation, not an insular marketing conversation.

Inspire the Organization to Align Differently

The most successful, customer-led transformations succeed when they are focused on both:

- Galvanizing and inspiring the organization to align around a new and different customer-centric, go-to-market approach from the top down, inspired by senior leadership.
- Ensuring internal and external clarity on the organization's positioning … what it is and, importantly, what it is not. ●

Shifting Is Not Easy

So what does *shifting* really mean for marketers? For marketers, it fundamentally means they are given the opportunity to re-brand the marketing role and function, as well as their overall positioning within their company, from being *just* a sales enabler to being a value driver across the entire enterprise.

The company will now have a much greater depth of customer insight, meaningful new revenue and margin streams, and a return on all marketing and sales dollars that should go well beyond traditional norms.

For marketers to succeed at the five shifts, the assumption is that they have successfully migrated from being Tactician Marketers to Visionary Marketers. It means that they have established a dialogue with the executive team and the board that is strategic in nature but pragmatic in execution. It means that they have changed their profile and perception from being seen solely as a cost center to a powerful revenue (and margin) driver. And finally, these marketers have become partners with their CEOs, helping to articulate and drive their company's growth agenda from here on in. ●

RECOMMENDED READING LIST

If you liked *The Shift*, you'll also like:

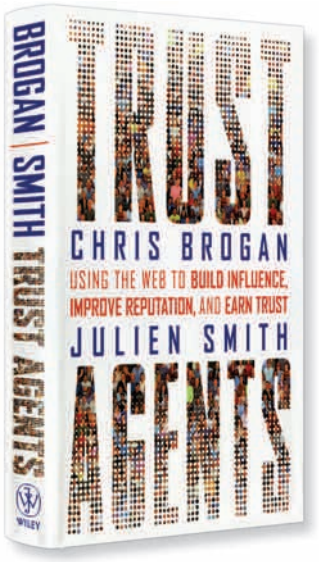
1. ***The Brand Bubble* by John Gerzema and Ed Lebar.** The authors provide a five-stage process for reorganizing the organization around the brand; the key to sustainable, profitable brand performance.
2. ***Change Function* by Pip Coburn.** Many potential users are afraid of new technology and need a compelling reason to change. Coburn provides it.
3. ***Outside Innovation* by Patricia B. Seybold.** Innovation keeps companies at the top of their fields. Seybold reveals the best way to keep up is to involve passionate customers in every aspect of product and service design.

Summary

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Marketing: Public Relations



Trust Agents

Using the Web to Build Influence, Improve Reputation and Earn Trust

by Chris Brogan and Julien Smith

THE SUMMARY IN BRIEF

There's no question that the Internet has changed the way we do business — especially when it comes to marketing. Consumer environments are short on trust and populated by consumers who are cynical, savvy and informed. Though it's easier than ever to reach your customers, it's less likely that they'll listen. Today, the most valuable online currency isn't the dollar, but trust itself.

At the same time, social networks and personal connections have far more influence on consumers than your marketing messages ever will — unless your business knows how to harness them. In *Trust Agents*, social media veterans Chris Brogan and Julien Smith show you how to tap into the power of these networks to build your brand's influence, reputation and profits.

Trust agents aren't necessarily marketers or salespeople; they're the digitally savvy people who use the Web to humanize businesses using transparency, honesty and genuine relationships. As a result, they wield enough online influence to build up or bring down a business' reputation. This summary will show you how to build profitable relationships with trust agents or to become a trust agent yourself.

IN THIS SUMMARY, YOU WILL LEARN:

- How to build influence, share it and reap the benefits of it for your business.
- How your words can carry more power and more weight than any PR firm or big corporate marketing department.
- How to use the power of the Web and social networks for your business now.
- How to become a trust agent the right way — honestly, effectively and profitably.

CONTENTS

Trust, Social Capital and Media
Page 2

Make Your Own Game
Page 3

One of Us
Page 4

Agent Zero
Page 5

Human Artist
Page 6

Build an Army
Page 7

Six Games You Could Have Made and Still Can
Page 8

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THE COMPLETE SUMMARY: **TRUST AGENTS**

by Chris Brogan and Julien Smith

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Introduction: Hey, I Know You. Have We Met?

Perhaps you've been noticing that the older approach to marketing, PR, advertising, business communication and other activities on the Web aren't pulling as well as they used to, and you're wondering what comes next. You're looking to improve yourself and, specifically, to improve how you do business over the Web.

The Web has changed to be more humanized, and the people who will succeed in understanding this and using the Web to build business are called *trust agents*.

It's not exactly the technology du jour that one should focus on, because technologies come and go. For example, though e-mail has been around for decades, people continue to use e-mail marketing as part of how they do business. Services like Facebook and Twitter and blogs and podcasts are some of the more recent resources. They enable human-scale communication, and they are part of what feeds the larger Web, tools that help you conduct business in a strategic fashion.

So, try not to focus on the tools. Instead, put your energy into learning how these tools encourage certain interactions, how they might be leveraged to build different types of experiences with potential customers, with competitors, with the very fabric of how the Web's information is wired. Focus on connecting with the people, and the tools will all make sense.

Trust, Social Capital and Media

Trust agents are the power users of the new tools of the Web, educated more by way of their own experiences and experiments than from the core of their professional experiences. They speak online technology fluently. They learn by trying, so they are bold in their efforts to try new applications and devices. They recommend more, and more often, on social bookmarking applications (Delicious.com and the like) than anyone else. They connect with more people than anyone else, and they know how to leave a good impression. As they do so, they build healthy, honest relationships.

Trust agents use today's Web tools to spread their influence faster, wider and deeper than a typical company's PR or marketing department might be capable of achieving and with more genuine interest in people.

We need to become them — and to harness them.

Six Behaviors of Trust Agents

1. *Make Your Own Game:* Trust agents recognize the fact that there's the established way to do things — and then there's some game-changing way to do things. This new method, which usually involves skill, experimentation and a comfort level with trial, error and early failures, is how most trust agents break out of the mold and appear on our collective radar. In popular entertainment, Oprah Winfrey went from being the local TV weather reporter to a multimillion-dollar media enterprise. Making your own game is about standing out.
2. *One of Us:* One thing that distinguishes certain people as trust agents is the simple defining question of whether a specific community sees them as "one of us." In his early career at Microsoft, Robert Scoble blogged about his take on why Internet Explorer wasn't as good as Firefox. We (his audience of read-

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Rebecca S. Clement, Publisher; **Sarah T. Dayton**, Editor in Chief; **Andrew Clancy**, Senior Editor; **Edward O'Neill**, Graphic Designer; **Chris Lauer**, Contributing Editor

ers) felt that Scoble represented one of us. We could believe what he said because he was a member of our community, he talked like us, he spent time where we spent time, and he seemed to be genuine and honest with us. This characteristic extends to every trust agent. In other words, being one of us is about belonging.

3. *The Archimedes Effect*: You can do any and all of these six things well, but when you use your unique abilities to enhance them (using knowledge, people, technology or time), then what you do becomes immensely powerful. The Web is one of the best tools for increasing the power of what you do. The Archimedes Effect is about leverage.
4. *Agent Zero:* Trust agents are at the center of wide, powerful networks. They make building relationships a priority because it's a human thing to do — long before any actual business requires transacting. They are people who jump at the chance to meet others online, at events or in mixed social settings and who often connect these new acquaintances with other people in their personal networks. Because having a wide network is very powerful and opens doors, Agent Zero is about developing access.
5. *Human Artist:* Learning how to work well with people, empower people, recognize their strengths and weaknesses, and know when to improve relationships and when to step away are all part of what a trust agent does. In business terms, these are often called *soft skills*. Being a human artist, in a way, is about developing understanding.
6. *Build an Army*: No matter how great you think you are, you can't do it all alone. When you can get a large group to collaborate, you can achieve monumental tasks that may have been previously impossible. As more people gather on social networks and elsewhere, asking each to push a little can help it become an avalanche in a way no set of tools was ever able to do before. Because the Web is so vast, and we are so small, building an army is about developing mass.

Make Your Own Game

Sam Walton was running a Ben Franklin store, but the corporate entity kept getting in the way of his profits, so he started Wal-Mart. Steve Jobs and Steve Wozniak did not think everyone wanted mainframes, so they created their own type of computer. Richard Branson makes his own game all the time, most recently by deciding that he should make commercial space travel part of his game.

But making your own game is not just about trying to find innovative ways to improve your brand or business: It's about understanding that the tools to let you do this are at your disposal and most of them are free.

Set Your Own Rules

No matter what industry you are in, there are very specific protocols in place. If you are an aspiring young journalist, there is a ladder you must climb to get published in a respectable newspaper or to get airtime in a decently rated TV market. If you are a rock band, you spend years shopping your demo discs around to various people, play for years in small clubs trying to catch some attention and eventually get a record deal. Maybe.

Or, by using a site like MySpace, you make your own game.

That's what the Arctic Monkeys, from Sheffield, England did. Their first album beat Oasis' record to become the fastest-selling album in the history of the United Kingdom, all by using MySpace.

Arianna Huffington broke new ground when she launched the *Huffington Post*. Today, her Web site is the most popular blog on the Web. But calling the *Huffington Post* a blog is like comparing an iPhone to a rotary phone. They have similar functions but deliver quite a different output and value. It's partially because Huffington used new and different strategies, such as giving celebrities a forum to air their political views, that few blogs are able to compete against.

The Web can be used to employ this strategy, which is referred to as "gatejumping." It's what happens when you find a better way to do things while everyone else is too busy to notice.

One way to see things differently is to understand who currently "owns" the old games in the area in which you wish to increase your presence. These people are gatekeepers. For instance, Sotheby's might own live auctions, but eBay owns them online. In this example, eBay is the gatejumper.

Because the Web is a media platform, a communications platform, a vast sea of loosely joined resources, it's a perfect place to gatejump. Trust agents know this. They live in this space. They look for the games inside the game, and they find ways to win. Why wait for permission? Just do it.

Stand Out

Reinventing the space you're in naturally helps you stand out. As people who stand out redefine the industry

they are working in, they have an easier time making a name for themselves. The process of creating a new space for yourself helps establish you as an expert in that field and you become trusted in the process.

Being there first helps, but it isn't enough. If you're not following the rest of the principles, you will not be a gatejumper or become the defining brand in your field, and the advantages or opportunities are lost.

Move First

Risk means reward. So move first. It isn't everything. Sometimes the first movement is expensive, but we like to do it when it's cheap but not obvious.

Further, those that move into a medium first set the stage for how it works and, in a lot of cases, those that come later need to follow the rules the first people have set. There's a benefit and reward to getting to a space first and making a new game. Sticking with the existing system means the same results will come forth. ●

One of Us

Gaining the trust of another person requires you to be competent and reliable. It also requires you to leave someone with a positive emotional impression, which is something the Web has the potential to do quickly and well. Since most of the modern Web isn't trying to complete a transaction (things like spam notwithstanding), people have a tendency to feel closer to each other there. People speak like humans on their blogs, less reserved than they would be in real life. They may end a sentence with a preposition or make spelling mistakes, but what is lost in old-form professionalism (not to be confused with lack of professionalism) is gained in bonding with the readers. Though it's a part of trust many don't take into consideration, intimacy is one of trust's most powerful elements.

The Importance of Being Human

The Impossibility Question works with a person who's somewhere between resisting and listening, but not ready to move to considering. If you're lucky, there might be a flicker of interest in there somewhere. But without a shove, your idea is going nowhere. That powerful shove is the Impossibility Question. Here's how it works:

In the Web's new reporting and editorials, there is an emerging mass of people who are expressing their true opinions. There's real quality out there, with feeling, and it's grabbing the attention of the world. No wonder YouTube has more than 5 billion videos, one for almost every human on the planet.

Within this, there is a very important lesson: Be human. You're allowed to now, by varying degrees, on the different platforms the Web makes available: Twitter for short comments you want to share, a blog for longer statements. If you need to, make whole new Web sites for each new initiative. But in each, have a voice, because people are sick of brochures and sales letters. They want the real thing.

How Public Discourse Magnifies Social Capital

Getting coffee for someone is doing something nice. But get your mother-in-law some chicken soup while she's sick and she'll tell the whole family how great you are. This is what the Web does all the time but without any one individual doing the work.

This is because all encounters in which you participate (i.e., all conversations you choose to take part in) are recorded in public (blogs, Facebook and elsewhere) for others to see, should they be looking. You're leaving evidence of participation and good deeds to be seen by others who pass by, like markers on a trail in the forest.

Another way of looking at this is that there is a benefit to leaving a paper trail. Imagine your company is being audited, and you claim $100,000 as expenses for the year. If you have records, the IRS will believe you, but if you don't you're in trouble, especially if you have a lot to gain. It's the same with blogs: Leave a paper trail of thoughtful comments and you're showing that you know what you're talking about. When this is seen, it can help you develop important credibility and relationships.

Interact Frequently and Regularly

The main lesson here is that you need to interact — frequently and regularly. Show up at events, get your name out there, but be honest about what your goal is in initiating communication. Then, if you want to pitch someone, do it cleanly and consider the reputation you've been building. This will be easy and natural, because it's something humans do naturally with people whose opinions they care about.

Trust agents don't just evangelize; in fact, they plant seeds so that there can instead be a kind of mass evangelism whereby word spreads on its own. We don't mind companies in our space, and we need good people working with us, but we can't stand another one of those people trying to sell us stuff. We're sick of it and so is everyone else. ●

Archimedes Effect

Archimedes of Syracuse was a famous inventor from the third century BC. He said, "With a lever large enough, I can move the world." The Archimedes Effect is about leverage: putting in a certain amount of effort and getting a greater result than our normal human effort would give.

The simplest way to understand leveraging the Web is this: You can use the advantage you have in one place to help you in another.

Apple used its market dominance with the iPod as a springboard to the creation of the iPhone. Can you remember another phone device launch that had so much press coverage? Leverage means taking what works and moving the value into something else that's different (yet connected) to the previous idea.

Leveraging Relationships

In a way, personal networking is a bit like leveraging relationships. We tend to do business with people who are like us. Beyond that, it's more likely that we do business with people we feel emotionally positive about. Regardless of what's fair or what systems are in place, there's a positive bias toward the person who helped you.

One way to build up a reputation that you can leverage is by being the boldest or best in what you do.

Here's a rule of thumb that works really well when it comes to leveraging your relationship with your audience: Don't ever sell to your audience. Instead, be their gatekeeper.

Think of Oprah Winfrey. She gives and gives, constantly, and leverages that goodwill into bigger and bigger guests and giveaways. But does she ever try to sell her audience directly? No. Winfrey leverages her audience to provide visibility: to stars, to movies, to car companies. She protects her audience by guarding them from the bad stuff, and she lets the good stuff pass through, making her audience even happier as a result.

How a Trust Agent Leverages Social Media

Social media includes blogging, podcasting and using social networks like Facebook and Twitter. The newer platforms provide opportunities for trust agents to leverage communication mediums to the benefit of their organizations. First and foremost, reaching out to people via blogging is a one-to-many opportunity. Instead of sending a single e-mail or placing a phone call, having someone like Lionel Menchaca from Dell writing about service issues on the Direct2Dell blog is a way to stretch the value of that message so that it resonates with more people.

Being Frank Eliason and using Twitter to respond to people as "@comcastcares" means leveraging the medium to achieve many positive outcomes: It lowers repeat calls to customer service; it reduces escalation issues within the care department; and it provides outward signs that the company is doing something with the customer's complaints. The reason Eliason is able to achieve all this is because he leverages massive social networks that let him know when people are talking about his company.

Doing more with what is available to you in this case means sending out responses and having steady community interaction by using the open-faced interactions of the Web to build two-way relationships and conversations instead of using the old, one-at-a-time methods from other means of communication.

If you're not taking advantage of the way the Web connects everyone, including your potential customers, you're missing the easy opportunities. ●

Agent Zero

Trust agents have a natural tendency toward being the connector in all of their different groups. In their place of business, they work in positions that connect internal teams, external colleagues and more. Online, they are the ones being asked for, and sending, frequent introductions via e-mail and through social networks. No matter where they go, trust agents have a desire to connect good people. This is referred to as being Agent Zero; being in the center of a network and being able to spread ideas.

How do trust agents do this? First, trust agents are naturals at finding other connector types in other groups. They are able to recognize the individuals who like building networks of value and who know how to reach out. Second, trust agents who are connecting do this across almost all of their groups, constantly seeking ways to make their groups connect with each other. Thus, trust agents are also individuals who often blend their work group with their outside-of-work social group and more.

A natural benefit of these tendencies is that trust agents often get the opportunity to meet influential people. As connectors like to network and reach others, so it seems that if they have a famous, strong, powerful and/or useful connection, they are quick to share it.

Agent Zero Connects the Web

Trust agents build networks almost reflexively by

being helpful, by promoting the good work that others do, by sharing even their best stuff without hesitation and by finding ways to deliver even more value on top of all that without asking for anything in return. Instead of sucking up to the big guys (which isn't the right strategy), trust agents reach out to the up-and-comers. They make friends with the people starting out, those who might not be the big voices or the movers or the shakers, but who are interesting, driven, talented and have potential.

How is this accomplished? First, efforts are made through several small touches online, such as commenting on people's blog posts, responding to their Twitter messages or helping get the word out about their causes or efforts. Second, it's helpful to be able to meet some of the people with whom you've built online relationships.

The process of becoming Agent Zero can be divided into a few steps, some of which you do online and others in person. First, you must build awareness of who you are, making people aware that you exist. Next, you try to grab their attention and have them see that you are a good person to know, because you are entertaining, informative and/or useful. Then you take that recognition and develop it across several groups, to a level where you are considered an authority in as many of these groups as possible.

Face-to-Face Personal Contact

Though the Web is loaded with tools to build and sustain online relationships to levels never before considered, cementing these relationships with a face-to-face event, be that a conference or just a beer or two at a local pub, is a powerful way to strengthen them even further.

The key to developing a solid network is first to build a presence online, then meet in person and then sustain the relationship with several more online touches over time. This can include anything from e-mail to comments on each other's blog or podcast to just commenting back and forth to each other on social networks like Facebook or Friendfeed. Having had face-to-face personal contact tends to make the online relationship connection even stronger.

Human Artist

It has been said that the Web is different from all other media developed over the past 50 years, and that's because it wasn't created for advertisers and commercialism. Newspapers, radio, TV and even movies were fashioned around that. The Internet was conceived to enable scientists to communicate more fluidly with each other — and now we all can. The new Web still adheres to that fact: It's not built just to be a commercial endeavor. And that little truth has laid waste to many a company that has missed the mark in providing what its diverse audience needs.

Your key skill requirement is learning how to interact on your audience's terms. If you are to learn how to be a trust agent, the skill of being a "human artist" — someone who understands how to communicate with people in a real and thoughtful way — is very important to what you're doing.

The Basic Stuff

When you meet someone new, you shake hands and look each other in the eye. These are rules you learned along the way, rules that have existed for a long time. But there are digital equivalents on the social Web. Learn to play by the rules. People will notice and respond similarly.

It's easy to understand the online equivalent to etiquette by imagining that you're at a party where you don't know anybody very well. Now, imagine that you have to be very deliberate about every gesture because, with fewer social cues in online interactions, intentions can be gleaned only by your online exchanges. Here are some actions that should help make your experience online more effective:

- **Listen.** The number one mistake newcomers make when they first begin their online experience is by diving in deep and stumbling over all kinds of social norms before they've realized any of it. If you're going to start reading blogs, pay attention to the way others comment. See how others respond to those comments. Listening (i.e., reading what others are saying) before you make your first moves helps.
- **Ask.** If you are uncertain of what's acceptable and what's not, it's perfectly fine to ask people, provided you've spent a little bit of time in an online setting. Just remember, everyone started somewhere.
- **Reciprocate.** All online conversations happen on purpose because we go to places purposefully, but we never communicate just because someone is there. When someone friends you on a social network, unless you have real reasons not to, friend them back. It's natural and it is the first step to opening a channel.
- **Comment and comment back.** When you are

first getting started online, you can begin by simply being a visitor to the various online hangouts; or by reading some blogs; or by setting up a Facebook account. What comes next is *contributing*. Try adding to the conversation. If *you* are running a blog, do the reverse. If someone takes time to comment, comment back on his or her response. However you can, accept that comment as a first contact, and touch back. ●

Build an Army

An individual can gain a lot of influence by acting alone, but doing so is missing half the picture. In addition to joining a group, creating one (and filling it with the smartest people you know) is the true path to influence online. If the social Web gives businesses the opportunity to re-humanize, it's at the risk of overwhelming those within a company entrusted with that role, because one person can't scale beyond certain limits. The answer is the sixth concept for trust agents: Build an army.

You Can't Do It Alone

When we think army, we think "Together we can make a difference." The main job of an army is to have a huge impact, something that can't be done by one person or even a few really powerful ones. The goal can't be uniformly yours — or theirs. Both sides must want something out of it or it can't succeed.

Once you have established yourself as a trust agent, reaching the next level means building and dispersing armies around projects and opportunities rapidly and with a very loose command and control structure. Learn how to build an army and you'll have strength in numbers and diversity.

Your Generals: The Mastermind Group

On the Web, groups of highly motivated people within every circle have already joined together, helping each other reach higher ground, where battles can more easily be won. Sometimes they announce their presence. Other times, they're tucked away and just quietly doing their thing. Yet people everywhere are working together to improve themselves — to learn more and move forward. You may already be part of such a group, but if you aren't, you'll need to be looking for like-minded people to call your own.

Web-based interactions, which encourage this in ways that old-fashioned networking groups and learning groups can't match, are fluid, flexible and connect people who aren't geographically aligned. What are the odds that the other great minds in your field live in the same town or even within 20 minutes of you? But geographical location no longer matters when it comes to learning and building up each other's capabilities. With the new Web, mastermind groups can (and do) exist in a digital-only form; in fact, they work better. This is because we align with others on the Web based on interest instead of geography, so finding people to connect with is easier.

The Power of Asynchronous Aggregation

The Web allows us to build power in aggregate as no tool has ever allowed us before. Instead of asking one person to make all the effort, we can ask 100 people for a fraction and get even greater results. We can ask people all over the world and people can view things on their own time, allowing for a more powerful collection of capacity.

Imagine this task: Quickly build a useful encyclopedia of hyperlinked content. It shouldn't be possible without scores of project managers, tons of meetings and mountains of coordination. Except — it was. Wikipedia has been around for years now, and it crushed an entire informational product category in offline publishing as well as in the online world, and made an encyclopedia a lot lighter to carry around. Amazingly, information gathered by random and often-anonymous amateurs trumped professionally turned-out encyclopedias. This surprised even Wikipedia's founders.

Several thousand smaller ones happen every day. People collaborate all the time via blogs, Facebook, services like Yelp, Twitter and all over the Web, making large projects small and small projects incredibly easy. We're faster now. And we've learned that if we can find more people to do a little part of the whole, we can move things forward in a very effective way.

The Social Contract

Any army worth its salt understands its job. The same is true of the general who leads them.

Of course, the armies of the Web may be more informal than their traditional counterparts. The goals are always a bit more tactical in these group efforts; the strategies usually feel mutually beneficial. It's important to know what you're getting into when you become part of a group. ●

The Trust Agent

This is an amazing and unique time. Attention is scarce. The established leaders in many business segments have toppled or are on the ropes. The Internet

has leveled the distribution playing field for media, merchandise, communication, location and many other areas. It's at once scary and ideal, ideal because this is where trust agents excel.

The Web and new media give you the opportunity to reveal the human side of your business. Consumers can carry on conversations with brands like Whole Foods, Home Depot or even Hardees foods via the Web and its social networks. Not in the last 50 years or more has the balance of business interaction and communication been so in favor of smaller, more personal interactions than it is right now.

Six Games You Could Have Made and Still Can

In the spirit of making your own game, here are just six strategies that you could use to increase your Web presence:

1. *Write a content marketing blog about a passion of yours.* Gary Vaynerchuk sold more than $50 million in wine and spirits based on his passionate Internet video show, Wine Library TV. He crushed the category when there were plenty of wine critics and other sources of information out there. He made his own game, and now the world is chasing him.
2. *Build a small, powerful network.* Bryan Elliot assembled marketing and advertising professionals located in California. They work in and among themselves to source new projects. They stay abreast of each other's job changes. They help each other develop and grow. You can build a small, powerful network and be Agent Zero at the core of an important group related to your industry.
3. *Become the name brand of a specialty.* Christopher S. Penn created the Financial Aid Podcast because he felt it was a great way to communicate with students and parents of students looking for general financial advice and specific information about student loans, his particular line of business. By being one of us, Penn has delivered hundreds of helpful podcasts and, as a result, he has made his company millions of dollars servicing student loans.
4. *Master leverage and use it for good.* Beth Kanter helps various causes understand how to use the Web's new tools to raise money and improve the quality of their efforts. In doing so, Kanter takes advantage of the Archimedes Effect. She understands how to find opportunity and tap into it for the greater good.
5. *Sell by generating human trust.* Aaron Wall of SEObook.com is able to sell valuable information online not only by offering exceptional quality, but also because he mastered being a human artist. He learned that trust came from constant exposure to his work, such that people began to accept him as the default in certain categories (search engine optimization and marketing). As people saw more and more of Aaron's work and as he was cited in more places as the SEO expert, that level of trust gained from exposure made his products the first mover in the spaces where he intended to sell.
6. *Make an army to power your change.* Frank Eliason from Comcast changed the way we think of customer service in the Web-facing world. But as he is only one man, Eliason needed an army, so he trained more people to handle the same job. Building up groups of people to work on projects for you should be a priority. Never hoard your expertise or your angle. Instead, find ways that you can work with others to be successful. ●

Tips for Approaching Web Celebrities

When approaching people who are famous, never put yourself into a situation where you might be seen as either loudly or fawningly trying to get attention. Here are some pointers:

- Look to create multiple small, non-threatening encounters instead of one longer one.
- Don't ever approach someone when everyone else is around them asking for stuff.
- Ask someone else who knows them to introduce you instead of just coming up yourself.
- Don't ask for any favors.
- Just be friendly.
- Say things that are different than what people usually say to them.

RECOMMENDED READING LIST

If you liked *Trust Agents*, you'll also like:

1. ***Transparency* by Warren Bennis, Daniel Goleman and James O'Toole.** Digital technology makes transparency all but inevitable. The three essays in this book offer leaders practical advice on how to be transparent.
2. ***Firms of Endearment* by Rajendra Sisodia, David B. Wolfe and Jagdish Sheth.** Today's best companies generate value that matters to customers. It's emotional, experiential, social and financial. This book gives you the steps to create these experiences.
3. ***Corporate Reputation* by Leslie Gaines-Ross.** Dr. Gaines-Ross explains why reputation matters to a company's valuation and well-being and identifies the roles corporate leaders must play in reputation recovery.

· Book 83 of 106 ·

The 1-Page Marketing Plan

Allan Dib

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The 1-Page Marketing Plan

Get New Customers, Make More Money, and Stand Out from the Crowd



by **Allan Dib**

Contents

The "BEFORE" Phase
Page 2

The "DURING" Phase
Page 2

The "AFTER" Phase
Page 3

THE SUMMARY IN BRIEF

Allan Dib, in ***The 1-Page Marketing Plan***, contends that a business owner must become good at the business of what they do—not just their technical skill. Professionals don't just wing it. They ensure the stuff they spend time on makes the biggest impact. By far the biggest leverage point in is marketing.

Dib presents this clear definition of marketing: If the circus is coming to town and you paint a sign saying, "Circus Coming to the Showground Saturday," that's ***advertising***. If you put the sign on the back of an elephant and walk it into town, that's ***promotion***. If the elephant walks through the mayor's flower bed and the local newspaper writes a story about it, that's publicity. And if you get the mayor to laugh about it, that's ***public relations***. If the town's citizens go to the circus, you show them the booths, explain how much fun they'll have spending money there, answer their questions, and ultimately, they spend a lot at the circus, that's sales. And if you planned the whole thing, that's ***marketing***. Dive in to learn "the fastest path to the money."

IN THIS SUMMARY, YOU WILL LEARN:

- How to position your company as a big fish in a small pond.
- Why you shouldn't treat all prospects equally.
- How to position yourself as a welcome guest, not a pest.
- Why building a tribe of raving fans is crucial to your business success.

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Sarah T. Dayton, Editor-in-Chief • Meghan Kozak, Director of Content • Kylie O'Connor, Graphic Designer

The marketing process is a journey to guide our ideal target market from not knowing we exist to becoming a raving fan customer. Through this journey there are three distinct phases: Before, During and After.

The "BEFORE" Phase

At the beginning of the "before" phase, prospects typically don't even know you exist. The goal of this phase is to get your prospect to know you and respond to your message.

Selecting Your Target Market

Selecting your target market is a crucial first step in the marketing process. Doing so will ensure your marketing message resonates, which in turn will make your marketing far more effective.

By focusing on the right target market for your business, you'll be able to get a better return on the time, money and energy you invest.

With zeal, many business owners try to serve the widest market possible. With this type of marketing, business owners are like an archer in the middle of a dense fog, shooting arrows in every direction in the hope that one or more of them will hit the intended target.

Targeting a narrow market allows you to become a big fish in a small pond, dominating a specific category.

Crafting Your Message

To stand out from the crowd, you need to craft a compelling message. If you haven't first clarified in your mind why your business exists and why people should buy from you rather than your nearest competitor, marketing will be an uphill battle.

You need to develop your unique selling proposition (USP). This is where a lot of people get stuck. They say something like "I sell coffee." There's nothing unique about that. The entire goal of your USP is to answer this question: Why should I buy from you rather than from your nearest competitor?

A unique selling proposition positions you differently, so that prospects are forced to make an apples-to-oranges comparison when comparing you with your competitor. If they can do an apples-to-apples comparison of you and your competitors, then it comes down to price, and you're toast. There's always someone willing to sell cheaper than you.

Reaching Prospects with Advertising Media

Advertising media is the vehicle you'll use to reach your target market and communicate your message. It's typically the most expensive component of your marketing, so it needs to be selected and managed carefully to ensure you get a good return on investment (ROI). The vehicles include radio, direct mail, telemarketing, Internet, TV, and other media.

When it comes to marketing, what gets measured, gets managed. How do you measure the success of a marketing campaign? Here's the short answer: did the marketing campaign make you more money than it cost you? Another way of putting it is, what was the return on investment (ROI) on the marketing campaign? If it cost you more than you made (or will ever make) on this campaign, then it's a failure. If it cost you less than the profits you made as a result of the campaign, then it's a success.

The "DURING" Phase

In the "during" phase, you're dealing with leads, people who know you and have indicated interest in what you have to offer by responding to your marketing message. The successful completion of this phase results in the prospect buying from you for the first time.

Capturing Leads

Capturing leads in a database system for future follow-up is critical to your marketing success. This is because only a very small percentage of interested leads may be ready to purchase from you immediately. Lead capture is all about properly handling interest and building your future sales pipeline.

In direct response marketing, the purpose of your advertising is to find people who are interested in what you do rather than trying to make an immediate sale from the ad. After doing this, the sale comes (if it's right for them) as a natural consequence. All other things being equal, the more money you can spend marketing to high-probability prospects, the better your chances are of converting them to a customer.

Nurturing Leads

Nurturing leads is the process of taking people from being vaguely interested in what you have to offer to desiring it and wanting to do business with you. The process ensures that leads are interested, motivated, qualified, and predisposed to buying from you before you ever try to sell to them.

Joe Girard is known as "the world's greatest salesman." He's sold more retail big-ticket items, one at a time, than any other salesperson in recorded history. Was he selling some amazing new technology that everyone had to have? No. Was he selling to the mega-rich? Wrong again. He sold ordinary cars to ordinary people. Between 1963 and 1978, he sold over 13,000 cars at a Chevrolet dealership. One of the stand-out things that Joe did was to keep in touch with his customers constantly. In marketing, the money is in the follow-up.

What would you guess is the average number of times a salesperson follows up a lead? Once or twice! Fifty percent of all salespeople give up after one contact, 65% give up after two, and 79.8% give up after three shots.

Imagine if a farmer planted seeds and then refused to water them more than once or twice. Would he have a successful harvest? Hardly. Like a farmer, you prepare your prospects to become ready for harvesting. You won't need to convince or put on a hard sell; the sale becomes the next logical step.

Sales Conversion

Sales conversion is all about creating enough trust and demonstrating enough value to motivate interested leads to become paying customers. Positioning yourself correctly will make the sales conversion process easy and natural for both you and your customer.

By the time you get prospects to the point of sales conversion, they should already be pre-framed, pre-motivated, and pre-interested. They'll be asking to buy from you.

Most salespeople position themselves as either desperate beggars or as obnoxious, pushy salespeople using silly outdated "closing" techniques. Others expect sales to happen because of the mere fact that the business exists. Hope is not a marketing strategy!

The "AFTER" Phase

In this phase, you're dealing with customers, people who like you and what you have to offer enough to have paid you money at least once.

First, turn your customers into raving fans by delivering a world-class experience. You'll then find ways of doing more business with them and increasing their lifetime value.

Finally, you'll create an environment where referrals continually come your way. The goal of this final phase is to get your customers to trust you and buy more from you.

Delivering a World-Class Experience

By providing a world-class experience, you turn customers into a tribe of raving fans who want to buy from you repeatedly. Most ordinary businesses stop their marketing efforts once they've converted a prospect into a customer. This transactional thinking keeps them stuck and puts a firm lid on their business growth. Remarkable businesses get exponential results because each customer they add is not just revenue once, but it's revenue over and over again because this person becomes an evangelist for the business.

Take the initiative to package up the implementation of your product or service, anticipate roadblocks that will be encountered along the way, and provide solutions to overcome these roadblocks. That's leadership.

Helping your customers through to achieving results will have a big payoff for both you and them. Not doing so will shortchange both of you. Remember your goal is to create a tribe of raving fans—not just transactions.

The moral of the story is "dig first on your own property when seeking treasure."

Increasing a Customer Lifetime Value

Increasing the lifetime value of existing customers is where the real money is made. To do this, you need to have strategies and tactics for getting existing customers to do more business with you. You also need to know, manage and continually improve key numbers in your business.

Russell Conwell's classic speech "Acres of Diamonds" is about a man, Ali Hafed, who wanted to find diamonds so badly that he sold his farm, left his family, and went off on a search that took him all over the world. His search was futile and led to his demise. Meanwhile, the new owner of his farm discovered "the most magnificent diamond mine in all the history of mankind" right there on the farm that he had purchased from Ali Hafed.

The moral of the story is "dig first on your own property when seeking treasure." I think this applies perfectly to mar-

keting. Most businesses have a rich "diamond mine" in the form of existing customers that remains largely untapped, yet they leave this "family" of existing customers and spend all their resources on seeking new sources of revenue.

Most businesses are sitting on a veritable diamond mine. A widely quoted statistic is that a person is 21 times more likely to buy from a business they've bought from in the past compared with one they've never purchased from. That puts you at a huge selling advantage when it comes to your current and past customers.

Orchestrating and Stimulating Referrals

Notice that the author doesn't say, "Sit and Wait for Referrals"? He calls the strategy, "Orchestrating and Stimulating Referrals." This implies that making referrals happen requires something very active on your part.

Think back to the last time you recommended a restaurant to a friend. Were you doing so as a favor to the restaurant owner? In all likelihood, you wanted your friend to have a great experience. You made the referral because it made you look and feel good.

That's the same concept we want to use in our referral marketing, but rather than waiting and hoping someone discovers and shares us; we want to make it more deliberate and reliable.

Remember the world's greatest salesman, Joe Girard, introduced earlier? Part of the reason he started sending greeting cards to his list of clients monthly was because of the "Law of 250." After attending a Catholic funeral, Joe looked into the visitor book and counted the number of people who signed it at each funeral. He noticed that, on average, it was about 250 people. He found weddings attracted the same average number of guests. From that, Joe figured that every person he did business with represented 250 potential referrals if he did a great job, or 250 enemies if he did a crappy job. This brings us to one of the best strategies for getting what you want in business and indeed in life—just ask.

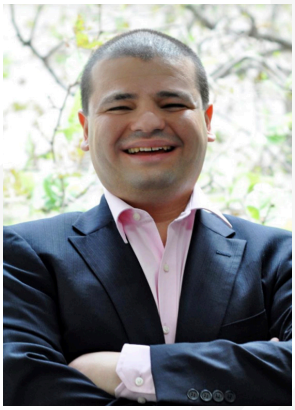
Many marketing plans begin with branding. However, ***The 1-Page Marketing Plan*** asserts that when all is said and done, branding is something you do after someone has bought from you rather than something you do to induce them to buy from you. In the same way that you get a sense of someone's personality after you've dealt with them, so too it is with your business and its personality or brand.

Brand equity is the goodwill you build up that compels people to do business with you rather than your competitor. I once heard brand equity described as customers crossing the road to buy from you even though there's a supplier of an equivalent product on their side of the street. The things in your business that cause customers to figuratively or literally "cross the road" to buy from you are your brand equity.

Remember, no one knows how good your products or services are until after the sale. Before they buy, they only know how good your marketing is.

Put simply, the best marketer wins every time. If you're serious about business success, then now's the time to take decisive action. It's time to decide to become a great marketer and transform yourself from a business owner to a marketer who owns a business.

Once you make this exciting transformation, you and your business will never be the same again.



Allan Dib is a serial entrepreneur, rebellious marketer, technology expert and #1 bestselling author. He helps businesses and entrepreneurs around the world grow fast and build value.

"Everybody knows marketing is getting too complicated. Allan Dib solves that problem with his brilliant new book. Read it and simplify your life." Al Ries, author of *Positioning: The Battle For Your Mind.*

To learn more about Allan's marketing strategies, go to **Successwise.com.** To purchase The 1-Page Marketing Plan, go to Amazon.com.

The 1-Page Marketing Plan: Get New Customers, Make More Money, and Stand Out from the Crowd by Allan Dib
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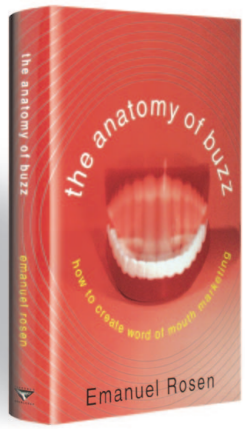
· Book 84 of 106 ·

The Anatomy of Buzz

Emanuel Rosen

SOUNDVIEW Executive Book Summaries®

FILE: STRATEGIC MANAGEMENT



By Emanuel Rosen

CONTENTS

The Buzz Phenomenon
Pages 2, 3

Network Hubs Hold the Key
Page 3

The Rules of Networks
Pages 4, 5

How Buzz Spreads
Page 5

Achieving Success in the Networks
Pages 5, 6

Work with Network Hubs
Page 6

Actively Seed Your Products
Pages 6, 7

The New Viral Marketing
Page 7

Does Madison Avenue Still Matter?
Pages 7, 8

Buzz in Distribution Channels
Page 8

Putting It Together
Page 8

How To Create Word of Mouth Marketing

THE ANATOMY OF BUZZ

THE SUMMARY IN BRIEF

Today's consumers are skeptical, and they suffer from information overload. The result: They'll probably ignore the expensive television and print ads your marketing team creates. So how do people decide which car to buy, or which fashions fit the image they're looking for, or what new techno-appliance is a must for their homes?

The answer is word-of-mouth — the recommendations of friends and the buzz that develops in the marketplace. Buzz will make a new book soar to the top of the bestseller list, turn a "sleeper" movie into a box office super hit, or have parents lining up at toy stores to buy the new prize of the season. And buzz will help you sell your product or service — if you know how to create it. In this summary, you will learn exactly how to create buzz by understanding the following:

- ✓ **Buzz is an invisible network.** You will never really see how buzz moves from person to person, but you don't have to. You just need to understand that people need to communicate with one another, and figure out how to get them talking.
- ✓ **There are thousands of networks through which buzz flows.** These networks are loosely connected with one another. Buzz can start in one, but might not jump to another without a push. You will soon learn how to make the leaps.
- ✓ **In every network, there is a person who is the hub.** That person needs to be cultivated so he or she can spread the word about your product or service. You will soon know how to identify and engage those influential people at the center of the network.
- ✓ **A great product is essential.** There's no reason to spread buzz if your product isn't compelling. It won't happen.
- ✓ **Networks must be seeded.** Before word-of-mouth can take off, each network must be seeded with suggestion. You will see exactly how and where to seed your product.

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THE ANATOMY OF BUZZ

by Emanuel Rosen

— THE *COMPLETE* SUMMARY

The Buzz Phenomenon

Most of today's marketing focuses on how to use advertising to influence individual consumer buying behavior. It ignores the fact that for many products, purchasing is part of a social process. People rely on "invisible networks" of friends, relatives and co-workers for recommendations about everything from which movie to see to where they should vacation. This is buzz.

Buzz starts with a superior user experience; nothing will help your product if it doesn't deliver such an experience. If you want to generate buzz, you should underpromise and overdeliver.

Then, instead of pushing the product on customers, let the product spread itself through the invisible networks.

Why Buzz Is Powerful Today

Why has buzz taken on such a significant role in marketing? There are three reasons: noise, skepticism and connectivity:

● **Customers can hardly hear you.** Consumers are suffering from information overload. In addition to facts and figures, they're exposed to an avalanche of ads every day. The result is that many consumers filter out the messages sent by mass media and listen to their friends instead.

What is Buzz?

Imagine this scene. A teen stands outside a school leaning against a fence playing with a yo-yo. He's good. A younger child walks by and asks, "Where'd ya get it?" and, "What kind is it?" The teen tells him it's called "The Brain" and "It's cool." This type of exchange is the basic building block of buzz. Buzz is the sum of all comments about a certain product that are exchanged among people at any given time.

Buzz can, of course, be negative. Angry car owners can e-mail their thoughts to all their friends, participate in chats with other car enthusiasts, create their own critical Web sites, or rate the car on a consumer site like Epinions.com. In the past, their complaints would have reached only a dozen or so. Now they can reach millions.

Hotmail Takes Off With Buzz

When Hotmail launched its Web-based free e-mail service, it experienced the fastest adoption rate of any new product ever — from 0 to 12 million subscribers in just 18 months! The Internet allowed buzz about the company and its services to take off. The premise was simple: give Internet users an e-mail service they could access from any computer with Internet access and offer it free of charge. Each person who signed up helped recruit new members because every e-mail sent through a Hotmail account included a message touting the free service.

● **Customers are skeptical.** The public believes very little of what they are told by companies. A recent survey illustrates the point: 37 percent of the public considers information that comes from a software company "very or somewhat believable." It's worse in other industries. Drug companies are believed by 28 percent of the public, car manufacturers by 18 percent and insurance companies by 16 percent.

● **Consumers are connected.** They have new tools for sharing information. The Internet has added to this connectivity. Strangers can now share information in a variety of forums, most entirely outside your control. And this is just the beginning of a major power shift. Generation Y — those born between 1979 and 1994 — shop by word-of-mouth. Using the Internet is second nature to them. As this generation gains buying power, expect buzz to become even more important.

Adopters and Networks

Traditionally, marketers have focused on placing con-

(continued on page 3)

The author: Emanuel Rosen, former vice president of marketing for Niles Software, has spent two years researching and writing this book.

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The Buzz Phenomenon

(continued from page 2)

sumers in categories based on the likelihood that they will adopt a new product or service. People are divided into five categories: innovators, early adopters, early majority, late majority and laggards. But those who understand buzz will look beyond these classifications and adopt a network approach.

A network approach takes a micro-level look at the categories, for example, subdividing categories according to industry. Take two people — a retailer in the Midwest and a software programmer in Silicon Valley — who bought Palm organizers in 1999. The retailer could be considered an early adopter because he was buying the Palm organizer earlier than many people in his industry. The programmer, on the other hand, was behind the curve since the Palm organizer was already popular for people in high tech industries. As a result, the retailer is plugged into a network that has most potential for future sales. Thus, a company selling Palm organizers would get a better return on their marketing investment if they focus their efforts on retailers.

How Important Is Buzz to Your Business?

Buzz doesn't affect all businesses the same way. The role it plays in your business depends on four factors:

- **The nature of your product.** Some products, like paper clips, won't generate buzz no matter what you do. There's nothing new about them. Products that do create buzz are exciting products, such as books and movies; innovative products, such as web browsers and computer programs: personal experience products, such as hotels, airlines and cars; complex products, such as medical devices; expensive products, such as computers and electronics; and observable products, such as clothes and cellular phones.
- **The people you're trying to reach.** Different audiences have different propensities for talking about products. Some of it is cultural, and some may be based on age. For example, young people tend to socialize more and be influenced by peers while older people rely less on the advice of others.
- **Your customer connectivity.** The more connected your customers are to each other, the more you will depend on their buzz for future business — and the more open with them you must be. Producing high quality products and services is crucial if you are supplying connected customers, because negative buzz will spread as fast as positive buzz.
- **Your marketing strategy.** Your marketing strategy as well as those of your competitors might affect the degree to which you rely on buzz. For example, when Pepsi contracts to be the sole provider of soft drinks for a school district, the need for buzz decreases. ■

Why We Talk

Buzz is powerful because it is in our genes. We must communicate to stay alive. We talk because we are programmed to talk. Sharing information is essential. We also talk to connect, often about everyday things. We discuss products and services like what car we test-drove or book we read. We talk to make sense of the world and the products available. Instead of doing independent research on products or services we need, we ask for recommendations.

Network Hubs Hold the Key

Some people love to talk about a favorite product or service so much that they become "network hubs" in the world of buzz. Researchers typically refer to them as "opinion leaders," "power users," or "influencers." Of course, you won't find their names and addresses in any directory. Identifying them is much harder than renting a mailing list. But the rewards for paying attention to these people can be huge.

The first step in trying to find the individuals who act as hubs is to understand that such people come in all shapes, colors and forms. In general, though, they can be classified into four hubs.

First, network hubs can be categorized based on the number of people they reach. **Regular hubs** are regular folks who have developed an interest in a certain product category. **Mega hubs** are the press, celebrities, analysts and politicians who provide powerful one-way links with people who listen to their message via mass media. For example, Oprah Winfrey propels books onto best-seller lists every time she recommends one for her book club.

Network hubs can also be distinguished based on the source of their influence. Some people are influential because they have demonstrated significant knowledge of a certain area, or at least have convinced others that they are experts. These **expert hubs** can make or break a product introduction. **Social hubs** are the members who are central to the group because they are sociable or charismatic and trusted by the peer group.

Reaching Regular Hubs

It is probably best to leave reaching the "mega hubs" to publicity experts, but you can reach the "regular hubs" if you know where and how to look for them. The acronym ACTIVE may help. Hub members are Ahead in adoption, Connected, Travelers, Information hungry, Vocal and Exposed to the media more than others. ■

The Rules of Networks

There are 10 principles at work in social networks that affect buzz:

1. Networks are invisible. We know our friends, and we may know most of their friends, but that's where our direct view of networks stops. Networks are too complex to allow us to see much beyond the horizon.

2. People link with others like them. Scientists like to talk to other scientists, teenagers to other teens and so on. The tendency for people to associate with those who are similar to them is called "homophily." Unfortunately, homophily is the main factor that limits the spread of buzz.

3. Similar people form clusters. People tend to form clusters when they share similar characteristics and interests in some dimension of their lives. These clusters can informally adopt products together. The good news for companies is that if your product becomes the standard within a cluster, it makes it difficult for a competitor to uproot your hold. Of course, this could work against you. Consider the case of Birkenstock sandals. In the early 1970s, the brand was adopted by alternative lifestyle clusters, so that wearing them was almost a political statement. It took the company years to convince others to buy them.

4. Buzz spreads through common nodes. We all belong to more than one cluster or clique, which is one way buzz spreads. To understand this idea, you must understand the "six degrees of separation" or "small world" concept, which is the belief that any two people are linked through a chain of no more than six other people. Any person can be reached through a limited number of steps. We are all linked to many clusters and networks, thus we are able to reach each other rather easily.

5. Information gets trapped in clusters. Although there appear to be easy links between clusters, they are not always as connected as they seem. Consider this example. A software manufacturer has already sold hundreds of copies of a program that makes creating endnotes easy for academics at a large university, and is surprised to learn that a new customer is unfamiliar with the program. The reason is that she is a medical researcher, while the previous purchasers are all PhDs engaged in basic research. The surgeon only interacts regularly with surgeons in her cluster, and not with other academics.

6. Network hubs and connectors create shortcuts. If you want to spread the word between clusters, you need to identify people who touch both clusters in some way. Many times, these people will be accountants, bankers or lawyers who have strong and varied community ties.

7. We talk to those around us. Geography still matters, even with the advent of the Internet. Although we all have global ties, most of our ties remain with and to those within close physical proximity. Physical proximity is still an excellent predictor of those with whom we will share information.

8. Weak ties are surprisingly strong. Your closest friends are likely to be exposed to the same news you are, so they don't offer you the latest news. But those acquaintances in other close-by clusters receive different information, and are therefore a more likely source of news for you. Although you may view your tie to the cluster as weak, it is surprisingly strong when it comes to giving you new information. The lesson? Diversify your connections.

9. The Net nurtures weak ties. It's easier to maintain weak ties over the Internet. Consider how easy and unobtrusive it is to send a friendly e-mail. It's also easy to create new ties over the Internet. For example, most people who use newsgroups or online chats don't know each other well; they have weak ties. However, that doesn't mean that they don't exchange quite a bit of information. As a result, information travels much faster today.

10. Networks go across markets. People belong to more than one market, and are connected to people in more than one market. A business owner shopping for computers for his business and home, who has a daughter in college who also uses computers, belongs to more than one market, and connects with yet another. As a practical matter, a dissatisfied customer in one market can easily spread that anger to another.

(continued on page 5)

Questions to Ask Yourself

If you want to create buzz, you have to know who your customers are and how you are reaching them. Start by answering these questions:

- ✓ **From whom do your customers typically learn about your product?**
- ✓ **What do people say when they recommend your product?**
- ✓ **How fast does information about your product spread as compared with competitors' products?**
- ✓ **Who are the network hubs?**
- ✓ **Where does the information hit a roadblock?**
- ✓ **How many sources of information does a customer rely on and which ones are most important?**
- ✓ **What other kinds of information spread through the same networks?**

The Rules of Networks

(continued from page 4)

So What?

What does all this mean to you as a marketer? It means that if you market a product that lends itself to being talked about, your customers are very likely to be talking about it. Some are talking with their neighbors, co-workers and friends, while others are talking with people in other countries. It's this combination of local and global networks that makes buzz so important now. If you understand these rules, you will soon understand how to stimulate the flow of buzz. ■

How Buzz Spreads

Now that you understand the highway system of buzz, it's time to examine how buzz, the traffic, spreads through the system. A perfect illustration of the phenomenon is the buzz that made the novel *Cold Mountain* a bestseller.

The publishers printed 26,000 copies of the book, and it started to sell well without much media attention. The sales were being pushed by work of mouth. A professor heard about the book in a newspaper review and asked his local bookstore to call him when it arrived. Both he and his wife liked it so much they bought three more copies to give to their parents and a friend. He also posted a review on Amazon.com, participated in a panel discussion on local-access television, and gave the book as an option for use in student projects due that semester. Six students read it, and five recommended it to others.

Meanwhile, another reader read a review in Southern Living magazine and bought the book. She estimated she told 10 people about it and also posted a review on Amazon. A flight attendant who liked the book estimated she told at least 50 people. Soon sales clerks got excited about the book as positive comments came in.

The publishers also did their part in getting the book into important hubs. They contacted authors and told them about it. In addition, they printed more than 4,000 advance copies of the book for reviewers, bookstore owners, and anyone else who might be expected to help build buzz. They also sent the author to talk to bookstore owners, clerks and buyers several months before the publication date. All the effort paid off. The book sold an astonishing 1.6 million copies in hardback alone. ■

Achieving Success In the Networks

Before you can expect to generate buzz, you must have a superior product or service. No amount of advertising or PR will sell a mediocre product. The best buzz comes from attributes inherent to the product itself. These are *contagious products*, and they can be grouped into six categories:

1. Products that evoke an emotional response. A good example is the movie *The Blair Witch Project*. The buzz was driven by the fear the movie generated, especially in the first few weeks after its release, when people still believed that the footage was taken by the three students depicted in the film. For other products, the emotional response is the feeling of excitement and delight you get when a product exceeds your expectations.

2. Products that advertise themselves. Another contagious product is one that advertises itself. People notice the product and start asking for it. One example is the wheeled luggage bags first pulled by pilots through airports. Soon travelers wanted to know where they could get the same convenient carry-ons.

3. Products that leave traces. Some products propagate because they leave traces of themselves behind. For example, in the early days of desktop publishing, software often left a message on the artwork such as "I used Photoshop" or "I used my Mac."

4. Products that become more useful as more people use them. Some contagious products reward you if you talk about them. Telephones, fax machines and e-mail works this way. In order for them to be useful, customers have to persuade others to get the product or service too. The spread of instant messaging software worked the same way. If you were the only one with the software, it wouldn't be very useful. In fact, it is only useful if you encourage all your friends to download and use it.

5. Products that are compatible. Your product must be compatible with the way potential users already do things. Take the Palm information organizer. People already kept schedules on their PCs and didn't want a complicated system for coordinating a portable organizer with their computers. The Palm device capitalized on this by being an extension of PCs rather than an entirely separate computing device. One step synchronizes your PC and Palm.

6. Products that do the rest. Cameras were invented in the 1820s, but it took Kodak to make them popular in 1888. One reason was the advantage touted in ads: "You press the button — we do the rest." Products that are easy to use spread quickly because customers are hungry for simplicity.

Accelerating Natural Contagion

Two things are needed to create buzz successfully. First, you need a contagious product. But that's not enough. Companies that get good buzz have learned to

(continued on page 6)

Achieving Success in the Networks

(continued from page 5)

accelerate natural contagion. Every product starts with no one knowing about it except a few insiders. The buzz is zero. There is an enormous gap between the few people who know about it and the rest of the world. The product's creators have to reach out and spread the word in the rest of the network. The company must have at least one person who is obsessed with spreading the word.

Spreading the word requires hard work. You may have to organize a sales blitz to get moving. In some cases, that means ignoring traditional channels and trying new approaches. When the game *Pictionary* was introduced, the manufacturer hired actors to dress up as artists and take flip charts to parks and shopping centers. There they engaged potential customers in the game. The company leapfrogged over traditional distribution channels like toy stores right into the heart of consumer networks. ■

Stimulating Buzz: First, Work with Network Hubs

One way to spread the word about a product or service is to convince those who are opinion leaders in their networks that they should tell others about it. The problem is that there is no simple way to identify these leaders. But there are tricks you can use to make the task easier. Always look for individuals who display the ACTIVE characteristics; more ahead in adoption, connected, travelers, information-hungry, vocal and exposed to the media.

Sometimes opinion leaders come to you, asking for information. They hang around your booth at trade shows and e-mail asking for updated information on new features. Others have to be sought out in likely places such as trade shows, conferences and as readers of trade magazines. Or perhaps a chat host on a topic related to your product is a likely candidate for spreading the word. You may also have to go directly into the field to locate grass roots network hub leaders. Also, keep an eye out for connectors between hubs: those people who can take word of your product from one group to another. Examples include visiting professors, exchange students and temporary employees.

You can also identify hubs through surveys. For example, you could conduct a sociometric survey by asking all members of a given network for the name of the person from whom they would seek information about a particular service or product. The name that appears most often is the hub. You can also ask people in the network directly who the hub is. For example, the hub will be the "person you want to talk to if you want to get anything done."

Once you have identified network hubs, you will need to keep track of them. Make everyone in the company aware of them. Your database should include names, phone numbers, e-mail addresses and information about the scope and source of their influence. Timing in reaching out to those on your list is important. With a new product or service, it is critical to capture their minds and hearts before your competitors do.

Buzz needs ammunition. Give hubs something to talk about. For example, Jeep owners attend Jeep Jamborees. The activities they engaged in are likely to stimulate discussion within the network. Be sure to give them plenty of facts. Don't worry about boring hubs. Keep them up to date on improvements and milestones. ■

Why You Need to Reach Hubs Early

Approaching network hubs at an early stage can help your product reach critical mass earlier than it would otherwise. And once a product reaches critical mass, adoption gains through momentum to become self-sustaining. It's crucial you bring the product to their attention early. Address their concerns. Give them the facts. Tell them it's safe. Show them others who have already begun using the product or service. Once they adopt, they will give their seal of approval, making it OK for their followers to adopt and tell all their friends.

Actively Seed Your Products

To accelerate the rate at which word about a product spreads, smart companies seed their products — at strategic points in many different clusters — with seed units.

A seed unit is an actual product or a representative sampling from the product you are trying to promote, which you place in the hands of seed customers. You can offer the seed unit at a discount, on a loan basis, for full price, or free; but the principle is the same: You give people in multiple clusters direct experience with your product. That way you plant the seed to stimulate discussion in multiple networks simultaneously.

A good seeding campaign goes beyond mailing samples to a small group of press contacts and the industry elite. It must be sent to a large number of individuals in many networks. But seeding only works in categories that people will talk about, such as cars, books, computers, fashion and other conversation products. The idea

(continued on page 7)

Four Rules for a Successful Seeding Program

1. Look beyond the usual suspects. Although seeding traditional channels is important, you must think broadly. Identify social circles, industry segments, or academic disciplines in which people don't talk about your product or services, and seed them.

2. Put products in their hands. Most of the time, the seed has to be the product itself. In some cases, like a book, a sample may be enough to stir interest, but generally people need the entire product to get excited. It has to be placed directly into their hands.

3. Reduce the price barrier. Make the product free for seed recipients if you can, or at least offer a significant discount.

4. Listen for silence. When you hear silence, the network is dead. Pay attention to dead networks and do further seeding to wake them up.

Actively Seed Your Products

(continued from page 6)

of selective seeding is to get people from different networks more involved with products so that they talk about them with others.

We value everything that is scarce, from baseball cards to places with restricted access. Remember this when trying to build buzz. But don't withhold too much information either. You need to build anticipation at the same time. One trick you can employ is the sneak preview. People who are invited leave feeling like they are in the know. ■

The New Viral Marketing

For years, companies have run campaigns in which they encouraged customers to spread the word to friends or relatives who might be interested in the product. With the advent of the Internet, the technique has been improved and renamed "viral marketing." You should consider using both the traditional tell-a-friend strategy and Internet viral marketing to increase buzz.

Give your customers the tools they need to make it easy to spread the word. Strategies, such as giving customers discount coupons to hand out, work. Another strategy popular with record clubs is to offer current customers a free gift for every friend they bring to the club. Other examples include MCI's "Friends & Family" promotion, which resulted in 10 million residential customers switching to MCI from the competition.

If you want to use viral marketing on the Web, there are three principles you should keep in mind:

- **Make your product part of the communications process.** Viral marketing has the strongest effect if your product can be somehow incorporated into the communication between two people. That's why free electronic cards (Blue Mountain) and free e-mail (Hotmail) spread so quickly.
- **Have your customers interact.** Many companies that started selling on the Web acted as if they were conventional businesses. Then they discovered that getting people to spend time interacting with each other on the Web site worked much better. Examples include e-Bay, where sellers tell friends how much money they're making and buyers boast of what a bargain they got.
- **Prompt your customers to spread the word.** You may want to offer tools for your customers to spread the word. These may include pre-written e-mail messages that customers can forward to friends or online postcards that play a tune. Be careful not to appear too intrusive, though, or you will turn customers off. ■

Does Madison Avenue Still Matter?

Advertising is not dead. Few products can rely on buzz alone. When used correctly, advertising can help buzz. Unfortunately, the wrong kind of advertisement can also kill buzz. Therefore, you need a sensitive advertising policy that stimulates buzz.

Advertising is needed to let networks know that a product is being launched. Print advertising is effective for reaching the opinion leaders who can generate buzz. Remember, opinion leaders are hungry for information,

(continued on page 8)

Should You Give Incentives For Referrals?

To decide whether an incentive should be offered for a referral, keep these guidelines in mind:

- ✓ Don't make the incentive the main motivation. If you do, the message loses credibility. Keep incentives modest.
- ✓ Ask customers what they think through interviews, focus groups or surveys. Or give them a choice of rewards.
- ✓ Minimize loopholes and keep it simple. You don't want customers taking advantage of the incentive without delivering a good referral. Don't encourage fraud.

Six Rules about Ads and Buzz

✓ **Keep it simple.** Short, concise ads can be passed on.

✓ **Tell what's new.** Don't bother with exaggerated self-praise; focus instead on what's new about your product or service. Customers won't pass on that a bank cares about its customers, but will talk about a bank that's open on Saturdays.

✓ **Don't make claims you can't support.** For example, if you brag about customer service, you had better be able to deliver.

✓ **Ask customers what's special about your product or service.** If they can't articulate it, they can't pass it on.

✓ **Start measuring buzz.** After a campaign, ask customers if they have recommended your product or services lately. Over time, such surveys will give you an idea of how much buzz the ad generated.

✓ **Listen to the buzz.** Ask customers what they think of your products and services.

Does Madison Avenue Still Matter?

(continued from page 7)

so they read more than average people. Advertising also reassures people that they are not alone. Milestones like selling 100,000 copies of a software program or book will help build awareness and let customers begin talking about your product.

It's also possible for a clever advertisement to create buzz as people talk about the commercial. Funny commercials do this best, such as the Energizer bunny and the Taco Bell chihuahua. Ads that are testimonial in nature can also stimulate buzz, if done well. They must be believable. One good example: the Saturn real people testimonials. ■

Buzz in Distribution Channels

Once upon a time, distribution channels were the only source of buzz. Retailers informed customers about what was new and exciting. While retailers may not be the only source of information for today's consumers, they still play a significant role. This is true whether the distribution channel is an online or a bricks-and-mortar retailer. As long as there is interactivity and trust between consumer and channel, buzz can result.

To create buzz about a product through a traditional retailer, work with those salespeople who interact with and are trusted by customers. This works especially well in specialty stores with a reputation for personal attention, such as bookstores and sport-specific stores.

To create online retailer buzz, look for partners who personalize the consumer's online experience. Amazon.com, for example, provides customer book reviews and recommendations. Other online retailers allow customers to chat with each other, providing a forum for buzz to generate.

A key strategy for creating buzz through a channel is to seed resellers who are trusted in their networks. For example, in 1991 the publishing company Knopf sent 5,000 gift-wrapped copies of a first novel, *Damage*, to managers, buyers and clerks at bookstores all across the country, each with a personal note from the president of Knopf. The book became a best-seller.

Other strategies to build buzz include limiting distribution, at least at first, to simulate scarcity, and using public areas like shopping malls to demonstrate products. You can also use a little mystery. This strategy worked for the creators of the board game *Trivial Pursuit*. The company sent selected toy store buyers single game cards in unmarked envelopes. It wasn't until the third card arrived that the buyers learned the identity of the seller and got information about the game. ■

Putting it Together

You have learned what buzz is and how to go about creating it. Now it's time to put it all together by looking at one company's successful buzz campaign. The product is PowerBar, an easy to digest, low fat, tasty and nutritious snack bar designed for athletes. Invented by marathon runner Brian Maxwell in 1983, the product faced many marketing challenges. PowerBars didn't immediately become the talk of the town; spreading the word took tremendous effort.

Athletes are a competitive lot, so a snack that promised enhanced performance and endurance was a potential winner. But before sales took off, a serious marketing effort had to be undertaken. Part of the plan was easy. PowerBars are a very visible product since they are consumed in public. Once athletes started eating them, others asked what they were and how they tasted. That was a good start.

Athletes from different sports don't travel in the same circles, so the company began to seed different sports at the same time. Skiers, runners and cyclists were treated to free samples at sporting events. Next came an offer from the company to send a friend five PowerBars for just a shipping fee. This built further buzz. Coaches and athletes were then signed up as part of the PowerBar Team Elite. They and their team were given logo-embellished gear and products. When the American cycling team on the Tour de France ordered 1,000 bars, media shots of the team chewing PowerBars created even more buzz. Today, the company sells more than $100 million worth of the bars a year. ■

· Book 85 of 106 ·

The Brave New Service Strategy

Barbara A. Gutek and Theresa Welsh

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STRATEGIC MANAGEMENT



Aligning Customer Relationships, Market Strategies and Business Structures

THE BRAVE NEW SERVICE STRATEGY

By Barbara A. Gutek and Theresa Welsh

CONTENTS

Service Businesses — Successful but Merely Adequate
Page 2

Encounters and Relationships — Service's Changing Structure
Page 3

Managing Links Between Customers, Organizations and Providers
Page 3, 4

Building Tight Customer-Organization Links
Page 4, 5

How Encounter Businesses Are Replacing Relationships
Page 5, 6

Encounters with Machines
Page 6, 7

Enhancing the Encounters
Page 7, 8

The Five Qualities
Page 8

Interactions Within, Between and Outside Businesses
Page 8

THE SUMMARY IN BRIEF

At one time, all service transactions were conducted between customers who purchased goods from people they knew — vendors and craftspeople who offered unique, personalized products and services, and who received repeat business as a result of their quality and individualized approach. Over time, industrialization changed that paradigm. Mass production and uniformity of service became the overwhelming standard in many (if not most) service industries.

Yet companies today still claim to have "relationships" with customers; they mistake collecting data about customers with actually knowing them. This misconception actually works against businesses. Customers know they don't have relationships with fast food vendors, airlines, catalog companies or other organizations — and quite frankly, they know they don't need to. They require only the service they expect, delivered with reliability at a fair price.

While companies cannot hope to provide specialized, one-on-one service relationships, they can find middle ground through understanding their customers' needs and creating links between their organizations, the individuals they employ, and the people they serve.

In this summary, Barbara Gutek and Theresa Welsh will help you understand the true nature of your company's relationship with customers. Specifically, you will learn to differentiate between **relationship** businesses, in which the customer knows the service provider and interacts with the same one again and again, and **encounter** businesses, in which the customer may know the company but receives the service from whomever is available. You'll learn how many companies are taking services that were once delivered through relationships and are offering them today as encounters. You'll also learn how the best companies reject what the authors call "pseudo-relationships" in favor of "enhanced encounters."

Concerned about how your organization approaches its customers? The start of a new engagement strategy is just a page away ...

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THE BRAVE NEW SERVICE STRATEGY

by Barbara A. Gutek and Theresa Welsh

— THE *COMPLETE* SUMMARY

Service Businesses — Successful But Merely Adequate

Customers are increasingly dissatisfied with service, a circumstance that is exacerbated by the efforts of corporations to cloak the fast and impersonal structure of their service with the designation of a relationship. This dichotomy between service relationships (in which customers see the same person each time and each party expects to continue to do business together) and encounters (in which providers and customers are interchangeable and the customer sees whichever provider is available) must be addressed in order for businesses to turn around their customers' flagging approval.

The ham-handed manner with which some companies address this issue belies a fundamental lack of understanding regarding the difference between encounters and relationships. Northwest Airlines is one of many companies that have tried to build good will by claiming they have a "relationship" with their customers. But airlines, like fast food restaurants, are strictly encounter businesses, built on processes designed to move many people through their system as quickly and efficiently as possible.

After a 1998 strike by the airline's pilots decimated customer good will, Northwest responded by sending letters to its customers promising all manner of extraordinary offers, due to the customers' "special relationship" with the airline. Management may have thought these offers built a "relationship" that would keep customers from bolting to other airlines.

What Northwest did, however, was confuse the connection between its customers and organization with a relationship. People have relationships with people. An organization — regardless of how much service "tailoring" it does using collected customer data — is not a person. Such attempts to marry the two incompatible elements might be termed "pseudo-relationships" — encounters made to look or feel more like a relationship.

A Historical Perspective

Why is this happening? The move from personal service relationships to impersonal service encounters has its roots in the Industrial Revolution, and has followed a number of major societal shifts in the interim.

First, as the agricultural society evolved into an industrial society, customers who once knew the providers who made the goods by hand now only knew the persons selling the goods in neighborhood stores.

In the next stage, society moved from the industrial era to the post-industrial era and customers saw the rise of chain businesses. Service began a changeover from customers knowing the service person to getting service from strangers.

(continued on page 3)

The Service Relationship

The decrease in service relationships is connected to the rise of the corporation as a business form and the proliferation of chain businesses. Chains offer customers something they want — low price and convenience. What they do not get is repeated interaction with the same person; in today's service economy, the organization substitutes for the person. Marketing builds an image for the company and its service to attract customers. For example:

- Have it Your Way at Burger King
- You're in Good Hands with Allstate
- You'll Never Have a Better Neighbor than Wal-Mart
- Did Somebody Say 'McDonald's'?

Their fresh approaches are part of the American success story, but they also provide a discontinuity in the way customers and providers interact — they don't call attention to the actual service provider. The friendly Wal-Mart greeter in the commercial is not the same person the customer will see when they go to Wal-Mart; the smiling kid behind the counter at Burger King won't be behind the counter when they buy lunch at Burger King.

Service relationships were built on repeated interactions with the same providers. Today's "fast food" service workers must be replaceable.

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Service Businesses — Successful but Merely Adequate

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Today, society is moving from a post-industrial economy to the Information Age; service is moving further away from face-to-face transactions to more of the tailored pseudo-relationships described above. ■

Encounters and Relationships — Service's Changing Structure

The many organizations seeking a "relationship" with their customers really provide encounters, but they are trying to make them look, taste and feel like relationships. There are a number of considerations that flow from the differences between the two, among them:

● **Relationship providers can only have as many customers as they can service and, in busy times, they must work harder.** As a result, sometimes their customers have to wait, do without the service, or go elsewhere. Encounter providers can simply add more interchangeable workers to match their staffing needs.

A self-employed accountant, restaurateur or local grocer can only accept as much business as he or she can handle at any given point in time. H&R Block, on the other hand, can employ tax preparers only during tax season, adding more people to their staffs as April 15 approaches. Fast food restaurants can add more workers to their schedules during the lunch rush; grocery stores can add more checkout clerks during rush times.

● **Relationship providers are generally more satisfied with their work and earn more money than encounter providers.**

Encounter business processes typically break work down into individual tasks, enabling interchangeable providers to be trained quickly for each job. Insurance companies, for example, hire different employees as policy providers and claims providers. By limiting the content of the job, these companies can employ people who earn less money than full-service agents, who handle both categories of services. The customer benefits from the savings as a result, but the provider must accept a job with less content and more repetition, one that offers little opportunity to develop new skills or contribute new ideas to their effort.

● **Encounter businesses require a lot of money to get started and must have good management to succeed.**

In encounter businesses, managers play four roles in the delivery of service:

✓ **They design the service delivery system.**
✓ **They implement the delivery system.**
✓ **They enforce the delivery system.**
✓ **They alter the delivery system.**

For the most part, managers' day-to-day time is spent a) making sure the service is delivered according to the company design and b) looking for ways to improve the process for greater efficiency and profit. They must also select people to perform the all-important work of interacting with customers.

● **Encounter businesses must have well-designed processes for providing service and customer feedback.**

In encounter businesses, work is structured by the organization so the customer can depend on the service and experience being uniform — the customer, in other words, will know what to expect. The consumer experience at McDonald's, for example, should be about the same in Chicago as it is in Atlanta. In fact, Ray Kroc, who built the chain into the worldwide success it is today, felt the worst thing a McDonald's franchise could do was deviate in any way from his formula for success.

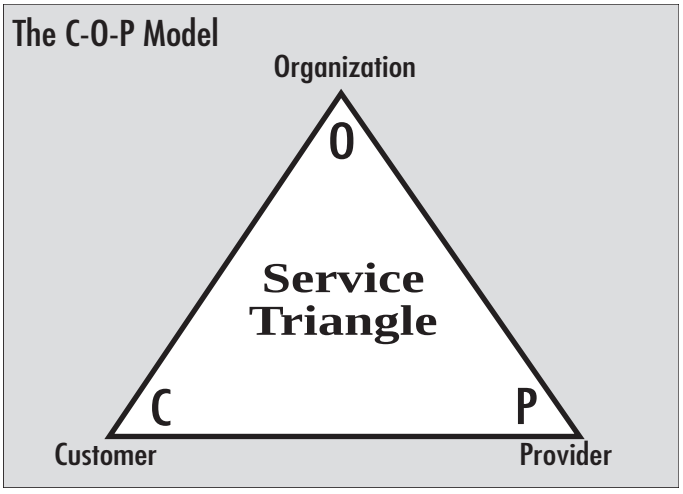
Feedback is important, too. Most encounter businesses use short surveys for customers to air their evaluations of the service they received. Dots, a low-cost women's clothing chain, keeps a stack of such surveys on the counter, next to the cash register. Entitled "Did We Deliver?" the survey goes back to company headquarters, not to the store where the customer got the card. ■

Managing Links Between Customers, Organizations and Providers

There are three basic elements of a service business:

1. Organizations (O) — the owners and managers who run the business, encompassing the brand image of the service products.

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Managing Links Between Customers, Organizations and Providers

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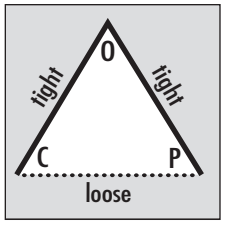
2. Providers (P) — the customer contact workers who deal with customers and actually provide the service (can also be a machine or automated process).

3. Customers (C) — everyone who purchases the service offered by the organization and dispensed by the providers.

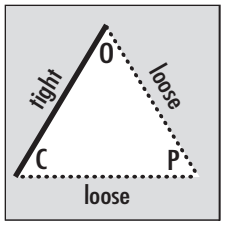
In encounters and relationships, there exist links (either loose or tight) between all three. In encounters, for example, there will always be a loose link between customers and providers (C-P); organizations compensate for this by providing the customer with convenience, reliability and low cost. A tight C-O link, on the other hand, means an organization has built customer loyalty.

Let's take a look at how these elements and links affect encounters and relationships.

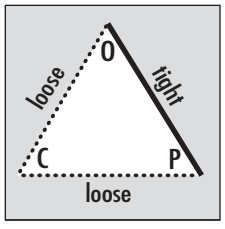
Encounters



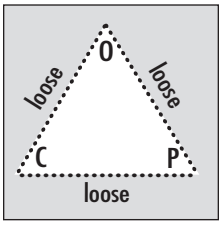
Tight C-O, Tight O-P, Loose C-P. The customer knows and trusts the organization, which also keeps the loyalty of its employees. The organization must provide well-designed processes for interacting with the customer. A good example of this type of service encounter would be the interaction between a customer and a hotel clerk at a high-priced hotel chain.



Tight C-O, Loose O-P, Loose C-P. The organization offers good value to the customer and enjoys repeat business, but has a high rate of employee turnover. The organization must keep customer loyalty through competitive pricing and procedures that can be quickly taught to new employees. A good example of this model is a fast food restaurant.

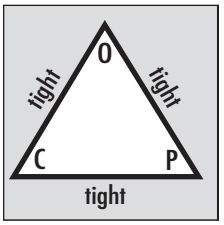


Loose C-O, Tight O-P, Loose C-P. The company has done a good job of hiring and training employees, but has failed to build a strong image with customers. A good example of this would be a company that sells long-distance phone services, where customer are confused about many similar offers, but the providers believe their own firm has the best offer.

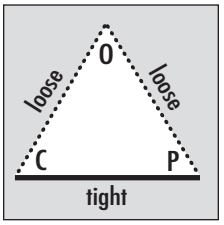


Loose C-O, Loose O-P, Loose C-P. This business does little to gain repeat customers and has high employee turnover. Its service is quick and low-cost, most likely to transient customers — an airport news stand is a good example.

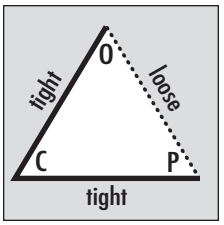
Relationships



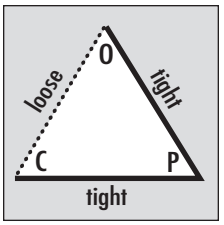
Tight C-O, Tight O-P, Tight C-P. This unique type of high prestige relationship business has fulfilled, well-paid providers and a stable of blue chip customers who seek out their services. An example might be a high-priced law firm or consultancy.



Loose C-O, Loose O-P, Tight C-P. In this type of business, the organization serves only as a means of bringing together customers and providers. It's a good situation for providers, but not for the organization, which risks losing both customers and providers.



Tight C-O, Loose O-P, Tight C-P. The customer has a tradition with the organization and deals with the same provider each time. The provider, however, may be a person whose skills were primarily learned on the job, or he may work in a partnership in which he is not a partner. If such a provider leaves for a better opportunity, the customer must decide whether to stay with the company or with the provider.



Loose C-O, Tight O-P, Tight C-P. In this model, the provider is a "star" with unique skills whose clients don't care which organization he works for. One example may be a top partner in a professional firm where the provider is strongly identified with the organization. ■

Build Tight Customer-Organization Links

With the elements and connections in mind, how can you strengthen the Customer-Organization (C-O) links in *encounter* businesses? Here are some ideas:

Peer-to-peer help groups. Service businesses can be

(continued on page 5)

Building Tight Customer-Organization Links

(continued from page 4)

the conduit through which customers can talk with one another, replacing strong C-P links by linking customers with customers (a good example would be a company-sponsored chat room or online tech support bulletin board). While such linkages may pose a threat to managers, they reduce frustration level of customers who can't get the help they need right away. They also lessen the workload of help desk or other customer contact personnel.

On-site instruction. Home Depot offers on-site classes to educate customers in such do-it-yourself areas as plumbing, floor tiles and other areas in which customers could use some extra instruction. The company can offer this service because its work force includes many full-time skilled employees who earn above-average salaries. Thus, Home Depot forms tight C-O and O-P links, building an image for itself as a dependable place to a) buy products and b) get the help needed to use those products.

Building strong brands. Organizations can build trusting relationships with customers through the use of logos and celebrity spokespersons. For example, it's easier to feel you have a relationship with Mickey Mouse than with the Disney organization, or with Ronald McDonald rather than McDonald's. Companies can build an image of trustworthiness through friendly characters that represent the service philosophy of the organization.

What You Achieve

When you use strategies that build a tight C-O link in encounter businesses:

- you make the encounter more effective by giving the customer a set of expectations that are reliably fulfilled;
- you can gather and use information about the customer to deliver the products and services they seek in a faster and more convenient way; and
- you don't promise what you can't deliver — you are not building a "relationship" with customers. ■

How Encounter Businesses Are Replacing Relationships

The success of the McDonald's chain serves as an example of service provided through a corporation. Over time, entrepreneurs found they could make big profits by establishing national chains of businesses that delivered services as encounters. The intervention of organization in the customer-provider interaction has brought about a fundamental change in the way service is provided.

Indeed, encounter service is characterized by five essential components:

1. **High volume of customers served**
2. **Standardization of procedures and services to customers, devised by managers**
3. **Efficiency of delivery**
4. **Limited, defined set of tasks performed by the provider, usually for low pay**
5. **Potentially high profits for owners**

Turning Relationships into Encounters

Encounter businesses thrive where relationship businesses cannot meet the needs of many customers for fast, affordable service. In other words, these businesses take services that were once delivered through relationships and offer them as encounters. There are many examples of this, among them the following:

- Lenscrafters and other chain eyewear business have taken business from independent optometrists who presumably gave more personal service.
- Stockbrokers, who offer personalized financial advice in addition to their service of buying and selling stocks, are, in great numbers, being replaced

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How Is an HMO like McDonald's?

In a recent study of young California doctors, one third of respondents said they would not go into medicine again if they had to do it all over. These doctors, who expected to serve their customers in relationships, have been forced to work in encounters. Indeed, the HMO method of working fits most of the characteristics of an encounter:

- Providers are considered functionally equivalent.
- Service is standardized based on the rules of an organization.
- All customers get the same amount of the provider's time.
- Feedback is handled between the customer and the organization, not the customer and provider.
- The provider is paid by the organization and gets the same pay, regardless of how many customers they see.
- The organization has a way to measure efficiency, namely counting the number of patients seen and tracking referrals.

How Encounter Businesses Are Replacing Relationships

(continued from page 5)

by Internet online trading services, which provide investors with the ability to research stocks themselves and make quick transactions without calling a stockbroker.

- Personal massage therapists — who often charge more for their custom massages — are being replaced by chains like the Massage Bar, which delivers a fast, relaxing massage and is located in convenient locations such as airports.
- Locally owned and operated dry cleaners are facing marketplace challenges from chains like Zoots — dry cleaners that minimize personal contact, but let customers drop off and pick up clothes any time and check a Web site to see if their dry cleaning is ready.

The Medical Care Example

The massive changes in the delivery of health care are striking because they have reversed the typical models for service, turning what had always been a relationship into an encounter. Medical service used to be performed by doctors (providers) on patients (customers) in private practice; insurance companies (the organization) paid bills for individual customers, but did not limit member's choices quite as much as they do now. Thus, the model for the relationship was Loose C-O, Loose O-P, Tight C-P.

These days, doctors have little access to customers except through organizations; indeed, if most patients take part in managed care insurance, they must get their doctor through the organization. Although many managed care organizations tell members they can choose their own doctor, the link between customer and provider is still loose, for the following reasons:

- Customers might change jobs and have to change health plans, which means getting a new doctor.
- The doctor they select might leave the HMO and be unable to take customers with them, since those customers are bound to the HMO.
- The customer's employer can switch health plans, which likely means getting a different doctor.
- People are aware that the doctor they see is limited by the HMO in what treatments he can provide and in using his judgment about referrals for specialty services. These are controlled by the HMO.

The model for such a relationship would be Tight C-O, Tight O-P, Loose C-P, because both the patient and doctor are bound to the HMO by contract and the HMO, as the organization, ultimately determines the behavior of both. ■

Encounters with Machines

Automating the service process is a logical outcome of the encounter format. Technology provides the means to do both mechanical functions that simulate human labor and more behind-the-scenes intellectual work that identifies likely customers and provides them with custom information or a custom product. There are some advantages to both provider companies and customers in automated service. Among them:

✓ It guarantees uniform service

✓ It provides constant services without shift changes or breaks

✓ It brings service to more people at lower cost

✓ It can create new service products through use of technology

Automated service also addresses boring jobs and worker shortages. Consider how the following uses of automation replace low-level, low-paying jobs:

- **Vending machines.** These "robot stores" have been serving up food and drink for decades, and have become more reliable over time, thanks to computer technology.

(continued on page 7)

Call Centers: Improvement Through Technology

Do tech support call centers provide good service? *The Wall Street Journal* asked fifteen "mystery shoppers" to place support calls to tech support lines at six major software firms. In one-fourth of the calls made, the support people either gave the wrong answer or said the problem could not be solved, even though the questions were taken from Frequently Asked Question (FAQ) lists on those company Web sites.

Although a company makes no money from a support call, answering customers' questions keeps those customers happy and more likely to purchase upgrades in the future. Companies can improve their call center service by:

- Examining how well the call center is performing and making adjustments.
- Moving support to the Web using FAQs or other tech-savvy means of providing a knowledge base and letting customers know they must use it.
- Sponsoring Web chat rooms or bulletin boards so users can help each other.
- Offering service in relationships, rather than encounters, by assigning each user a support staff member to call when help is needed.

Encounters with Machines

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Some machines can even communicate with a remote location over a network, relaying information to its distributor so that out-of-stock items are refilled quickly. For example, during the 1996 Olympic games FedEx used a new kind of drop box that continually monitored the status of its contents, letting the company know when it needed to be visited.

● **Smart cards.** Prepaid phone cards have been convenience store staples for several years, but companies are taking the automated purchase technology a step further. Some supermarkets have introduced automated check-out shopping, where customers paying with credit cards can scan all items themselves, slide their card through a machine, and leave the store without ever interacting with a clerk. According to critic Jeremy Rifkin, "The bottom line here is that the cheapest worker in the world will not be as cheap as the technology coming online to replace them."

● **Kiosks.** Freestanding computer information systems are replacing receptionists in many buildings. Users touch a menu on a computer screen to get the information they want, from directions within the building to announcing their arrival to the person with whom they have an appointment. Stores use kiosks for everything from bridal registry help to telling customers what food goes with the wine they want to purchase, offering value-added service that functions entirely on its own. Levi-Strauss even uses in-store kiosks to allow customers to custom design jeans with the precise Levi's models, leg openings, colors, sizes, zippers or buttons they want.

Ambivalent Feelings

Organizations must, however, be aware of the ambivalent feelings many customers will have for automated services. They like dealing with people (in most cases) and hate dealing with inflexible, unfriendly machines — unless those machines provide some convenience or added value. The Internet and the services it provides to the public are changing the way many businesses operate, as well as the way many customers view those businesses. Internet services are, at their core, encounter services with the potential to offer lots of information and choices to the public. For example, the online music retailer CDNow offers customers the ability to make their own, custom-programmed CDs from a growing list of artists and songs. Such mass customization takes what was originally a relationship process (custom-made goods) and turns it into an encounter process, through automation. ■

Should You Automate?

Consider the following questions as you ponder whether to automate your business or service:

- To what extent can you automate your business? If you are in a service area that is changing from a relationship model to encounters, you should look at ways to automate.
- Should you use a Web site for information only, or can you make sales over the Internet? Don't try to sell over the Web until you have an online infrastructure and processes that accommodate all the functions you provide in the "brick-and-mortar" world.
- Are you a relationship provider who can make use of an informational Web site and/or e-mail to keep in touch with customers? Any relationship business that must compete with automated encounter services should look for ways to service customers more efficiently, too.

Enhancing the Encounters

Encounter businesses that deliver what customers want — fast, convenient, low-cost service in a familiar and uniform process — are providing what may be termed "enhanced encounters." This usually takes the form of a chain business, but it can apply to any service that concentrates on the strengths of encounters and doesn't mistake serving customers in an encounter format with having a relationship.

Enhanced encounters are characterized by a loose C-P link and a tight C-O link, much as pseudo-relationships are (both use the same service models). The difference between the two, however, is in the way the enhanced encounter business tries to build the tight C-O link. This effort can take one of two courses.

First, the company can build a pseudo-relationship by trying to duplicate qualities of a relationship that cannot actually occur in encounters — for example, trying to create the familiarity of a relationship by having employees smile at customers or call them by their first name. This duplication is artificial; the strategy centers on having people *act* as if they had a real relationship.

This is not an effective way to get and keep customers. While there is certainly nothing wrong with providers who smile and are friendly to customers, these actions work only when they are part of the provider's normal way of behaving. For businesses, hanging your whole strategy on the hope that your providers are friendly or forcing them to act friendly will not alone bring customers back.

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Enhancing the Encounters

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A better alternative is to build an enhanced encounter by working on the inherent strengths of encounters, such as convenient hours, low cost, etc., and making these advantages known to customers. The business can then deliver service in a unique environment and/or process known to be effective with its target customers, thus building brand loyalty.

Enhanced encounters can take one of two forms:

- The customer is familiar with the organization through previous interactions, advertising or the reputation of the business, or
- The organization keeps data on what its customers purchased and uses the data to make the service experience faster and more convenient and to offer reward programs to frequent customers. ■

The Five Qualities

Enhanced encounters place an emphasis on five essential qualities:

1. Trust. While trust develops naturally in relationships, encounter organizations must build trust based on repeated positive experiences with the customer.

2. Convenience. Enhanced encounter services should be open the maximum number of hours, with processes that minimize any wait time.

3. Customized, not "Personalized." Encounter services are not personal. Relationship providers can take any type of customer and provide the specialized service that meet customer needs. Encounter businesses can't and shouldn't try. For example, Burger King will "hold the pickles, hold the lettuce," but it will not cook a burger rare or serve it on a whole wheat bun, regardless of the personal desires of a customer.

4. Uniform but Unique. Successful encounter businesses establish a theme, often one with universal appeal. Hard Rock Cafés' implementation of the Hollywood theme is unlike any other restaurant chain.

5. Quality. The encounter structure doesn't have to mean inferior quality. Chain businesses sometimes succeed because they offer something better than independent businesses. Starbuck's sells patrons coffee — something they can purchase at any number of restaurants and snack bars. But Starbuck's offers superb quality coffee, in many variations, in a pleasant setting — things other, lower-scale competitors cannot offer. ■

Encounters versus Relationships: A Customer's Perspective

When companies say they have a relationship with their customers, what they often mean is that they have loyal customers who provide them with repeat business, or who recommend their service to others. This situation may be exactly what a business wants, but it is not what a customer thinks of as a relationship. Customers are pleased because they get the service they expect, not because they think they have a relationship.

Tips on Turning Encounters Into Enhanced Encounters

To provide enhanced encounters, first learn about your customers by retaining basic information about them that helps you serve them more efficiently. Track what they buy and use that data in a responsible way to encourage sales and reward frequent customers.

Also, build your company's image and make information about what you offer available to all customers. Finally, provide a high-quality service experience that is reliably the same with each customer visit.

Interactions Within, Between And Outside Companies

Service interactions can happen between individuals, between an individual and a company, between a service unit inside a company and the rest of the company, and between two companies.

If you maintain service units inside a company:

- Be aware of whether you are providing service in relationships or encounters.
- If you are providing services in encounters, could you switch to relationships? Should you?
- Should you outsource the service? Will encounter services (which comprise the majority of outsourced services) meet your company's needs?

If you provide company-to-company service:

- Is your arrangement with another company a vendor-customer arrangement or a partnering arrangement? Unlike vendoring contracts, which are pseudo-relationships, partnering arrangements build bonds at all levels of each organization.
- Does your arrangement encourage relationships between workers at the two companies? Do those relationships further the goals of the company?
- If you have a vendor agreement, do you have a method of overseeing that agreement, to make sure it continues meeting your needs? ■

· Book 86 of 106 ·

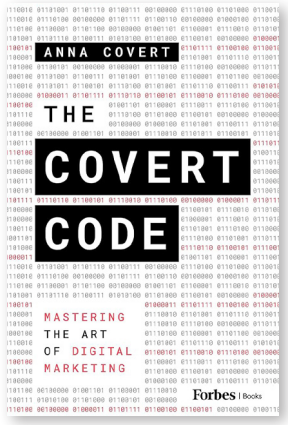
The Covert Code

Anna Covert

Executive Book Summaries®

The Covert Code

Mastering the Art of Digital Marketing



by **Anna Covert**

Contents

Chapter 1: The Rules for Digital Media
Page 2

Chapter 2: From Aware to Action: Your Customer and Your Website
Page 3

Chapter 5: How Your Digital Ads Actually Work
Page 4

Chapter 7: Search Marketing Decoded
Page 5

Chapter 8: Gentle Nudge (Remarketing Explained)
Page 6

THE SUMMARY IN BRIEF

Effective business marketing is dependent on reaching the right people at the right time with the right message. All three of these goals can be accomplished whenever high-impact promotional and outreach strategies are utilized.

In her book ***The Covert Code: Mastering the Art of Digital Marketing*** author Anna Covert discusses the difficulties of navigating the rapidly changing digital landscape and the best ways to overcome common challenges.

The founder of Hawaii's largest digital marketing firm, Anna Covert has worked with hundreds of businesses across the spectrum and she's conceptualized the strategies to create opportunities and connect brands with customers.

IN THIS EXECUTIVE BOOK SUMMARY:

- Make the right technology choices for better outreach
- Understand the mechanisms that increase the effectiveness of digital marketing
- The secrets of search engine marketing
- Learn how to harness the immense potential of social media

Introduction

To win a game, you need to know two things: the rules and how to read a crowd. From pool to poker, mahjong to marbles, the rules of the game don't change, but your environment does. The winners can sense changes and adjust their strategy in real time, allowing them to gain a significant advantage over their competitors.

The same is true when you buy and sell online media. Unlike traditional marketing, the ad exchange is happening in real time as a live auction. It's like the stock exchange, but it never sleeps. Consumers are on their devices, engaging with ads and content, 24/7. So many things affect your bidding and buying strategy online—seasonality, competitiveness, sociocultural issues, and even weather impact a company's results and overall marketing spend.

Business owners can master the art of online marketing and take back control by learning the fundamentals of how media is bought, sold, and consumed online. This book will uncover the "game" and arm you with Covert Code strategies that will prepare you to fight the battle today and win the war for years to come. From picking the right partner to knowing when it's time to push the brakes and regroup on your digital strategy, you can and will be able to target the right people, with the right message, at the right time, achieving your desired ROI without the aid of a big agency or high media spend.

Chapter 1: The Rules for Digital Media

When I first got my toes wet in an online search over a decade ago, there weren't many options. Google basically had a monopoly and dominated the "ad exchange," and still does to a large extent. But what, pray tell, is the ad exchange?

An ad exchange is an online marketplace where advertisers buy digital ad inventory from publishers, often through real-time bidding (RTB) auctions. An ad space could be inventory on a website or mobile app, or seconds of air time during a podcast or video stream.

Typically, any website that has over 10,000 unique daily visitors can qualify to participate as a seller and be collectively referred to as a publisher. That means that they can open inventory up on their website pages (domain URL, app, video streaming service, social media platform) and then get paid by offering those spaces to advertisers to fill gaps in the content (banner ads, text ads, content ads, and video ads).

Each media publisher has its own pricing model, but they boil down to three types of billing options: cost-per-thousand (CPM) impressions, cost-per-click (CPC), or cost-per-result (CPR), which can be further broken down by completed watch, listen, etc. Depending on where the ad runs and the type of content, the model and pricing vary. The most common pricing model is CPM, but this comes with more risks than rewards for business owners.

By far my favorite way to advertise online is CPC because it is the easiest to control and indicates that the target audience was interested and took action. The goal of online advertising is to drive valuable website traffic to your site, and a click is step one.

In the case of cost per action, a company agrees to an amount that they will pay the media publisher for every transaction generated by a paid ad campaign.

Now, we need to put some emphasis on the customer journey.

Depending on the industry, we have different expectations of the speed that this full process will take. Typically, the larger the investment, the longer the time it takes to move the customer through the funnel.

In some industries, like retail, it's easy to identify that a customer's journey happened because there is a solid transaction at the end. They clicked on an ad, they went to the site, they added a product to the shopping cart, and then they paid. For industries like home services, the conversion is just a lead because the sales process is longer and requires human interaction. This is very important, because when setting your online budget and planning your marketing activities calendar, we need to be able to identify all of the leads that marketing generated.

When it comes to planning your company's marketing budget, there are three common ways. The first is a "percentage off the top" model, during which companies allocate a percentage of gross revenue generated over a fiscal period, that is, 3–10 percent of total earnings in 2023 will become our 2024 marketing budget. The second is the "all you can afford method," and the third and my recommended strategy is called "objective task budgeting," which means that we build a budget to support clearly identified sales goals (KPIs) and then spend what we must to generate the website traffic needed, to support each initiative: customer growth, new sales, enrollments, locations, subscribers, team members, etc.

Bottom line, just because you have a website doesn't mean

Your website is vital; it's where customers will meet your brand. You need to pay attention to voice, imagery, and experience.

that it will support your business goals for growth. It's important to be prepared to start over, even if you recently built or rebuilt your site. Your website is vital; it's where customers will meet your brand. You need to pay attention to voice, imagery, and experience.

Chapter 2: From Aware to Action: Your Customer and Your Website

What is key for any business owner to understand is that you must guide and control the customer's experience as they engage with your brand online. Using drop-down menus is never a good decision because that places too much burden on the customer to pick their own path and then forces them to scroll up, and down, and up, and down. Feeling nauseous yet? This uncontrolled user experience results in the customer abandoning the visit (exiting) and moving on to the next solution to find what they're looking for, which might be your competition. Think about your own experiences online. The sites that you've bought from or continue to visit have created a journey that is easy and enjoyable. You can find what you are looking for fast (people skim first and then read) and they provide ways for you to engage and dive deeper when applicable.

Engagement for the modern consumer means toggles, tabs, recommendations, infographics, video content, chat, or applications like calculators, quizzes, or games. Consumers want choices but are still driven by the need to be led.

Our job is to help the customer find what they are looking for, and then, hopefully, not regret their decision later. I always thought it was laughable that agencies and media partners care so much about the client's product and will quickly blame them for customer burn but never hold themselves to the same standards. They overpromise and underdeliver on their goods, and the result is the same: unhappy clients that leave. Part of this stems from a lack of communication and setting the right expectations on what their product will yield. Even companies providing great products and services can find themselves on the chopping block for not educating the client or asking the right questions. You might be doing exactly what is in your SOW (scope of work) or product description, but if the client does not speak the same lingo, or misinterprets your solutions, you're toast.

Chapter 3: Making the Right Technology Choices

For business owners, everything comes down to choice. From building your team to picking your technology stack, what separates those who thrive from those who fail is understanding how to navigate all those daily choices to achieve your short-term and long-term business goals.

While consumer buying behavior changes relatively slowly, technology is rapidly accelerating. The website framework or customer relationship management (CRM) system your team used in the past with success might now be impacting your company's ability to stay competitive and thrive.

Did you know that today most enterprise organizations subscribe to nearly a hundred types of software? Many of these programs are not used at all, or are only being used by a segment of the team to their full potential. The result? Thousands of dollars lost in recurring fees.

Reviewing your organization's tech stack and removing redundancies is one of the easiest ways to increase revenue while speeding up production.

At Covert, we call this a company's technology transformation. It all starts with a list of demands. What do we want our customers' experience to be and how will we fulfill that using the technology at our disposal? This experience must be transcendent because, although painful for many companies, it is the only way to operate in an evolving digital landscape.

Chapter 4: How Much Is a New Customer Worth?

The problem with worth is that it can change on a dime. Just like currency, the value is perceived and fluctuates

based on factors like GDP or inflation. Changes to your customer's value can be the result of your business model shifting, or directly tied to how you quantify the "lifetime" value of a customer. Depending on your industry, expectations must be set before starting any marketing campaign, otherwise overspending will occur.

I like to identify a customer's worth in two parts: 1. Initial contract value or average cart price. 2. Lifetime value of that customer, which consists of recurring revenue potential services, like software, subscriptions, professional services, upsell opportunities, and referrals.

Determining your customer's worth directly relates to your objective task budget and creates benchmarks to evaluate your marketing mix. To determine the value, the first step is to ask yourself a few questions and separate them by each product or service offering (such as homeowners, business owners, single customers, wholesale customers).

- How much money does my company make when we sign a new customer—before and after the costs of running the business (gross revenue versus net revenue)?
- Will that customer be recurring and by what frequency— daily, monthly, quarterly?
- Is that customer going to refer me, and what are the number of times they will—1×, 3×, 5×?
- Next, you look at your current statistics and outline your desired growth goals.
- Of all the leads we acquire, what percentage will turn into customers by service offering?
- How much do we want to make this year from each service?

Chapter 5: How Your Digital Ads Actually Work

Like its name suggests, the web is a mystery of connections from point to point. How devices connect and display data can be confusing, sometimes intentionally so. But I want to help demystify this process. Let's start at the beginning. How do we cookie or identify a device, and what options are there to serve ads to that user?

There are several ways to locate and serve ads to a device, including Wi-Fi (50-yard range), Bluetooth (a few yards), and Radio Frequency (RF) or Airdrop, otherwise referred to as Beacon technology (30-yard range).

To distribute content online a CDN (content distribution network) is used. It essentially is a network of servers located in geographic regions that pay internet providers to display content to the online user. In digital advertising there are two parts, a seller who we collectively refer to as publishers or an ad buyer referred to as advertisers. Advertisers can include product manufacturers, service providers, third-party ad agencies, intermediary ad networks, etc. The easiest way to break this up is into sell-side inventory and buy-side demand.

Each publisher must create or hire a CDN and then, on behalf of website publishers, distribute ads to consumers. How this actually happens is unknown to the public and largely controlled by Google.

What we believe is happening is that, depending on time of year, audience targeting, bid strategy, and content type, our ads will be shown to people physically located in the target area we have identified and "won" based on a bid from the live auction. But how can we prove that a purchased impression from a CDN did in fact run on the desired website publishers' site, app, etc.? The answer is you can't because they don't want you to know. When uploading ads to a publisher like AdRoll, Google, or Microsoft, they are asking you to essentially host the creative from their platform and then serve those ads to customers over some "behind the curtain" CDN.

Now, let's jump right into our next chapter, where we will identify how to ensure that your ads reach the right people, at the right time, to yield the desired results.

Chapter 6: Right People, Right Time, Right Response

The customer must see and experience our brand multiple times before moving from Awareness to Action (buying something or arriving at the website). So, our job as marketers is to figure out how many times a day we can insert ourselves into our target audience's radar to build audience share of mind.

Here's an example: Bob lives in San Francisco and works downtown. He uses a cell phone alarm, and once it goes off, he likes to lay in bed for ten minutes to fully wake up, scrolling through posts on Facebook and the CNN news feed. Then he gets up and turns on the morning news while he makes coffee and eats yogurt. It's time to go to work, and he puts on his earbuds, queues up Spotify, and walks a few blocks to catch the trolley to work. While on the trolley, he gazes out the window. Finally, when he's close to the office, he opens his Gmail and starts to read work-related messages.

There are two key ways to target your desired audience. Those boil down to first-party and third-party data sources.

How many media types does our brand have to reach Bob on his journey to work? As we can see, even before Bob gets to his desk, there were a plethora of opportunities for us to insert ourselves and gain impression share:

- Facebook ads, display, native, or video ads on CNN News (in bed)
- TV sponsorship/ads (during breakfast)
- Programmatic radio/streaming (on the way to the trolley)
- Programmatic out-of-home or traditional billboards/outdoor media/trolley ads (on the ride)
- Email marketing (Gmail)

This extra layer of the customer journey is key when building your media plan and website click paths because, before you start any paid advertising, you will need to determine how you will track results from each initiative and how to create the right content and landing page to support it.

There are two key ways to target your desired audience. Those boil down to first-party and third-party data sources. First-party data is primarily your data. The most common ways to obtain this data include placing a pixel on your website and tracking user traffic, or by using your CRM data, which creates a seed population of users (assuming we can match them).

Make sure to ask how your partner acquires data and that when using third-party sources how they created those seed lists. This includes the age of the data, that is, thirty-day refreshed list of Individuals who are New Homeowners based on surveys, social media data, sweepstakes, online activity, public records, and purchase data.

Chapter 7: Search Marketing Decoded

Moving right down the funnel, the next topic covers "intent," which breaks into two parts: search optimization (SEO, which is organic search traffic, i.e., earned) and SEM, which is paid and split among Google Ads (approximately 80 percent of search) and Microsoft Ads (20 percent of search, including Bing, Yahoo, and AOL).

To this day, SEO is one of the most common things clients ask about. Is it worth spending money on? This topic is sure to upset a lot of people, but believe me when I tell you that committing to paid SEO services is one of the easiest ways to be taken advantage of as a business owner. In my opinion, it is the darkest of the dark digital art and I have seen too many business owners make the mistake of committing to paid SEO services by picking providers that don't provide the correct reporting or long-tail strategies that lift and hold rank. SEO breaks into two sections, on-site and off-site, and like all digital tools, has changed dramatically over the past few decades.

Additionally, paid search engine marketing through Google Ads could also be taking place as a part of a comprehensive outreach campaign.

My recommendation is to always start with a focus of generating qualified website traffic, and after we establish a baseline can adjust to focus on "sales" to see if we can lift impression share and overall results (optimization strategy). In your campaign settings, there are several primary factors that will make or break your online success: Networks, Locations, Budgets, Bidding, and Keywords. For those with existing campaigns, to change settings go to each campaign (not ad group) and edit active campaigns.

One of the biggest mistakes a company can make is setting a small daily campaign budget out of fear of overspending—$5 per day, $25 per day, etc. The problem with that is that you are guaranteeing that Google will spend all your funds quickly, and then your ad will not show for the rest of the day.

The goal is to make sure that your ad has the greatest potential to show to people physically located in the area you care about, who are searching online for the exact services you offer. The metric that tells us this is called "search impression share" and our mission is for this percentage to be as high as possible because you only pay when someone clicks, not views, your ad. Think about your paid search

goals in two pieces: brand awareness and increase valuable traffic. We want our ad to show as many times as possible in Google to reinforce our brand (views are free) and then generate high-quality visits (paid) while still protecting our budget by only allowing for one click per human (Click-Cease) over a set period of time.

Be careful when planning budgets in Google because they are based on thirty days from the start of your campaign, not monthly. This can impact your marketing reporting and also get you into trouble if you stop the campaign early, as they may have already spent more than they should (front-loaded) and you potentially could be missing out on impression share, that is, they have to continue to show your ad even if they overspend your budget. Always note your campaign date start and plan spend over the next thirty days for reporting.

Chapter 8: Gentle Nudge (Remarketing Explained)

We know that, in order to move our customer through the purchase funnel, we must show them enough messages (frequency) over a short period of time (reach). Remarketing or, as I lovingly refer to it, "cyber-stalking" offers advertisers the ability to target customers post-site-visit by following them wherever they go next on their online browsing session. The magic starts by placing a pixel (cookie) on your domain. Then, as website visitors arrive, we tag them and add them into an audience pool. Once they leave, we follow them through the display, social, or programmatic networks showing them ads as they browse/listen/watch, ensuring that they continue to be reminded about our brand and reach critical messaging impression share.

Chapter 9: Social Media

Social media is a topic that deserves a book all on its own. Over the past decade, it has been considered one of the most important tools to engage with consumers. But it can quickly become a money pit if companies don't set the correct expectations by platform, and fail to understand how to measure results.

When evaluating social media channels and creating a content and engagement strategy, it's critical to understand that they are just like other domains/apps and are considered content publishers with an active audience. Just like with search engines, social media strategies should be broken into two buckets: organic and paid. What companies must know is that engaging in any form of social strategy is a serious time commitment. Just because everyone else is doing it doesn't mean that it's going to return a measurable ROI.

If your company is going to participate in social media activities, the first step is to weigh the opportunity costs. Effective social media means that your company will be posting meaningful and relevant content two to three times per week across key platforms like Facebook, Instagram, Google My Business, LinkedIn, Nextdoor, Pinterest, TikTok, Threads, X, etc.

When to Use Social Media:

- Create an engaged audience
- Increase share of mind
- Increase customer loyalty
- Increase referrals and social vitality
- Drive website traffic
- Drive measurable sales (for retailers)
- Increase off-site SEO link building
- Influence behavior
- When Not to Use Social Media
- Generate relevant content
- Engage with users in a timely or respectful manner
- Control how people will consume or engage with your content

Conclusion

Stop, Drop, and Roll. That was a saying that was burned into our heads as children (pun intended), but it worked and saved countless lives. It wasn't silly. It was witty and something that humans needed to break through the panic and to silence the noise with a solution. Rather than screaming for help and flapping our arms around, we were armed and empowered.

Right now, that is exactly what companies need to navigate the rapidly evolving world of digital advertising. The reality is that, in pixels, there is no discrimination based on race, gender, or age. Everyone is at risk, and most are being straight-up bamboozled. Why? Because it's just so easy to be a con man online. Someone can show you data and tell you what it means, and you will believe it. Some of what is said may be the truth, or it might all be fabricated, but how can you tell the difference? Many times, they're lies that are

being told that then become "truths" that are recited and resold. The cost can be measured in billions of dollars lost to digital fraud, bankruptcy, and corporate theft.

Now that you are armed with The Covert Code, you have the power to stay in control. This means that you will never "set and forget" bid strategies or trust others to make these critical decisions on your behalf. To be successful today, business owners must continue to evaluate their digital strategy and utilize the tools available to them to identify and curate customer relationships across online platforms. The bottom line is that you must always be on the lookout for fraud, including partnerships and reporting. When the numbers don't add up, you should be ready to pivot quickly. Don't be afraid to push the pause button and reassess your options.



Anna Covert is the founder of Covert Communication, the largest digital marketing firm in Hawaii. Over the past twenty years, she has become recognized in the industry as an authority in digital advertising and is known for her unwavering business ethics. Her team has developed API technology solutions for both SunPower and Panasonic and is featured as a preferred marketing partner for their extensive dealer networks. Anna's mission is to uplift the industry and protect consumers from the escalating online marketing and media fraud that plagues online platforms.

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· Book 87 of 106 ·

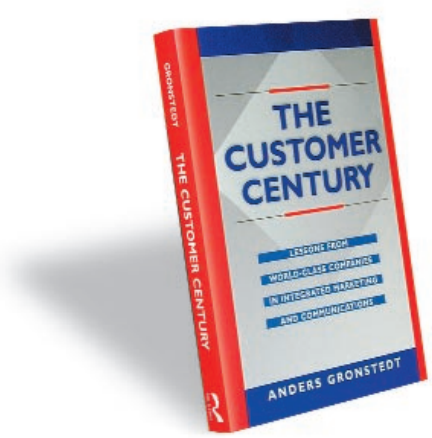
The Customer Century

Anders Gronstedt

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FILE: MARKETING



By Anders Gronstedt

CONTENTS

Integrating Communications in 3D
Page 2

The First Dimension: Integrated External Communications
Page 3, 4

The Second Dimension: Integrated Vertical Communications
Page 4, 5

The Third Dimension: Integrated Horizontal Communications
Page 5, 6

Learning How the Other Half Works
Page 7

Integrating High Tech and High Touch
Page 7, 8

Today's Marketing and Communications Tasks
Page 8

Putting It All Together
Page 8

Lessons from World Class Companies in Integrated Marketing and Communications

THE CUSTOMER CENTURY

THE SUMMARY IN BRIEF

In the last century, organizations could succeed as production companies, focused exclusively on producing and selling goods. Today, we are moving from the Production Century into the Customer Century, writes Anders Gronstedt, in which the ultimate key to success of an organization is how well it satisfies its customers. According to author Gronstedt, integrated marketing and communications is a crucial component of the customer-centric company.

In this summary you will learn the secrets of world-class companies who, to better serve customers and stakeholders, are adept at integrating marketing and communications along three dimensions: between the company and its customers and stakeholders; across the different managerial levels; and across the different business and geographic units of the company.

First, you will learn how **integrated external communication** allows you to really listen to the customer and other stakeholders and use the information they give you to provide better service and products. You will learn to use technological innovations to calculate which customer is the most profitable and be able to concentrate on building a long-lasting relationship with him or her.

Next, you will discover that **integrated vertical communication** — between top managers, middle managers and front-line employees — can reap rich benefits. By having information flow from top to bottom and bottom to top, you will tap into energy you didn't know your company had. Front-line employees and top level management will benefit from working in a company with a well-defined mission and common goals.

Finally, you will learn the importance of **integrated horizontal communication** across different departments and business units. For example, you will see how allowing employees to hold varied positions within the company strengthens you as a Customer Century company.

The summary ends with a discussion on creating the right mix of high-tech communications with high-touch communications for optimal benefit to your company and your customers.

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Integrating Communications in 3-D

Most companies are organized like a herd of fighting bulls, with departments and business units fighting against each other for limited budget resources and senior management's attention. Unfortunately, this rampant internal bickering became the norm in the twentieth century, the "Production Century."

Production Century companies are organized to efficiently produce and distribute goods. They relegate customer management and brand building to separate marketing and communications departments. These departments don't interact with each other. Instead, they compete. The end result is that customers, on whom the company depends, are confused and frustrated. They get calls from salespeople from two different divisions of the company seeking their business, log on to a fancy Web site designed by a Silicon Valley start-up, buy from a minimum wage clerk at an independently owned franchise, and are treated rudely by an outsourced call center.

Eventually, they leave in search of a company that wants to keep their business. For we are now entering the Customer Century. Customers today are savvy, well-informed, cynical, price-conscious and empowered. They demand quality, service, customization, convenience and speed.

Companies who want to keep their customers and prosper will have to stop acting as if they are still in the Production Century and instead begin acting as if they are Customer Century companies. That means that instead of acting like a herd of raging bulls, they must act like a flock of geese, flying in formation toward a common goal. That goal is customer satisfaction.

Integrated Communications

How do you get your company to "fly in formation" toward the common goal of superior customer satisfaction? The key element is integrated communications.

Reaching today's savvy customers requires close communication with customers at all of their points of contact with the company. Thus integration of communication — making sure that all levels and units of the company are united and coordinated in their communication efforts — is vital to successfully building the relationships required in the Customer Century.

Saturn Apostles

In June 1994, 44,000 proud Saturn automobile owners from Alaska to Florida, and even as far away as Taiwan, paid their way to Spring Hill, Tennessee to see the assembly plant where their cars were born and to meet the men and women who built them. And at other locations across the country another 130,000 Saturn owners participated in events, representing an incredible one out of every six Saturn owners. Everyone, including dealerships, plant workers and corporate leaders, got involved in the action, which included raising money for Special Olympics and building playgrounds in communities.

Is it marketing or public relations? Is it community outreach? Is it employee relations? Customer service? It's all that and more. In two words, it is integrated communications.

There are three dimensions to integrated communications. **Integrated external communications** is the process of involving everyone in the organization in both inbound and outbound communications with customers and stakeholders.

To make that happen, senior management has to train, empower and support front-line employees through a process of **integrated vertical communications**, the second dimension. This type of communication is about opening up forthright, frequent and two-way communication between senior management, middle management and other employees.

The third dimension, **integrated horizontal communications,** integrates communication among people at different work units, departments and countries. All three dimensions need to be in place to successfully compete in the Customer Century. ■

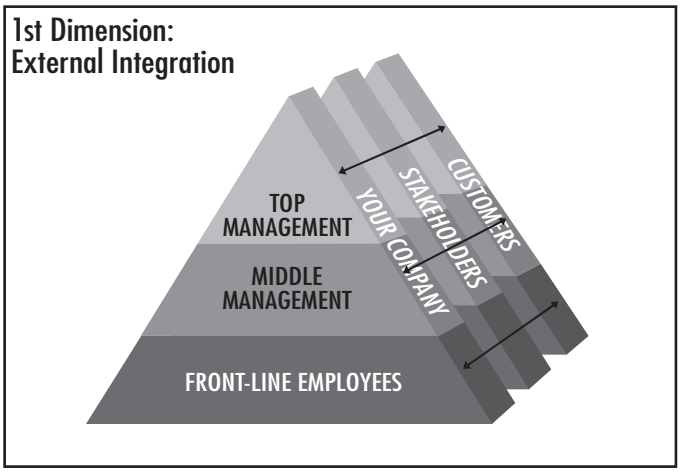
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The First Dimension: Integrated External Communications

The first dimension, integrated external communications, is about building close customer and stakeholder relationships at all levels of the organization. The first dimension starts with identifying the most important customers based on their current profit contributions and potential lifelong customer value. Once they are identified, satisfaction surveys, retention rates, complaints, inquiries, field operations, market research and other sources of customer information are judiciously tracked and the information widely shared within the organization.



Profitable Customers Are Always Right

Who are your most important customers? First, you must pay attention to your most *profitable* customers. Harness the power of database technology, Internet connectivity and mass customization capabilities to identify customers with the greatest profit potential, and tailor communications and service to their individual needs.

Consider these examples. The automaker Saturn has information on every one of its two million owners. Huge Hewlett-Packard has a central customer database with between 6.5 and 8 million names, complete with the recentness and frequency of purchase for individual customers. HP also tracks the customer's contact history. The information is available companywide to everyone who needs it. The result? HP believes its use of customer data translates into additional annual sales of $180 million.

Activity-Based Costing

Customer Century companies must learn to take advantage of a new accounting method called "activity-based costing." The technique determines the actual cost of individual customers, including customer service, credit expenses, handling charges and product support. Link the purchasing data with cost data and the profitability of individual customers becomes apparent.

Share of Wallet

One way you can measure a customer's future profitability is through your "share of" his or her "wallet." "Share of wallet" is a measure of how much of the customer's budget for a category you have captured. Fast food companies need to determine their "share of stomach," automobile manufacturers need to figure out their "share of garage" and clothing companies need to calculate their "share of wardrobe." For example, a family with one Saturn and one Honda in the garage would represent a 50 percent share of garage for each car company. Moving from 50 percent to 100 percent can be many times more cost effective than chasing new customers.

How do you go about increasing your share of wallet? The key lies in making information about your customers available to those in the company who need it. True breakthroughs come from sharing customer database information broadly and organizing your company's entire manufacturing, service, delivery and communications process around individual customer needs.

Beware of Customer Terrorists

World class companies take special care to listen to the voices of disgruntled customers. Act quickly, or a disgruntled customer will turn into a customer terrorist who will badmouth the company. By some estimates, for every complaint there are ten other customers out there with the same bad experience. You must address complaints quickly and then take action to correct the problem for all

(continued on page 4)

The Pareto Effect

Wilfredo Pareto, an Italian economist, postulated that 80 percent of the wealth in the world was owned by 20 percent of the people. The rule applies to companies as well, and holds that 80 percent of a company's profit is attributable to 20 percent of the customer base. You must determine which customers are the 20 percent responsible for most profits.

Lifetime Customer Value is how much revenue you can expect from a particular customer from now until the relationship ends. It is, in essence, the net present value of future profits a customer is expected to yield.

The Pareto affect also applies to other stakeholders. Important stakeholders are small in number and big in effect. You can rank them in order of their power (i.e. major stockholder,) legitimacy (i.e. television news anchor,) and urgency (i.e. laid-off worker.) If all three factors are present, handle with care.

The First Dimension: Integrated External Communications

(continued from page 3)

customers, not just the one who called or wrote.

As you build communications with customers, don't forget that you must do the same for other stakeholders. Stakeholders include employees, intrusive governments, a litigious public, active shareholders and the 90,000 or so registered special interest groups in the U.S. The successful management of relationships with these stakeholders will yield you a cycle of reinforcement. If you attract good employees, you will attract equally good investors, customers and partners, and escape some harsh criticism from the media. The opposite is also true; mismanage stakeholders and you will find your company in a tailspin. ■

A Customer in Hand is Worth . . .

It costs anywhere between five and twenty times more to recruit a new customer than to keep an existing one. Customers also become more valuable over time, costing less and providing more revenue the longer they stay with the company. Although you must spend time recruiting new customers, don't do it at the expense of ignoring old ones.

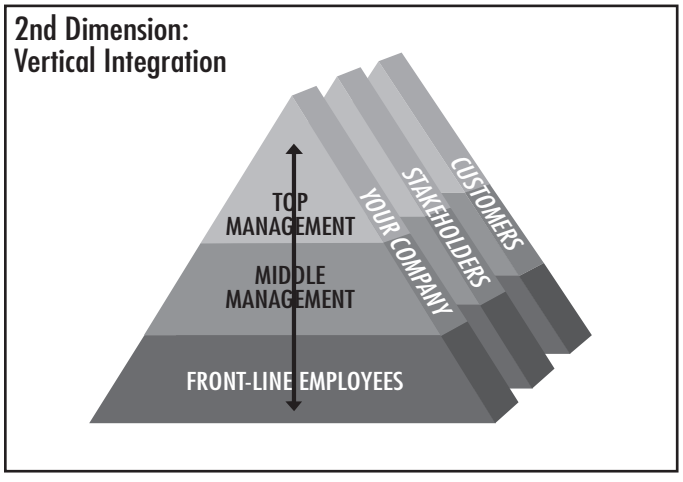
By knowing your old customers, you can also target prospects more intelligently. Use the data you acquire from them to build a data warehouse, an enterprise-wide repository of databases from different organizational units and external sources. Then use data mining to analyze the information in the data warehouse. The information you extract can help you keep your current customers and target new ones better.

The Second Dimension: Integrated Vertical Communications

The second dimension to integrated communications is vertical. When used properly, the results are amazing.

Consider the case of once troubled Philips. As fifty top managers of the electronics giant gathered in an old Dutch castle, the CEO waved a press release and announced with urgency "Philips is bankrupt!" Philips wasn't, but unless something was done immediately about sliding profitability, the press release would be reality in two years. So to get things moving and avoid "analysis paralysis," the CEO staged a fake press conference and got the managers moving.

During two retreats in the Dutch countryside, managers completed a radical restructuring program dubbed Operation Centurion. It included cutting time to market in half, closing factories, selling businesses and redefining the core business. The managers committed to similar meetings all the way down the organization. It was a massive communications cascade to reach the hearts and minds of over 240,000 employees in 52 countries and 272 business units.



To increase the pressure to change and heighten the crisis mode, Philips purposely did not respond to media inquiries and criticism in a conscious orchestration of information to inspire dissatisfied people to jump-start the change process. But inside, communication flowed up and down the organization. For example, Philips closed all factories for a day and conducted a worldwide meeting for all its employees. There were workshops led by trained facilitators. Later, they watched a satellite hookup speech by the CEO, simultaneously translated into 37 languages. The CEO responded to questions from the workers.

The integration of vertical communication between senior managers and the Philips work force is now institutionalized. The result? Philips is the leader in European consumer electronics. You can be sure Philips will continue to use the power of integrated vertical communications to continue to drive a world class operation.

Developing a Customer-Centric Vision

As you develop communications from the top down and the bottom up, consider the power that a company vision can have. Your challenge is to develop a vision that is specific enough to provide guidance but adaptable enough to survive in today's rapidly changing environment. Beware of both very vague and very narrow vision statements.

The vision must be based on the firm's core competency — the bundle of skills and technologies that is central to its strength — and on opportunities in the

(continued on page 5)

The Second Dimension: Integrated Vertical Communications

(continued from page 4)

marketplace. The best visions focus on customer benefits rather than product features. For example, when Danfoss replaced its vision of "selling air filters" with "selling fresh air" it became a service company that offered measurement and advice on dust prevention instead of an air filter company. ■

The Vision Thing

Top down communications starts with a vision and sense of purpose for the entire organization. Your company's vision needs to be anchored in the values and philosophies your company stands for. Those values then need to be translated into clear brand promises that are communicated to customers and stakeholders.

Examples abound. Saturn is "A different kind of company, a different kind of car." FedEx provides "The world on time." Xerox is "The Document Company." Although they may seem simplistic, vision statements are powerful, energizing everyone in the company.

Cascading

Leading edge managers focus their companies' efforts around a small number of breakthrough objectives that move their organization closer to the vision. Communicating these objectives is key to achieving them. Senior managers share objectives with lower level managers, who in turn decide what their objectives will be and then pass these down to front-line managers. This way, corporate objectives are "cascaded" down management ranks and translated into specific action along the way. Customer Century companies in effect align the whole organization around a small number of shared objectives and develop processes to achieve them.

Another area where cascading proves important is employee training. Training is an ideal avenue for practicing vertical communication. Xerox used cascading training to help turn itself around. First, the senior management team underwent a six-day training session in total quality management. A week later, senior managers held training sessions for the managers reporting to them. These managers, in turn, trained their direct reports. Before long, training cascaded through the organization. What makes cascading such a powerful approach is that every manager is involved twice, first as a participant and second as a teacher.

Of course, cascading must also work from the bottom up. The most difficult vertical communication problem is assuring that untarnished information is relayed up the organization. Senior managers need direct access to front-line workers who know the customer and the operations firsthand. Just remember that fear is the greatest barrier to bottom up vertical communication. Be sure that there are no reprisals for voiced opinions. Then try using these tools to help information flow:

- **e-mail**
- **employee surveys**
- **360 degree feedback for managers**
- **casual meetings.** ■

The CEO is the CCO

The CEO and the top management team play a critical role in communicating the company vision to employees and the public. In effect, the CEO is also the Chief Communications Officer. In order to get employees to internalize the values symbolized by your company's vision statement, you need to do more than speak the vision, though. You must also live the vision. Actions do speak louder than words. CCOs who tie communicating the vision with tangible rewards for performance of mission goals are most effective. When you coordinate compensation with vision communication, you send a strong message about the company's real priorities.

The Third Dimension: Integrated Horizontal Communications

Integrated communications' third dimension is horizontal communication. Teamwork is key to horizontal communication. It must be the modus operandi. Consider the following example from Rank-Xerox.

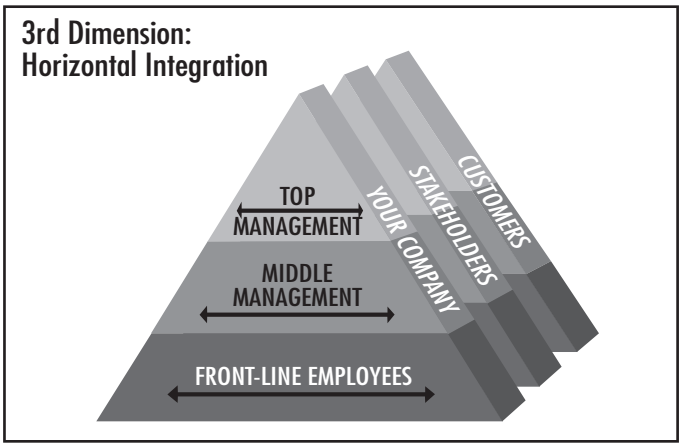
It was the second time the team had come together, flown in from headquarters in the U.K. Their job was to develop a marketing strategy for a new line of copying machines. As the meeting progressed, the team members became more and more fired up. The facilitator could barely keep up with notes scrawled on his flip chart.

At Rank-Xerox, teams are required to come up with a consensus decision. That means any member of the team has veto power. Everything was moving along until one team member broke her silence, and suggested an alternative strategy. More in depth discussion followed. Two hours later, the group reached a consensus decision on the appropriate strategy. The decision was one that had built on her alternative rather than the previous favorite.

(continued on page 6)

The Third Dimension: Integrated Horizontal Communications

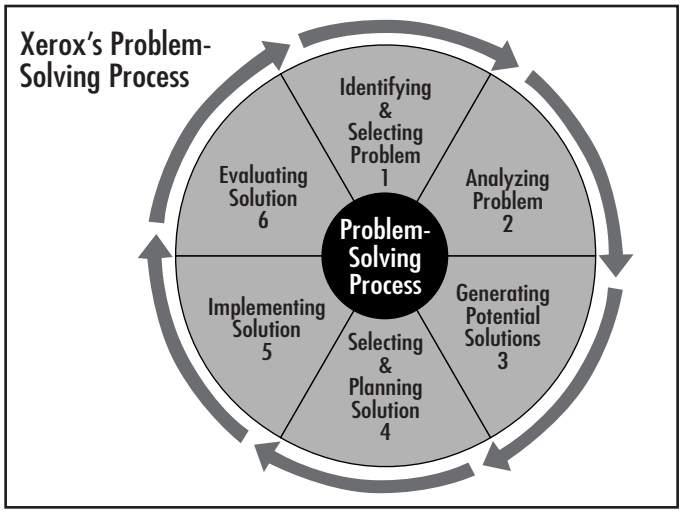
(continued from page 5)



Xerox uses a structured problem-solving process to aid decision making. Every team member is assigned a role. *Facilitators* are responsible for aiding discussions; *team leaders* direct the project; *scribes* take notes; *timekeepers* assure that an appropriate amount of time is spent on each agenda item and that meetings start and end on time; and finally, a *behavioral checker* assures that no one dominates the meeting, that everyone is heard and that everyone is an active listener.

Start with Customer Needs

The problem with most organizations is that the processes are not managed with the same care as functions. Designers design a new product, engineers change it, operations makes it, accountants price it, marketing promotes it, sales sells it, finance collects payments and customer service returns it. Integrated horizontal communications reverses this flow. It starts with information about the customer's needs through order fulfillment, up to manufacturing operations, and finally to research and development.



How do you successfully practice integrated horizontal communication? By establishing effective teamwork processes, facilitating "virtual communities of practice" and systematically rotating people through job assignments. ■

Teamwork Key To Horizontal Communications

Since teamwork is at the core of horizontal communications, make sure everyone understands teamwork. Fortunately, teamwork is a skill that can be taught and practiced by everyone in the organization. The development of a team follows a predictable pattern with four stages: forming, storming, norming and performing.

During the **forming** stage, team members are selected and given a clear mandate. Next comes the **storming** stage, the time when everyone on the team has gotten to know each other, but doesn't quite trust each other. During the **norming** stage, the team creates ground rules. At Saturn, for example, consensus decision making is the law. Once everyone on a team is at least 70 percent comfortable with a decision, they will put 100 percent of their effort into making that decision work. Finally, during the **performing** stage, team members are ready to implement their ideas and move forward toward common goals.

Communities of Practice

Linking communities of practice is also critical to establishing integrated horizontal communications. Communities of practice are simply people who are informally bound together by facing the same issues and problems — for example, people who have the same job function in different parts of the organization, or the same customers. Hi-tech communications, such as e-mail and information on an Internet site, are powerful tools for keeping these communities of practice, which are dispersed throughout the organization, linked. ■

Teamwork at Saturn

Can you really teach teamwork? At Saturn, the resounding answer is yes! How do they do it? The automaker believes the most effective way is through training the team members together. At Saturn, teams train through Outward Bound classes, where team members take turns helping each other climb a thirty-foot pole, turn 180 degrees on a rotating platform, then jump off and ring a bell. They also take courses in conflict resolution, consensus decision making, assertive listening, transactional leadership and team dynamics.

Learning How the Other Half Works

An effective way to institutionalize horizontal communications is to deliberately move managers across functions, business units and countries. The end result is experience transfer, stronger personal networks and greater company pride. Production Century companies typically cast their employees in one role and ask them to perform one function. Customer Century companies, on the other hand, encourage individuals to explore different areas so that they develop greater respect for their fellow workers and share their experience and knowledge among many.

International rotations are becoming more important in the face of a global marketplace. There really is no substitute for living and working in another culture if the goal is to understand that culture. American companies have been slow to catch on to international assignments, particularly in marketing or corporate communications specialties.

Job rotation is expensive, but the long-term benefits are usually worth it. Just make sure your company doesn't go overboard. Although rotating and transferring from within has great benefits, don't use it as a substitute for astute hires from outside. Without some fresh talent, your company may become stagnant. Also, be sure to leave expatriates overseas long enough to settle into a position and a foreign culture. Five years in any one position is optimal. ■

Celebrating Teamwork

When it comes to creating a corporate teamwork culture, Motorola and Xerox are in a league of their own. They don't just practice teamwork, they celebrate it. At Xerox, workers are treated to a "Teamwork Day" where outstanding teams are praised. The event is broadcast live on the company's internal network to over 30,000 workers worldwide.

At Motorola, as many as 5,000 teams compete against each other in 12-minute presentations of their accomplishments. Local winners go on to division-level contests, and on to a "World-Wide Total Customer Satisfaction Team Competition."

Integrating High Tech and High Touch

Computer connectivity is developing at such an unprecedented speed that "digital architecture" is becoming crucial to integrating internal communications. Intranets are emerging as the business platforms of choice because they speed and aid internal communications like nothing before. And of course, e-mail makes internal communications almost instant.

How can an Intranet help you run your company? First, an Intranet is a place where your employees can share problems and solutions easily. Collective knowledge gained in the field can be stored in Intranet databases and harvested later, when the question comes up again. What better way to avoid reinventing the wheel than tracking previous solutions to problems?

However, technological innovations aren't without problems. Consider that the average employee receives 2.3 million words in routine communications over a 3 month period. Add to that an average of 178 voice mail messages, e-mails, faxes and mail messages that a person receives in any average workday, and you begin to appreciate the term "information overload." The average worker is interrupted 3 to 4 times an hour. On top of that, the average manager spends 17 hours a week in meetings and another 6 hours preparing for them!

The traditional way of dealing with information overload is to control and restrict the flow of information. But for a Customer Century company, that simply won't work because communication is essential to the way it must do business. One answer is to train everyone to label communications by "need to know" and "nice to know." Some other tips to manage information overload include:

- **judicious use of the cc function; not everyone needs a copy**
- **meetings must have agendas and goals**
- **some off-site meetings can be replaced with video or phone conferences**

In the end, you must balance high-touch in person communications with high-tech instant communication. Human and virtual communications need to work in tandem to reinforce each other and optimize horizontal communications.

(continued on page 8)

Office Architecture

The buzz in the hallway is where real communication takes place. Informal communication can be encouraged through the right physical office layout. People in closer proximity to each other communicate more frequently than those far apart. For that reason some companies like HP and Saturn have done away with office walls altogether. People work in cubicles, but there is shared space for impromptu team meetings. At HP, the open-door policy is both literal and metaphysical. No one in the company has a door. The philosophy that eliminates corner offices and replaces them with open, accessible work spaces plays an integral role in successful internal communications.

Integrating High Tech and High Touch

(continued from page 7)

The Future of High-Touch Communications

In the Customer Century, everything that can be automated is becoming computerized, leaving only "people problems" to people. The counterintuitive implication of the Customer Century is that *high-touch communications will be more important even as high-tech communication increases.* The gospel of old fashioned high-touch face-to-face communications reverberates from the Xerox directors who take turns at call centers to the 50,000 Saturn owners who travel to the car maker's factory in Spring Hill, Tennessee every year.

High-touch and high-tech communications need to be leveraged with each other, each used to do what it does best. Online communications are efficient, provide instant access to information and make communications efficient. But high-touch communication is unrivaled for the ability to create bonds, build trust, develop new ideas and solve complex problems. Clearly, the greatest value of high-tech communications is in its ability to free up people's time for valuable high-touch human interaction. ■

Reaching Off Line Workers

Not every worker in your company will have Internet, Intranet or e-mail access. Yet you still need to reach blue collar workers. Using digital media for workers who aren't chained to a computer is still possible. For example, Xerox makes available a toll-free number for the latest company news. And Saturn has satellite hook-ups for live broadcasts of important news. When a car is recalled, the information is sent out over the computer system. Workers and dealers are then told when to check for more information. A satellite broadcast explains in detail the need for a recall. There is even time for called-in questions and answers.

Today's Marketing and Communications Tasks

The key professionals in a Customer Century company are the communications professionals. Their job is to assure that communications flow up, down and across the company and to the customer and stakeholders.

To effectively integrate communications in their companies, marketing and communications specialists need to:

- Develop measurements based on three parameters: the value that customers and stakeholders add to the company; the value that the company adds to customers and stakeholders; and finally, the reputation of the company and its products.
- Find out what senior managers and a sampling of middle managers believe about the value of communications. Based on interviews, develop action plans to integrate communications.
- Develop guidelines on the personality, look, tone and core messages of the company and its brands. Also develop process flowcharts for how to conduct communications planning and implementation.
- Connect with marketing and communications professionals across the company, sharing best and worst practices and future plans.
- Analyze what communications tasks can be done in-house and what must be outsourced.
- Bring integrated communications and marketing agendas that address the strategic priorities of your company to the senior management table. ■

Putting It All Together

In the Customer Century, the best companies take integrated communications to heart and change their way of doing business. To become a world-class Customer Century company, your organization needs to learn the following lessons of today's top companies:

Integrate external communications by compiling customer and stakeholder information into a central customer database. Identify the most profitable customers and critical stakeholders, and analyze their needs. Use high tech to customize communications, service offerings and products to their needs. Integrate high-touch communications into communications between the company and key customers and stakeholders.

Integrate vertical communications between the senior management and the front line, keeping top people in touch with the rest of the organization and employees in tune with the strategic context of their work. Use high-tech computer connectivity to reach all employees instantaneously, and encourage open dialogue. Use high-touch cascading communications to secure commitment and involvement at all management levels.

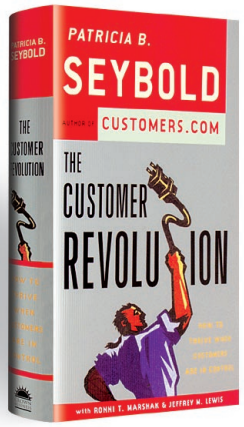
Integrate horizontal communications by aligning the entire organizational structure, processes and reward systems around customers instead of around functions, business units or geographic regions. Use high-tech communications for global access to information and people and for forming virtual teams and communities. Use high-touch face-to-face communications for teamwork, bonding, building trust, developing ideas, resolving conflicts and solving complex problems. ■

· Book 88 of 106 ·

The Customer Revolution

Patricia B. Seybold

SOUNDVIEW Executive Book Summaries®



By Patricia B. Seybold with Ronni T. Marshak and Jeffrey M. Lewis

CONTENTS

The Three Principles
Pages 2, 3, 4

Eight Steps
Page 4

Brand Personality
Pages 4, 5

A Seamless Customer Experience
Pages 5, 6

Care About Customers
Pages 6, 7

Measure What Matters
Page 7

Operational Excellence
Page 7

Value Customers' Time
Pages 7, 8

Customers' DNA
Page 8

Design to Morph
Page 8

How to Thrive When Customers Are in Control

THE CUSTOMER REVOLUTION

THE SUMMARY IN BRIEF

Fasten your seatbelts! We're in the middle of a profound revolution, bigger than anything we have seen yet. It's the customer revolution. Customers have taken control of our companies' destinies. They've taken control of our industries and are reshaping them from the outside in. While some characterize the changes taking place as the new economy, the Internet economy or the knowledge economy, Patricia Seybold, the best-selling author of the book *Customers.com*, simply calls it the "customer economy." To survive in this customer economy, you need to respond to customer demands for changes in the way you design and deliver products and services. In this summary, you will learn exactly what you need to do to embrace the customer revolution and profit from it. You will see how to:

- ✓ **Listen to the Beat of the Customer Revolution.** Customers know what they want, and they are demanding it. They want great service, fair prices and innovative offerings.
- ✓ **Create Customer Loyalty.** Today, your business's most valuable asset isn't investment capital, products, employees or even a brand. It's customer relationships. The value of your present and future customer relationships — your customer franchise — will determine the value of your company.
- ✓ **Manage for Customer Value.** Do this by focusing on delivering customer value. Give customers what they want, not what you think they should want. Look at the world through their eyes. A customer-driven culture is essential to success.
- ✓ **Monitor and Improve Customer Experience.** For the first time in history, it's possible to establish a personal relationship with every customer. Learn how to monitor the customer experience and make needed changes almost in real time. The feelings your customers have when they interact with your brand determine their loyalty. Make the experience a great one.

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The Three Principles of the Customer Economy

According to author Patricia Seybold, three principles underpin today's shift to the customer economy:

1. Customers are in control. Customers are reshaping businesses and transforming industries.

2. Customer relationships count. The value of your present relationships (your customer franchise) will determine the value of your company.

3. Customer experience matters. The feelings customers have when they interact with your brand determine their loyalty.

In the first part of this summary, we will look at each of these three principles in depth. The second part of this summary presents an eight-step operational framework that will help you ensure that your company thrives in the customer economy. ■

Principle #1: Customers Are in Control

What happens when customers take control of an industry and reshape it? The music industry knows.

With the rapid development and distribution of programs that let computer users swap and download digital music files, customers have taken control of the industry. No longer does a music fan have to buy an entire album to get the one or two song tracks he wants. Instead, he searches the Internet for digital files containing the tracks, and downloads them to his computer without paying a dime.

Once the tracks are on his computer, he can burn them onto a CD for play on a stereo system, listen to them while driving or jogging or even use them as sound effects on his mobile phone. Meanwhile, neither the record companies nor the artists who created the music see any profit from their work.

Clearly customers are in control, and they want access to their favorite music without having to pay for what they don't want. The challenge for the music industry is to find ways for customers to have what they want and still find a profitable business model.

How Customers Will Reshape Soft Goods Industries

If you're in the business of selling soft goods, such as books, software or other intellectual property, your customers are already seizing control. They are demanding more than they ever have before, and smart businesses will find a way to change their business models to accommodate those demands. Expect customers to demand the following:

- **Customers will try before they buy.** Customers want to download, install and use your product before they pay for it. The challenge is to give them enough of the product free so they can assess the value of, for example, a book or movie.
- **Customers will buy by the piece.** You must offer your intellectual property in small, bite-sized chunks.
- **Customers will mix and match.** They want to combine your products with other manufacturers'. You must design your goods to be compatible.
- **Customers will want to reshape and repurpose your goods.** Once customers have your digital information, they will want to use it in ways you never imagined. For example, a favorite music track may be used as the ringer soundtrack for a cell phone.
- **Customers will want to share with others.** Customers want to share. Make it easy rather than hard and think of it as viral marketing rather than piracy.
- **Customers will want to publish their own "mixes."** Work hard to maintain your brand through the process.

(continued on page 3)

The authors: Patricia B. Seybold is the author of the international bestseller *Customers.com* and is the founder and CEO of the Boston-based Patricia Seybold Group.

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Principle #1: Customers Are in Control

(continued from page 2)

- **Customers will want to co-brand your material.** Most customers value the source of the material they want to mix, share or change, and will co-brand rather than outright steal.

The Digital Dozen

The turmoil in the music industry is an example of what can happen in any industry when customers, armed with fairly simple technology, begin to alter the long-standing practices and relationships in an industry.

In the past, customers received information on a need-to-know basis. Now, customers want to know everything — your prices, inventory, new product development and even mistakes.

In today's digital business world, your company must prepare for the following customer demands:

1. Open, equal access to electronic resources like instant stock trades.

2. Real-time information with access to inventory availability and notification when there is a problem.

3. Specialist information, especially details about medical research, clinical trial information and drug information. They don't want to have the information filtered through an expert.

4. Convenient access to medical records, scheduling appointments, news, reservations, directions to the nearest coffeehouse or restaurant, and much more.

5. Information to be portable. They want to easily move bank and brokerage accounts and phone numbers when they change service providers.

6. Process transparency. When they order a computer, they want to know the status of that order at every stage of the manufacturing of that computer.

7. Logistics transparency. They want to know where their shipment is from the moment it is shipped until it is delivered.

8. Pricing transparency. They know, thanks to the Internet, what the lowest price for every product is, and they don't want to pay more.

9. Fair, global pricing. In the U.K., consumers have traditionally paid more than their European counterparts for cars. That is changing even as local dealers are refusing to lower prices, as customers order from overseas and arrange for delivery.

10. The ability to set their own prices, either individually or by buying collectively.

11. Choice in distribution channels. They want to be able to buy on the Internet as well as through other channels, but they want the choice to be theirs.

12. Control over their information. Customers are demanding control over their information, at once demanding that companies keep track of information about them, but keep the information private. ■

Principle #2: Customer Relationships Count

How much is your company worth?

In the customer economy, the market value of your business is directly proportional to the value of your customer relationships. The value of these relationships can be determined by calculating the *lifetime value* of your current customers (in other words, the total earnings you expect to receive from current customers) and your presumed future customers (the total earnings you expect to receive from future customers).

The lifetime value of your *current* customers is known as **customer capital**. Customer capital — which takes into account factors such as the number of active customers, which customer segment they belong to, the current average profit per customer in each segment, the cost to acquire each customer, the retention rate and the anticipated growth or decline in profits per customer — should have already been calculated by your marketing department.

The lifetime value of your *presumed future* customers is known as **customer momentum**. To determine customer momentum, you will have to work with some assumptions based on your current customer profiles. These assumptions include how much it will cost to acquire a new customer, what the average profit will be for each new customer, how fast earnings per customer will be, and what the likely retention rate is for those customers.

If you add customer capital (the total earnings you expect to make from your current customers) and customer momentum (the total you expect to earn from

(continued on page 4)

Educating Investors on the Value of the Customer Franchise

One of the first companies to actively educate its investors about the value of its customer franchise is Charles Schwab. Chris Dodd, the CFO, believes the investor community should have access to customer metrics. Schwab reports its net new customer accounts and its active customer accounts each quarter. It defines as active those accounts with balances or activity within the past 12 months and any online household that has had at least one online session in the same time frame.

Principle #2: Customer Relationships Count

(continued from page 3)

future customers), you have calculated what author Seybold calls your *customer franchise* — the total earnings from current and future customers.

What investors really care about when making investment decisions is the value of your customer franchise — in other words, the value of your relationships with current and future customers. ■

The Dawn of the Customer Economy

In January, 2000, America Online reached an agreement with Time Warner to purchase Time Warner for $165 billion. America Online had only $5 billion in revenue, while Time Warner had $28 billion. But AOL stock was worth $164 billion compared with $97 billion for Time Warner.

Look closer, and you will see the dawn of the customer economy. AOL reported it had 22 million subscribers to its online services, while Time Warner had 27.75 million cable and magazine subscribers. That meant that AOL's customers were valued at $7,455 each by investors while Time Warner customers were worth only $3,495.

The quality of customer relationships drives the value of AOL.

Principle #3: Customer Experience Matters

The feelings customers have when they interact with your brand determine their loyalty. Always deliver a great branded customer experience, so that customers have a positive experience every time they come in contact with the brand or someone representing the brand.

A branded customer experience is defined as a consistent representation and flawless execution, across distribution channels and interaction touchpoints, of the emotional connection and relationship you want your customers to have with your brand.

There's an art to creating an alluring branded customer experience. It takes more than a splashy ad campaign. Customers want products and services backed up by flawless customer service, expert advice and reliable delivery and support. They prefer a multi-touch, multi-channel experience; they want to touch and see products at their local outlet while ordering it at their leisure over the Internet. To create a great branded customer experience:

- Begin by creating a brand identity customers enjoy, a brand with personality that customers can relate to. You want customers to think of themselves as "Volvo people" or "Nordstrom shoppers."
- Build strong customer relationships with individual customers. You must find ways for your customers to interact with you. This requires that your company invest heavily in customer support infrastructures.
- Establish trust by delivering on promises and providing good value.
- Support the customers' preferred modes of interaction, whether by phone, catalog, store or the Internet. ■

Eight Steps to a Great Branded Customer Experience

Seybold studied companies from around the world that are singlemindedly focusing on customer value and on improving the total customer experience. Based on the best practices of these companies, Seybold developed an eight-step operational framework to help companies measure customer value, monitor customer experience and deliver a great total customer experience.

These eight steps are explored one-by-one in the remaining articles in this summary. ■

Step 1: Create a Compelling Brand Experience

Whether you're creating a brand identity from scratch or creating a branded customer experience to complement an existing brand, you need to start with a strong brand identity that customers can identify with. That means your brand identity needs to have a personality as well as a core brand idea.

When building your own brand, keep these considerations in mind:

Customers appreciate a brand identity that makes them feel good about themselves. The brand identity should be based on how customers want to see themselves.

Buzz helps launch a brand. That buzz needs to reinforce the brand image you are aiming for.

Every aspect of the customer experience, from store lighting to the way employees answer the phone, needs to be designed with the customer experience in mind. Monitor the quality of the customer experience carefully.

(continued on page 5)

Step 1: Create a Compelling Brand Experience

(continued from page 4)

How you display your merchandise is critical. Today's customers want and need to be able to touch, feel, and try out your products and services.

Sunday Communication's Brand Personality

One company that has succeeded in developing a brand personality and a core brand idea is Hong Kong's Sunday Communications Ltd. Sunday is in the mobile phone business, which has become a commodity business. The company has managed to create a strong brand identity in a crowded field and attracts some of the most demanding mobile phone customers in the world.

The company entered the market in 1997 with a logo and identity, and with the name Sunday. Why Sunday? Because the word evokes the image the company wanted to create; youthful, irreverent and innovative.

The company built up to its launch by running an ad campaign on Hong Kong's transit system with teasers like, "The average man thinks about it 20 times a day" and "You look like you haven't had it in weeks." The answer, of course, was time off on Sunday, but the public didn't know that yet. The ads were seen as too provocative, and banned, so the company placed an ad in a newspaper telling the public it would have to wait until Sunday, Sept. 21 for the answer.

On that date, the company opened its doors offering a new style of mobile service, a "mobile phone network that's all about living." The stores were bright and clean and the salespeople approachable. There were special features offered such as Mobile Assist, which could direct you to the nearest bank or restaurant. There was even a Mobile Cupid feature where you could be notified when an eligible single matching your profile signed up for service. Customers could also change their plans and upgrade their phones anytime they wanted. In short order, Sunday established itself as carefree, irreverent, convenient and fun.

Step 2: Deliver a Seamless Experience Across Channels and Touchpoints

Today's customers are demanding that companies offer them convenience and freedom of choice. They want to decide whether to call an order in, place the order on the Internet, or drop by the local branch or store. They want a seamless experience across channels and touchpoints, and expect the same level of service

(continued on page 6)

The Customer Flight Deck

Through the use of the Customer Flight Deck™ (see example below) you will have a framework within which you can begin to think about what metrics and measurements your company should be tracking in the customer economy.

Picture yourself in the cockpit of an airplane, your flight plan (strategic plan) filed. In front of you is an array of instruments you will need to safely reach your destination (to achieve the plan). You will have to monitor your *navigation* to make sure you are heading in the right direction, your *performance* to make sure all systems are functioning as they should, your *operational controls* to make sure you can make any adjustments you may need to make, and your *environment* to make sure the elements don't catch you unawares.

A Sample Flight Deck for Sunday

	Navigation	Performance	Operations	Environment
Customer Numbers	Number of customers Number of products and services per customer	Increase/decrease in number of customers by customer segment Increase/decrease in number of products/services per customer by customer segment	Number of new service sign-ups Number of services upgrades	Number of competitors' customers Number of non-customers (people who don't use wireless at all)
Customer Retention	Customer retention rate Upgrade frequency First availability percentage (has new phones and features before competition)	Customer retention rate by segment Frequency of new service offerings Popularity of new service offerings (percent uptake) Upgrade turn-around time New model availability	First-to-market ratio (how often are we first-to-market with a new service?) Manufacturing-to-market availability of new models of mobile phones	Competitive first-to-market percentage
Customer Experience	Unaided brand awareness rank Customer satisfaction rating Mystery shopper scores	Satisfaction with network quality Satisfaction with service quality: • Phone support • Problem resolution • Accuracy of billing • In-store experience	Network uptime Service metrics (first-call resolution, courtesy, knowledge, flexibilty, etc.)	Comparative satisfaction: • Wireless companies • All service companies
Customer Spending	Average spending per customer Profitability per customer Customer lifetime value	Percentage change in customer spending by customer segment Percentage change in profitability by customer segment	Effectiveness of advertising and marketing as measured in increased customer profitability Customer serivce and support costs	Total spending on wireless services Total spending on all communications services

Step 2: Deliver a Seamless Experience Across Channels and Touchpoints

(continued from page 5)

and support regardless of whether they shop online, via catalog or at a bricks-and-mortar store.

The term *touchpoint* describes the type of media through which customers interact with companies. Touchpoints include stores, telephones, mail, fax, kiosks and the Web. Customers choose which touchpoint to use depending on things like the time of day, the location of touchpoints and their preference at the moment. For example, a customer could order a computer over the Internet or by visiting a retailer.

The term *distribution channel* describes the business relationships set up by companies to make it easier to get products, services or information to their customers. In the past, the choice of distribution channels was made by companies, but that is changing. Customers who always bought through retailers in the past are demanding the ability to purchase goods and services directly. Today, a customer could order a computer through any number of distribution channels, including from a national retailer or directly from the manufacturer.

Channel Conflict

If your company does decide to begin selling across channels, your success will depend on how you evolve your relationships with channel partners — especially if those partners come to believe that by selling directly or opening up additional channels, you are hurting their business by drawing customers away from them. Dealers and retailers are intent on owning their relationships with customers, while those same customers are demanding access to alternative channels and looking to the manufacturer to provide those.

Channel partners must be educated on what customers want today. They must understand that customer information must be shared. There is no other way to operate in the customer economy. But you may have to design special compensation systems for your channel partners to take some of the bite out of their fear that additional channels will eat into their profits. ■

Lids Delivers Across Touchpoints and Channels

Lids is a company that understands what its customers want, and delivers. Lids was started by two college students in 1991 who noticed that the hip student uniform included baseball caps, but heard complaints about how hard it was to find those caps. Today, the company has over 500 retail outlets and a thriving Internet business.

At first, small stores were placed in malls, where the target market, males between 12 and 24 years old, gathered. Lids offered a one-stop shop for a wide variety of baseball caps. What wasn't in stock could be ordered and either delivered to the buyer's home or the store for pick-up.

By 1998, Lids added an online store. The entire inventory was made available online. A special cash card was made available in stores, allowing parents or students to create a debit card that could be used online or in the physical store. Databases were merged so that buyers could buy online or in stores, and have those purchases tracked.

To increase customer loyalty, Lids initiated a frequent buyer program called HeadFirst™, which gave customers a free hat after purchasing seven hats. Purchases on the Internet and in retail stores were automatically tracked for the reward. Within two years, there were 1.5 million active HeadFirst™ customers, each buying an average of 7.5 hats per year! By allowing customers choices of channels and touchpoints, Lids has captured a large share of the teen and young adult hat market.

Step 3: Care About Customers and Their Outcomes

The companies with the right stuff to thrive in the customer economy are those that have a corporate culture and set of core values centered around caring about customers — not as revenue targets, profit contributors or advertising magnets, but as people. Customer loyalty and lifetime customer value are two key metrics that foreshadow success in the customer economy. You can't build either one if you don't truly care about your customers and their outcomes — in other words, what the customer is trying to accomplish by buying your product or service.

Hewlett Packard Cares

How do you build a customer-centric culture from scratch? Instilling deep values in your employees from the outset is one step. You must also give customers great service, treat them with respect, offer a fair deal that is easy to understand and provide highly personalized service.

One company that has successfully moved from being product-centric to customer-centric is Hewlett Packard. HP was a company with a good reputation for products among its customers, but it was not delivering a seamless customer experience. In 1999, Carly Fiorina became CEO. One of the first changes she made was to organize HP into five business units: two customer-fac-

(continued on page 7)

Step 3: Care About Customers and Their Outcome

(continued from page 6)

ing organizations for consumer and business customers, supported by three product-generation organizations. To become more customer-centric, Fiorina changed the way executives were measured and compensated to include accountability for customer satisfaction, customer experience and customer loyalty. ■

Step 4: Measure What Matters to Customers

Most companies measure and monitor sales and profits, customer growth and defection, inventory turns and profit margins. If they have a Web site, they also measure hits and clicks, unique visitors and abandoned carts. But none of these metrics matter to your customers. They can't help you improve your customer's experience in doing business with you. The companies that will be pulling ahead over the next few years are those that take the quality of their customers' experience very seriously. To compete with them, you'll need to assess the entire quality of the experience whether they interact with you or through your partners.

Your business should be designed around the outcomes that your target customers are trying to achieve. The first step toward measuring what matters to customers is to make a list of the most common tasks your customers need to do. Try them yourself to discover how easy or difficult it is for customers to interact with you. Track things like the average number of calls per customer, per order and per customer incident. See how long customers wait for an answer. Another measure of the customer experience is to send out a "mystery shopper" to your and your partners' retail outlets and have them rate the quality of their customer experience. ■

Step 5: Hone Operational Excellence

Once you know what your customers' experience is like, you need to hone that experience. One way to do that is to design your back-end processes first, before you introduce a service to customers. Design the system from the customer's point of view.

One company that has done this well is the U.K. grocer, Tesco. Before launching an Internet grocery order and delivery system, the company looked at its infrastructure. Because it already did a great job of keeping track of in-store inventory, and had retail outlets across the U.K in almost every neighborhood, it decided to fulfill online orders through its local stores. Customers could place an order and arrange for delivery of the same goods that they would buy if they went to their local store.

Tesco takes orders and then sends pickers into the store dressed in a uniform that advertises the online operation. Customers making their way through the aisles naturally wonder why they are wasting their time when for a few pounds, their groceries could be delivered. And Tesco did not have to set up separate warehouses for the online division. In addition, the customer databases for online and in-store shopping are merged, so that the company has access to complete information about customer preferences, (which is helpful when a substitution has to be made). The results are impressive. Tesco has 750,000 registered customers and has blanketed 90 percent of the U.K. ■

Satisfactory Outcomes

Customer-centric companies care about the customer outcome. To measure customer outcome, find out, through tools such as surveys, what the customer experience was like. However, be sure that you don't bombard customers with requests for information, especially if they use various channels to do business with you. Put a system in place that surveys customers no more than once a year.

Step 6: Value Customers' Time

What frustrates customers most? When you waste their time! Companies that become fanatical about not wasting time are the ones that will thrive in the customer economy. If you are serious about your customers' time, focus on:

- **streamlining decision-making,**
- **offering ubiquitous, convenient access,**
- **designing processes using customer scenarios.**

To streamline customer decision-making, organize the information customers need to make a decision. For example, if you offer a Web-based search engine, allow searches by key word, category and model. Offer side-by-side comparisons, photographs and illustrations. Let customers know about delivery methods and time frames. Provide access to installation and troubleshooting information. Offer customers ways to contact you 24 hours a day.

If you design your processes using customer scenarios, you will be doing a lot to eliminate wasted time. A customer scenario is a set of tasks that a customer wants or is willing to do to achieve a desired outcome. It starts with a customer's need and ends with the goal achieved.

(continued on page 8)

Step 6: Value Customers' Time

(continued from page 7)

The better you understand what the customer wants, the better you are able to deliver.

Examples of consumer customer scenarios are paying the household bills, replacing a refrigerator, selecting and buying a car, and applying for and getting a mortgage. Examples of business customer scenarios are booking travel for a business trip, researching and procuring a new phone system for your business or locating and procuring the parts for a new product you're about to manufacture.

The best way to master customer scenarios is to start by creating a few yourself, then get your customers to do their own scenarios, and then refine your designs based on customer input and priorities. It is best to do between three and six scenarios for each target customer set. Look at the organizational and business process issues the scenarios raise. Then have your IT people map out the infrastructure and services that will be required to support each scenario. ■

Step 7: Place Customer DNA at the Core

A great way to build customer loyalty is to simplify customers' lives by managing things that are important to them. Customers are increasingly willing to use electronic services to manage portions of their lives, such as record keeping, bill paying and managing photo collections. Business customers want to manage inventory, replenish office supplies and manage their supply chain. This broad category of customer and project or task-specific information is your customer DNA — it triggers the actions that need to take place and informs all the interactions among participant players.

Just as biological DNA orchestrates the body's processes, customer DNA attracts the right services, in the right context, at the right time. If your car needs service, an appointment may be offered and scheduled. If your inventory needs replenishment, your approved suppliers and logistics partners spring into action.

One company that is simplifying the lives of its customers by managing information is Medscape. The company helps physicians run better practices by allowing them to manage patient files electronically rather than through the traditional paper route. The company also allows patients access to those medical records and provides doctors with online medical information. The company wants to improve the core relationship between patients and their doctors by saving time for doctors, giving more information to patients, and improving the quality of information available to both. ■

Step 8: Design to Morph

Today, you can almost expect to change your business model four times a year. There is something fundamentally different about running a business in the new customer economy. The fact is, you probably will have to change your business on the fly. The question isn't if, but when. Here are some rules to help you decide whether it is time:

- **It feels right.** Trust your intuition. There's no business logic or market research that can rival human intuition.
- **Your customers give you clues.** When customers begin asking for new services, listen.
- **Would-be customers give you clues.** Listen when potential customers ask you if you could offer a particular service.
- **Existing partners want you to provide a service for them.** Sometimes your partners ask for specialized services that will make their partnering easy. Listen. You may be able to provide a service and collect a fee.
- **Would-be partners want you to provide a service.** Assign someone on staff the responsibility of evaluating partnering offers.
- **You know you are onto something but haven't quite nailed it.** Sometimes it's best to run several promising initiatives parallel to each other until you see which one takes off.
- **The market begins to shift away from your business model.** You must stay on top of market trends, and be vigilant about capturing new customers who may not look and act like your old customers.
- **Your business model is still taking shape.** Sometimes you attract a market niche you weren't targeting in your original business plan. When you do, it may be time to change the business plan to reflect the market you have found.

Once you know that you need to morph, it's time to get moving. First, make sure you **keep your branded customer experience in the faces of your customers**. Customers feel comfortable with the familiar. Next, **invest heavily in core infrastructure and operational excellence.** These are the mechanisms and services that support your branded customer experience. **Leverage your core services as an asset.** If your strength is inventory control and efficient delivery, use that strength as you expand into new areas. Amazon.com does this every time it adds a partner to sell a wider variety of goods. It also helps to **stay with trusted leadership** as you expand into new areas. Finally, it helps to **have supportive and patient executives and investors.** ■

· Book 89 of 106 ·

The Death of Demographics

David Allison

soundview Executive Book Summaries®

The Death of Demographics

Valuegraphic Marketing for a Values-Driven World



by **David Allison**

Contents

Introduction
Page 2

Part One: This Is What We've Been Doing Wrong
Page 2

Part Two: Fundamentals of Valuegraphics
Page 2

Part Three: This Is What We Care About All Around The World
Page 3

Part Four: The DIY Valuegraphics Toolkit
Page 4

Conclusion
Page 4

THE SUMMARY IN BRIEF

Marketers have long believed that demographics are the key to influencing consumer behavior. If we have enough information about age, gender, favorite brands, and purchasing history, we will be able to make an impact. But this belief is false. Traditional demographics don't help us understand who people are and why they behave the way they do. In ***The Death of Demographics: Valuegraphic Marketing for a Values-Driven World,*** David Allison challenges traditional marketing tactics by teaching us how to focus on consumer values. By uncovering what drives behavior, you can improve the effectiveness of your marketing by eight or more times.

This book teaches you how to identify the valuegraphics of your target consumer and creates powerful, value-driven strategies to engage them with your product or service. You'll learn why traditional demographic models are inaccurate and go through a step-by-step process to change your marketing strategy into one that's value-driven.

IN THIS SUMMARY, YOU WILL LEARN:

- The behavioral science behind consumer behavior.
- How people in different parts of the world behave based on their values.
- Archetypes that dominate in the consumer population.
- Instructions on how to engage each archetype.

Introduction

Organizations collect large amounts of consumer data for the purpose of marketing. The widely held belief is that by knowing your target audience, you can develop a marketing strategy that engages that audience. Unfortunately, data doesn't cover everything and gaps must be filled in by intuition. This is a risky strategy with the potential to cost companies billions of dollars on failed advertising attempts.

While demographics show a certain amount of information about who people are, they don't show the why behind how people behave. People's core values drive their behavior. Without insight into these values, you can't truly know what they want. This book will show you what valuegraphics are and how to harness them to maximize your organization's potential. I will share secrets of behavioral science and give you the tools to truly understand how to reach your target audience.

Part One: This Is What We've Been Doing Wrong

I owned a marketing and creative services firm with clients around the world. Our clients were high-end real estate developers and it was our job to create their marketing campaigns. To do this, we made target audience briefs, designed to specify who we were selling to. The problem was that all of our briefs were virtually interchangeable.

Demographic stereotypes are the rules and expectations that have kept society together. They are the reason we've survived. In the Flinstones era, this dictated that men hunted and gathered, while women were in charge of making babies, cooking, and sewing clothes. Fast forward to the 1950s in suburban America. The men go to work to support their families, while the women stay home. The men who are really good at their jobs get to become CEOs and lead others. They are handsomely rewarded with power and prestige.

While this example is a generalization, it shows how throughout history, demographics have dictated what is required of you at certain times in your life. It's essentially a complex set of stereotypes that lay out society's expectations. These demographics are also what cause us to make snap judgments and decisions about how others will behave. However, they are all based on stereotypes.

Today, many traditional demographic stereotypes have disappeared. In fact, they have caused enormous social problems that most of us strive to do away with – social classes, homophobia, sexism, racism, etc. The only way to get rid of these things is to rid ourselves of demographic thinking. How do we do that? We focus on values.

We launched the Valuegraphics Project to create an inventory of core human values to give organizations target audience profiles based on values. The database was developed using 750,000 surveys around the world and is 95% accurate. Two facts should be addressed before we delve further into numbers:

1. People around the world agree roughly 8% of the time.
2. People in the same demographic cohort align with each other about 10.5% of the time.

This means that demographic profiling only improves agreement by 2.5%. Marketing to a specific demographic is not much better than marketing to people in general.

Part Two: Fundamentals of Valuegraphics

Data can only get you so far and there will always be some educated guesswork involved in deciding what steps to take. But demographics are historic and do not tell you what people will do. Science backs up the fact that values dictate our decisions.

What We Value Determines Everything We Do

Let's look at an example of how values dictate behavior. A group of friends finds themselves in a dark alley in the middle of a snowstorm. David values experience more than anything else in life. Greg values security. The third friend, Cory, values friendship. It's your job as the VP of marketing at Dark Alley Enterprises to convince people to go down that dark alley.

If your audience places value on experiences, it's easy. All you have to do is convince them that the Dark Alley is jam-packed with thrills you won't find anywhere else. If your audience values security, you'll need a much different pitch. You may have to emphasize the safety protocols and emergency contingency plans. Finally, if your audience values friendship most, it's an opportunity to emphasize the bonds people will form while they embark on this challenge. In reality, you'll need a marketing pitch that emphasizes all three approaches to be the most successful.

The Valuegraphics Database

You'll recall that the database is built from the answers to over 750,000 surveys. The surveys focus on 10 themes about people's wants, needs, and expectations and data was collected from 9 regions around the world. Some countries, like North Korea, are not included in the dataset because collection in those places is unrealistic for many reasons. The database establishes two important things:

1. Demographic stereotypes are useless for describing who people are.
2. The database can identify the shared values of a target audience for anywhere in the world.

There are 56 values identified in the Valuegraphics Database that determine the behavior of everyone.

Part Three: This Is What We Care About All Around The World

What I'm hoping to show you in Part Three is how to use your sociological imagination to think about valuegraphic information. Sociological imagination is your ability to form a picture of what might happen next, based on the information you are presented with.

Valuegraphics of the World

The most important values anywhere in the world are what I call the Togetherness Values. These are:

- Belonging
- Community
- Family
- Friendships
- Relationships

Without exception, these are the most important values on earth. They do not follow regional patterns and everyone in the world has them. Aside from the Togetherness Values, there are a few other common value threads across the globe.

- Financial security is the top value in Europe, China, and the rest of Asia. It is high on the list in other regions.
- Basic Needs are only a top concern in North America

The Valuegraphics of The United States

Behind the Togetherness Values of Belonging, Family, and Relationships, Americans are driven by Personal Growth, Health & Well-Being, and Basic Needs. Employment Security and Religion & Spirituality follow close behind.

The Valuegraphics of The European Union

Family, Belonging, and Relationships are most important to Europeans. Interestingly, creativity falls among the top ten things valued in the EU, along with Possessions, Community, Personal Responsibility, and Loyalty. This doesn't mean that creativity isn't valued in other regions of the world, just that it's a higher priority in Europe. For example, in Africa, it ranks 23rd. It's valued by African people, but 24 other values are more important in Africa.

The European Union also shows both Possessions and Experiences scoring high on the valuegraphics chart. This is unusual and the only instance where these two values score together in the top ten. It suggests that possessions are viewed as Experiences and Experiences (or memories) are sometimes viewed as Possessions. Confidence is twice as high in the EU compared to anywhere else in the world, which is worth paying attention to when marketing to European audiences.

The Valuegraphics of China

China is a remarkably unique place valuegraphically speaking. Patterns appearing in China only appear in this country, which is why China is its own region in the Valuegraphics database. The top ten values for China are Family, Relationships, Financial Security, Personal Growth, Harmony, Righteousness, Loyalty, Wealth, Social Standing, Religion & Spirituality, Possessions, and Security.

The Chinese culture has the ability to incorporate great diversity of opinion with traditional Chinese values. Another fascinating anomaly in the Chinese data has to do with the value of Family. While Family tops the list of values for many parts of the world, this value in China can't be overstated. It's like an ultra-super-mega-value in China.

The Valuegraphics of Africa

African countries place immense value on Basic Social Values like Relationships, Community, Loyalty, and Respect. Relationships and Community are reciprocal, as in the concept of Ubuntu. Ubuntu translates as, "I am because you are, and you are because I am." The question of "Am I my brother's keeper?" in Africa is unequivocally yes.

Religion & Spirituality can be a powerful value for marketers, or a dangerous one. It won't fail to elicit opinions, but it can be either unifying or polarizing. It's important to see

this value through the eyes of your target audience, as it can mean orthodoxy or it can simply be an awareness of the spirit as part of the human condition.

Africa is the only region in the world where Patience is a top ten value. Balance of work, community, and spirituality also ranks high.

The Valuegraphics of Oceania

To gain an understanding of what is valued by people in Oceania, it's best to look at their values in clusters. The stability values of Financial Security, Basic Needs, and Employment security rank high. This indicates that people want to know for certain they have enough money to live on and that they can put food on the table. These values make people "Cost-Conscious" or "Fiscally Responsible" and less likely to spend money on items with intangible benefits.

The forward-momentum values of Personal Growth and Personal Responsibility are also important. These values change how things are viewed. A gym membership isn't about getting fit, it's about creating a better version of yourself. Buying a new home isn't a place to live, but a step forward to a new chapter in your life.

The Valuegraphics of Central/South America

The values in Central/South America are focused on security, family, religion/spirituality, and basic needs. Tradition, Respect, and Loyalty also rank high on the list.

The Valuegraphics of the Middle East

Morality is the headliner in the Middle East, ranking second behind Family. This is something completely different from anything else in the world. This value exists outside of any specific religious beliefs but extends to their entire culture.

Part Four: The DIY Valuegraphics Toolkit

When you know the valuegraphics of your target audience, you have a starting point. Now I will give you a step-by-step guide to researching the values of your target audience.

Step One: Send Out the Quiz and Tally the Results

Sending your target audience the Valuegraphics Archetype Quiz is the first step to gaining information. There are 15 different archetypes explained in detail in the book. Every person will fit into one archetype category.

Step Two: Find Your Superhero, Sidekick, and Nemesis Archetypes

The quiz results will point you toward your target audience. Your "superhero" is the primary archetype. If a second archetype scores high, it is your sidekick, and the archetype scoring the lowest is your nemesis.

Step Three: Check the Charts for Your Region

Compare your quiz results with the results in Part Three of this book to find any similarities or differences that are worth investigating further.

Step Four: The Values Thinking Process

Now it is time to bring your data together and generate actionable ideas that target the shared values of your target audience.

Conclusion

Humans are hardwired to spend their lives in pursuit of the things they value. It's how humanity works. The Valuegraphics Project was created as a replacement for outdated and broken demographic profiles. It's kind of like an encyclopedia of human behavior for marketers. Knowing the values of your target audience allows you to know why people do what they do and what strategies will engage them in the future.

By using the steps outlined in this book, you can change the way you market to audiences around the world. You can be an agent of change for how the world thinks. Conversations have always been "us vs. them." Whether it's rich vs. poor, black vs. white, male vs. female, and so on. By using these outdated demographic labels we perpetuate division and stereotypes. Thankfully, we are moving into a more values-driven world. By changing how we look at the world, we can change the world.



David Allison launched the Valuegraphics Project in 2015 to create a worldwide map of core human values. Today, global brands and organizations from PayPal to Lululemon use valuegraphics to understand how groups of people make decisions-about anything, anywhere on Earth-and activate their target audiences eight times more powerfully than ever before. Learn more at Valuegraphics.com.

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· Book 90 of 106 ·

The Future of Purpose-Driven Branding

David Aaker

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Executive Book Summaries®

The Future of Purpose-Driven Branding

Signature Programs that Impact & Inspire Both Business and Society

by **David Aaker**



Contents

Introduction
Page 2

Part 1: Purpose-Driven Branding – The Context
Page 2

Part 2: Signature Social Programs that Inspire, Impact, & Thrive
Page 3

Part 3: Integrating the Signature Social Program into the Business
Page 3

Part 4: Putting Signature Social Brands on Steroids – Five Branding "must dos"
Page 4

Conclusion: Evaluation of Your Signature Social Program & Brand
Page 5

THE SUMMARY IN BRIEF

The world is facing massive challenges as we speak. Climate change, poverty, energy insecurity, education, and inequality are a few of the many issues waiting to see their resolutions. Companies must be more serious about driving change instead of simply ticking their CSR responsibility box.

The Future of Purpose-Driven Branding: Signature Programs that Impact & Inspire Both Business and Society helps offers a wealth of strategies to bridge the gap between organizations' need to drive change and making this change a reality. The book places signature social programs as the centerpiece of the purpose-driven branding model. Since signature social programs are more long-term, focused, and guided by a brand, they have the power to truly impact society.

Author David Aaker explains how purpose and profit can co-exist by leveraging signature social programs through innovative strategies and case studies. Aaker also offers a solid framework for organizations to craft campaigns that will benefit both the business and society.

IN THIS SUMMARY, YOU WILL LEARN:

- The three strategic thrusts to bring a new purpose-driven revolution in business.
- What a company needs to create purpose-driven branding.
- How to create signature social programs that inspire, impact, and thrive.
- How to integrate signature social programs into the business.

Introduction

Chapter 1: The Future of Purpose-Driven Branding

From "pledging to save the environment" to "creating insanely great products" – Purpose can be relevant for both business strategy and societal efforts.

The "future of purpose-driven branding" deploys robust efforts to address societal challenges like inequality, climate change, and more. An organization can have one or multiple signature programs. Aside from creating a signature social program, an organization must also integrate it into its business.

Finally, for the creation and integration of your social program to work, a business must also build a strong signature social brand that will provide guidance, clarity, credibility, visibility, and inspiration.

Part 1: Purpose-Driven Branding – The Context

Chapter 2: Unilever – A Heritage of Addressing Society Needs

Unilever is a great example of purpose-driven branding.

In 1894, soap maker William Hesketh Lever introduced Lifebuoy Soap. The mission of this brand was to combat cholera in Victorian England and make health and hygiene accessible to everyone.

The company also constructed a Unilever Sustainable Living Plan (USLP) which involved a ten-year journey toward sustainable growth. This was followed by a second ten-year commitment called Unilever Compass. USLP today is organized into three thrusts that focus on:

- Improving the health of the planet.
- Improving health, confidence, and well-being.
- Contributing to a fairer and more inclusive world.

In 1955, Unilever introduced the Dove "beauty bar." As Dove expanded to 80 countries, the brand introduced a new social mission – to redefine real beauty and help women view their body image positively.

Unilever's heavily integrated business strategy and signature social programs propelled the organization to successfully address society's challenges while supporting its business models.

Chapter 3: Salesforce: A Social Program Pioneer

In 1999, Marc Benioff decided to break away from Oracle and start Salesforce to introduce "software as a service." The big idea was to have Salesforce software reside not in a firm's computers but on the "cloud." But what truly made Salesforce revolutionize the software industry? Its mission to bring companies and customers together in a new way.

What's more, Salesforce developed the 1-1-1 system where the organization gave 1% of employees' time annually, 1% of its product annually, and 1% of its equity towards social efforts. The company invested heavily in non-profits by offering free or discounted Salesforce tech to help nonprofit organizations to be more effective. A few of the many platforms created by Salesforce to bring societal change include the Nonprofit Success Pack, the Nonprofit Cloud, Education Cloud, Sustainability Cloud, and Philanthropy Cloud.

Chapter 4: Five Drivers of Social Effort Momentum

Today, creating societal purpose (or mission) is a "must-do" for a surging number of firms. But what are the elements that will push your social programs to reach a difference-making impact? The answer lies in the Five Drivers of Social Effort Momentum.

1. The Stakeholder Paradigm is winning. The stakeholder model has been replaced by the stakeholder model where multiple stakeholders deserve to be served by a capitalistic business in addition to just the shareholders.

2. Employees and other stakeholders demand it. There is pressure on organizations to make meaningful progress on societal problems from many sources. The most relevant sources include the employees, customers, and investors. Additional sources include governmental agencies, the general public, and social advocates.

3. The seriousness and visibility of societal problems. Companies today can no longer sideline the high visibility of societal problems represented by events, trends, and stories, and magnified by social media. In a highly globalized world of ours, businesses can only progress if they take steps to contribute to society and the environment.

4. Businesses with resources, insights, and agility can. Business firms have management competence, knowledge, agility, offerings partially at fault, and

a willingness to take risks. A combination of these resources brings societal change.

5. Business brands need social program energy and lessons from historians. The equation here is simple: unless brands succeed in deploying signature social programs, they risk weakening their ties with customers and becoming vulnerable to a "fresh face" brand image.

Part 2: Signature Social Programs that Inspire, Impact, & Thrive

Chapter 5: Purpose/Mission and Culture that Enable and Inspire Social Programs

Successful businesses carry a mission or purpose that is inextricably linked with resolving societal concerns. Tesla's mission, for example, aims "to accelerate the world's transition to sustainable energy."

A single statement of purpose or mission is enough to enable high-performing social programs. Creating a separate social purpose becomes critical for business missions that cannot be stretched to cover societal needs. Ben and Jerry's, for instance, has three missions: product mission, economic mission, and social mission.

Regardless of the type of signature social programs a company creates, it is important for these programs to find their way within the organizational culture.

Chapter 6: The Signature Social Program

Simply put, signature social programs have two jobs that require their signature status. Job 1 is to make a meaningful, convincing impact on a challenging societal problem by providing inspiration and guidance. Job 2 is to enhance a business by creating a strong connection with employees and other stakeholders, energy, and an image lift.

A signature social program and its associated social brand will have a powerful ability to break through information overload, media clutter, and perceived "sameness and puffery." In other words, this program comes armed with unique "proof points" that add credibility to the business's societal effort and its commitment to making a difference.

Finding the right programs, integrating them into a business, and building a strong brand are the cornerstones of making a signature social program effective.

Chapter 7: Find Signature Social Programs that Inspire, Impact, and Fit

Start by reviewing the major issues, needs, and problems facing society like inequality, climate change, health, and education. The initiative a business chooses can then help attract individuals willing to volunteer or donate to the cause. In addition, there will also be several nonprofits that can either become a business's external signature social program or an internal program's partner. There are three criteria that can help screen and evaluate the right program.

1. Inspire (answers the "why" question): First, your programs need to matter and inspire not only to attract employees and partners but also to accentuate potential to help the image of the sponsoring business brands.

2. Be credible (answers the "how" question): The program concept must have an innovative and unique approach. There needs to be access to assets, skills, and resources needed to make a difference and create a valuable commitment by stakeholders.

3. Fit the sponsoring business. If the program is integrated with a business, the chances of long-term success increase. Integration can be made easier if the program fits with the sponsoring business or firm, is consistent with its values, people, and culture, and enhances visibility, loyalty, and brand image.

Part 3: Integrating the Signature Social Program into the Business

Chapter 8: Integration: The Signature Social Program Job 2: Enhance a Business

Integrating a signature program into a business provides a supportive home, protecting the program from the risks and vulnerabilities of being by itself.

A signature social program boosts brand visibility and energy. A brand that is visible is more likely to be considered when the organization has an application for which the brand should be relevant. The program also fosters a positive brand image, grows brand loyalty, provides growth and credibility, makes the brand more memorable, and combats negative publicity.

Chapter 9: Integration – The Business Supports the Signature Program

The nature and strength with which a program is linked to the business brand is critical. Without this link, even the best program will not provide any value to a business. The more it is linked visually, logically, strategically, and organizationally, the more likely the values and reputation of the signature social brand will benefit from the endorsement and therefore enhance the business.

Part 4: Putting Signature Social Brands on Steroids – Five Branding "must dos"

Chapter 11: Must-Do 1 – Creating a North Star Direction to Clarify, Guide & Inspire

After the societal challenge is identified, the next strategic task would be to create a signature social brand for the program. The four conceptual tools (the North Star Direction) to create a successful program include:

- Purpose (or mission) statement that provides a compact expression of the essence of the program.
- Brand vision (or brand identity), which creates principles that will serve to deliver credibility, points of differentiation, and inspiration.
- Brand positioning (or framing) that reflects what elements of the brand vision will communicate priorities to the various stakeholders.
- Tagline (or slogan) that intrigues, inspires, informs, and anchors the external communication.

It's important to remember that when programs evolve and change, the North Star must adapt to accommodate that change as well.

Chapter 12: Must-Do 2 – Create Brand Communities

A brand community is a group of people or organizations with shared involvement or even passion in some activity, goal, or interest area connected to a brand, a community that provides self-expressive benefits, a sense of belonging, usable information, social benefits, and engagement opportunities.

But what makes a brand community so important? These five massive benefits do:

- Self-expressive benefits that help you communicate the empathetic giving side of your business.
- A feeling of belonging within the brand community that provides a core circle of friends that are reliable, always there, and always interested.
- Informational benefits such as having a website that will answer questions, provide information, give suggestions, and list out community events, and relevant books that are relevant for both the community and the business.
- Social benefits delivered by a brand community help connect with people that have similar interests and values. The result? More sources of ideas, better job performance, and even better jobs.
- Engagement opportunities to cultivate a deeper and more active passion and commitment to the brand's societal programs

Chapter 13: Must-Do 3 – Find and Employ Signature Stories

Stories work where facts and descriptions do not. Blend a story with facts and the narrative becomes extremely powerful. Signature stories are a "once upon a time…" narratives that are authentic, attention-grabbing, involving, and illustrating a strategic message. These stories energize and allow the audience to "discover the message," and the facts within the story distract them from counter-arguing. Stories also engender liking and respect and enhance loyalty.

Stories can come from different sources. Recipients or clients of a signature social program are often rich targets because of the emotional impact of their stories. Masking their identities can encourage more individuals to share stories. You can also deploy "heritage stories" about the hows and whys of the program's beginnings. Another option would be a story about its program's operation, including a difficult challenge and how it was overcome.

Chapter 14: Must-Do 4 – Find & Fire Your Silver Bullet Brands

As with all brands, all signature impact programs need differentiation, energy, and credibility. A great way to gain these brand attributes would be to create branded differentiators, energizers, or sources of credibility. All may be candidates to be silver bullet brands.

Both experience and research confirm the value of differentiation. Creating an ownable point of difference set the campaign apart from what came before it.

Brands that are energetic offer their audience "a sense of

moving forward." Dove's "Free Being Me" self-confidence program became a potential silver bullet brand with energy generated by interactive and fun activities that taught kids and young people the value of appreciating their own bodies.

Credibility is the main ingredient of every successful signature social program. It offers reassurance in a tangible and substantial way by using poof points.

Chapter 15: Must-Do 5 – Scale Your Signature Social Program

Scaling helps brands change lives beyond just their local communities or geographies. Start with understanding and explaining what you do. Develop a process to handle incoming requests for help. Deploy dedicated consulting people and create training programs that can be accessed remotely. Tap into the power of social media to boost visibility. Finally, create communities of leaders and participants using the program's own website. This is where experiences, questions, challenges, and resources can be shared with a community that provides support.

Conclusion: Evaluation of Your Signature Social Program & Brand

Building a solid signature program is not enough. To ensure relentless growth, it is critical to measure its success. Ask questions like, "Does my program display substantial credibility?" "Does it "intrigue" and attract attention?" "Do a worthwhile number of stakeholders engage with it?" "Have the buy-ins been increasing?"

From determining the purpose and mission of your brand to evaluating and improving the performance of its signature social program – consistent and strategic purpose-driven branding can make both your business and society happy!



David A. Aaker is the Vice Chairman of Prophet and Professor Emeritus of Marketing Strategy at the University of California Berkeley Haas School of Business. He is the winner of five career awards for contributions to the practice and science of marketing, including the Paul D. Converse Award, the Vijay Mahajan Award, the Buck Weaver Award, the Sheth Foundation Medal and being named to the NYAMA Marketing Hall of Fame. He has published over 100 articles and 18 books that have sold well over 1 million copies and been translated into 18 languages.

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· Book 91 of 106 ·

The Future-Ready Brand

Mitch Duckler

Executive Book Summaries®

The Future-Ready Brand

How the World's Most Influential CMOs are Navigating Societal Forces and Emerging Technologies



by **Mitch Duckler**

Contents

Section 1: Societal Futurewaves
Page 4

Section 2: Technological Futurewaves
Page 4

Section 3: Commercial Futurewaves
Page 6

Conclusion
Page 8

THE SUMMARY IN BRIEF

The world's leading brands are facing serious challenges stemming from socio-economic and technological shifts. Brand establishment and differentiation efforts that used to yield stellar results in the past years are no longer delivering the same results.

The Future-Ready Brand: How the World's Most Influential CMOs are Navigating Societal Forces and Emerging Technologies offers unique perspectives and strategic tips on turning challenges into opportunities. Chief Marketing Officers (CMOs) themselves are sharing their insights, identifying the real challenges leading companies are facing, and revealing how to best manage these new hardships.

Author Mitch Duckler, the mastermind behind The Indispensable Brand, spent nearly one year interviewing some of the most successful CMOs representing companies like BMW, American Eagle, CapitalOne, Danone, Deloitte, Coca-Cola, IBM, and Deutsche Telekom. *The Future-Ready Brand* weaves these interview insights into Duckler's distilled views on what's been working, what will likely work in the future, and how to get there from here.

IN THIS EXECUTIVE BOOK SUMMARY:

- Why do brands have to reposition themselves because of societal shifts?
- Discover the impact of technological changes like AI and Web3.
- What do new commercial trends indicate for brand promotion?
- Find out what some of the world's biggest CMOs have to say about the latest trends, opportunities, and challenges.

Section 1: Societal Futurewaves

Chapter 1: The Purpose of Brand Purpose

At the height of the global pandemic in 2020, Accenture gathered most of its 624,000 employees in a virtual meeting. Cameras in all conference rooms (across offices in 200 cities and 49 countries) leveraged state-of-the-art technology to make it feel that everyone was in the same room.

People anticipated something big.

The meeting culminated in an announcement about Accenture's newly defined purpose. Everything boiled down to 10 words "To Deliver on the Promise of Technology and Human Ingenuity."

The ten-word new purpose triggered immediate brand repositioning under the slogan "Let There Be Change." A new app let employees easily post this new purpose and brand strategy along with their profile photo on LinkedIn.. The best part? Such an impactful LinkedIn placement cost Accenture almost nothing.

While the entire transition seems effortless, months of hard work went into Accenture's repositioning. Once the purpose was solidified, the company's master brand came next in line.

A brand's positioning should be the external manifestation of its business strategy. Accenture's chief marketing and communications officer Jill Kramer focused on the commonalities between the company's clients. "They're all either trying to drive change or to cope better with it. So, we thought the simple statement 'Let There Be Change' was profound because it acknowledges that change is good."

This Accenture case study is especially compelling because it conflates three enterprise priorities: business strategy and brand positioning inextricably linked to company purpose.

Purpose has become paramount. It has led everyone to ask critical questions about the proper role of the corporation in society. What triggered this uprising of concern? Six main forces are at work here:

- Lack of trust in corporations, especially among younger generations
- Increasing importance of sustainability
- Social inequality
- The profound communication impact of social media
- Need for longer-term thinking
- Digitization

Through these influences, many brands have embarked on a deeper quest to find purpose. Merely claiming a purpose, however, doesn't necessarily make a company purpose-driven. A company that is truly purpose-driven has an impeccable sense of its values, and it uses these values to drive decisions and actions.

The benefits of being a purpose-driven brand are numerous:

- Strategic clarity
- Increased profitability
- Premium pricing
- Better business performance
- Enhanced talent acquisition

To harness these benefits, companies need to embrace the best practices for activating brand purpose. Among the best approaches are:

- Lead with brand positioning (including all marketing activation campaigns)
- Allow purpose to drive product development
- Be ready to take a stand
- Measure results and course-correct when necessary
- Avoid purpose-washing: claiming to support a cause without following up with genuine action

The value of purpose in brand strategy can only endure if it is also accompanied by value creation and financial performance. Having a worthwhile purpose is critically important but not sufficient for success. As economic pressures continue to increase, the most enduring purpose-driven companies will be those that find a way to stay true to purpose while also driving topline growth, profitability, and shareholder value.

Chapter 2: Beyond Health to Wellness

Everyone knows Moderna as a brand and people understand precisely what it does. Covid-19 propelled the pharmaceutical company to a household name, something rather unusual in the sector.

"No one had heard of Moderna until we developed a Covid-19 vaccine," CMO Kate Cronin said "We became something very unusual in the pharmaceutical industry, a brand that everyone knew by name. When you think about a flu shot, for example, you don't know who your flu shot

The notion of change has been guiding for health marketers seeking ways to establish a broader, wellness-based brand image

manufacturer is; you don't even know the name of your flu vaccine. With Covid, you knew whether you got Moderna, Pfizer, or one of the other vaccines."

Covid gave Moderna opportunities. With no real branding apparatus, however, sustaining that relationship would have been mission impossible. Cronin's team started looking for ways to capitalize on the new familiarity with Moderna.

"There has been a lack of trust because the pharma industry as a whole has not been able to establish a real relationship with the patient," Cronin said. Hence, Moderna has started repositioning itself as a platform technology company. In 2023, Moderna launched its "Welcome to the mRNAge" advertising campaign under the tagline "This changes everything." The notion of change has been guiding for health marketers seeking ways to establish a broader, wellness-based brand image.

The heightened prioritization of health and wellness in the post-pandemic world has been the result of several things:

- Increased general awareness
- Rising healthcare costs
- An aging population
- The availability of more employer wellness programs
- Easy online research
- Long-term shifts in attitudes because of Covid's lasting impact
- Technological advances

Every company's marketing team has been called to deliver strategic performance results in the "new normal" where concern for health has become paramount. The major wellness directives derived from post-pandemic developments include:

- Assess the brand in terms of a total health orientation
- Make the brand as personalized as wellness itself
- Meet consumers "where" and "why" they are
- Generate a healthy in-store experience
- Cultivate the brand's authentic community

Chapter 3: The Emergence of Gen Z

People born between 1995 and 2010 belong to Generation Z.

According to cosmetic giant Coty's chief brands officer Stefano Curti, generation Z members belong to two groups – Gen Z ME and Gen Z WE. "Gen Z ME tends to live in the metaverse, in the digital world. They tend to be content creators running up the number of 'likes.' They spend half of their day in front of their phones. They have a digital addiction. Gen Z WE, on the contrary, prefer authentic interaction. They rebel against the number of 'likes.' They are snobs about Instagram, are not on TikTok, and care instead about the bigger offline world, where they want to make a difference."

Recognizing how different members of this generation are has helped Coty do effective product development, resulting in 5.5 billion dollars of earnings in 2023.

Generational changes fuel overall shifts in society. By 2026, 82 million Gen Zers will turn the country into a majority of "other than white" tableau of races. Sexual preferences will also be shifting, with only 48 percent of Gen Zers claiming they're completely heterosexual.

For Gen Z members, self-care is a top priority. A passion for gaming seems to be equally important. Interestingly enough, Gen Z is the most educated of generations with 59 percent of its members having attended college.

All these factors impact the way brands are marketing to Gen Zers. Brands have to work hard in order to be heard, given today's abundance of information. A few key aspects of campaign creation include:

- Authenticity and transparency of communication
- Personalization
- A focus on diversity and inclusion
- The creation of communities of shared values and interests
- Prioritized sustainability

Gen Z members have a low tolerance level for mistakes. Forrester research suggests that a third of Gen Z unfollow,

hide, or block brands on social media at least weekly. Gen Zers will not hesitate to cancel brands when they sense shallow or insincere messaging.

Consciously looking for companies who do good, Gen Zers are ethical and value-driven. They will vote with their dollars when they see brands helping to shift the narrative. They expect company CEOs to take a stand on big issues. Companies should ask themselves who they are as a brand and whether the big issues intersect with the brand mission statement. If there is an intersection, both customers and employees will expect the company to take an official position as follows:

- Choose unique messaging
- Know how the messaging is advancing the brand
- Show what the company's doing to promote positive change
- Give people the resources to join the cause
- Commit to a long-term plan that aims to make a difference in the world

Section 2: Technological Futurewaves

Chapter 4: AI and the Personalized Brand Experience

Today, there isn't a single industry not somehow impacted by AI, with some of the most sophisticated systems being put to work in the marketing arena.

"This AI gives us a new level of data, a new ability to serve data to people that is more relevant to them and makes it more enjoyable," IBM chief communications officer Jonathan Adashek said. "It can be as simple as getting ads or content that I appreciate versus some random thing like 'buying this piece of real estate in downtown Cheyenne, Wyoming' when I've never been to Cheyenne, Wyoming in my life."

Advances in machine learning and artificial intelligence allow a new kind of contextual marketing that depends less on the past choices of consumers and more on what matters to them right now.

Literature on the impact of AI on marketing shows it has gained incredible traction. Studies suggest 70 percent of marketing executives are using AI, 19 percent are testing it, and eight percent are planning to test it within the next two years. Marketing executives use AI for one main purpose – to increase efficiency and productivity.

The third finding from literature on the topic is probably the most interesting and impactful one. AI already has or will soon have applicability across the entire customer journey. From building awareness to engendering loyalty, AI has the potential to dramatically disrupt how marketers think about customer acquisition, experience, and retention.

AI is already a part of everyday marketing and branding work. Some of its most common current uses include:

- Micro-segmentation
- Content generation
- Hyper-personalization of the brand message
- Enhanced customer engagement (through the use of chatbots and messaging apps, voice-activated AI assistants, push notifications, dynamic websites)
- Dynamic pricing

In harnessing the power of AI, marketers have primarily streamlined workflows to free up time to optimize strategy and boost performance. Early AI adopters are becoming proficient at using AI for creative tasks such as producing images, texts, videos, and messaging. They have generated highly impressive operational results – from improving behind-the-scenes processes to tracking and adjusting campaigns in real time.

AI will eventually get to the level at which it can develop an entire strategy, according to KPMG's Brian Miske. Right now, however, certain challenges still need to be considered and addressed. The main ones include copyright issues, improper brand fit, systemic biases, maintaining the human touch, reduction of creativity, and upcoming regulations.

Chapter 5: XR and Metaverse – A New Definition of "Reality"

Extended reality (XR) is an umbrella term that includes virtual reality (VR), augmented reality (AR), and mixed reality (MR). In XR, real and virtual environments combine for the most unique experience. The Metaverse, a virtual interconnected space, can be considered a form of XR.

Both millennials and Gen Z members have flocked to the platforms pioneering these new technologies. This is especially true for gaming platforms that require the use of AR and VR goggles.

When you look at past battles, analyzing and reflecting, avoid making snap decisions about what went wrong or right.

As a result of this technological shift, major brands are now expected to toggle seamlessly between the physical world and virtual reality, delivering the most immersive experience.

Choosing the right XR application is one of the biggest branding decisions. It has to be based on considerations like whether the particular application goes beyond pure entertainment/novelty and if it will have a positive effect on the way a target audience evaluates the brand.

Specific performance measures will also have to be assessed to establish campaign effectiveness. The most important ones include:

- Whether the XR technology enables the brand to demonstrate a leading edge
- If it allows for the extension of omnichannel presence
- The extent of leveraging gaming communities
- How product sampling and evaluation are enhanced
- How marketing research is enhanced
- The efficiency of in-person events
- The move beyond humans to virtual influencers
- Whether XR technologies allow the company to run community-based campaigns

This is how marketers are already leveraging XR technologies. Some approaches are already a part of everyday branding reality and some opportunities are yet to be tested. The Metaverse still remains the biggest puzzle in the context of branding.

"One of the biggest barriers to Metaverse adoption is technology," IBM's Jonathan Adashek said. "Take the devices, I don't think we've hit the tipping point. The goggles aren't quite there yet. The other barrier is bandwidth. The Metaverse is only achievable on a mass scale with high-performance, ultrafast internet."

Early examples of Metaverse adoption have shown good results. Deutsche Telekom is launching its direct-to-consumer offering in the Metaverse. The initiative is aimed at a younger audience and it focuses on the establishment of a little telco world called Beatland in Roblox.

Obviously, there will be headwinds. Fragmentation across the Metaverse platforms. Difficulties with the hardware. A lack of content standards. But there will also be opportunities to approach with cautious optimism, placing bets on the Metaverse but not overcommitting.

Chapter 6: The (Gradually) Emerging Web3

In the early 2020s, Lexus was struggling to create a message that would resonate with a younger audience. Vice president of marketing at Lexus USA Vinay Shahani has to come up with an approach that would increase the company's share of the luxury vehicle market in the country.

"Up until 2020, Lexus was a bit behind in infotainment," Shahani said, pointing to that factor as one of the contributors to the issue. "We had a finicky touchpad and joystick that would control the screen in the vehicle. Many of our guests didn't like the way it worked."

To address the problem, a new infotainment system was approved and launched, proving to be a massive success. With state-of-the-art voice control and an immersive touch screen, the new system called 21MM was such an impressive upgrade that Shahani and his team elected to emphasize it in marketing communication.

Lexus also chose to attract younger affluent consumers by tapping into their passion for gaming. A new Lexus model called the Gamer's IS was conceptualized by sourcing ideas on a Twitch live stream.

These developments emphasize the importance of Web3 – the read-write-interact web now unfolding. In this version of the web, power is transferred from tech giants to the users. Web3 is decentralized, permissionless, trustless. It employs peer-to-peer interactions and meritocracy.

Marketers are already taking their first steps in this brave new world. Web3 creates various opportunities through:

- Blockchain data collection
- Frictionless transparency and effortless transition from one app to another

- Transactional security
- Non-fungible tokens (NFTs) – digital assets that valuable and employable in an array of projects
- Brands can benefit from Web3 in multiple ways, the most prominent ones being:
- Generating more revenue through the sale of digital assets
- Forging deeper customer relationships
- Getting real-time feedback during the testing of new products

Section 3: Commercial Futurewaves

Chapter 7: The Fourth Era of Content Marketing

Content marketing is far from a new topic, it's been an important part of a marketer's toolkit for years.

Emerging new technologies are disrupting content creation in dramatic ways.

AI, XR, the Metaverse, and Web3 are shaping a new reality for content development. Brands benefit from opportunities to shine in the following new ways:

- Optimizing content for higher-converting direct-response ads
- Connecting organically with customers
- Unlimited custom packaging opportunities
- Creating differentiated content at scale
- Social platforms transitioning content from influencers to creators

Marketers are already understanding the fact that technology platforms themselves are driving the creation of content, which resonates with younger audiences and converts.

Experiments with new technologies have been ongoing for some time now but the emergence of solutions like ChatGPT supercharged the adoption of innovation like generative AI.

Five days after ChatGPT was launched, the platform reportedly topped one million users. Google followed with its AI-powered chatbot, Bard. Microsoft came next with Bing Chat. Whether it's all hype and hyperbole driving these incredible numbers, or a clear-sighted view of all that AI tools are capable of, it's certain that AI content marketing is here to stay and evolve.

The applications of AI content marketing are multiple:

- Audience segmenting and content research
- Outline generation
- Brainstorming creative ideas and topics
- Creating briefs
- Keyword selection
- Amplifying human talent during the content creation stage itself
- Generating quick first drafts
- Writing snippets and metatags
- Creating internal communications
- Versioning content for multiple audiences
- Doing effective content curation and content optimization

At the same time, we need to recognize the limitations of AI content creation. The creative value is limited and so is the SEO engagement. Ethical issues can also arise from the over-dependence on AI tools.

Training generative AI on brand data or building proprietary large language models from scratch could enable companies to resolve some of these issues.

Regardless of the current challenges, however, one thing is certain. Generative AI tools promise to play a major role in content creation in the years ahead, and being able to leverage these tools skillfully will be critical to driving innovation and future brand relevance.

Chapter 8: Tech-Inspired Gamification

Gamification is the use of game design elements in non-game context. Angry Birds and Farmville laid a good foundation in 2010. At the time, however, it turned out that good gamification is difficult to execute, and poor design hamstrung most gamification efforts.

Today, companies are projected to spend between 19 and 37 billion dollars on gamification globally by 2027. AI is coming into play, giving marketers new opportunities.

Successful gamification campaigns are based on five core tenets:

- Having a good story that turns participants into decision-makers during the gaming experience

- A meaningful challenge for participants to resolve
- Giving participants a feeling of ownership over the experience
- Creating a sense of urgency
- Giving players opportunities to do social sharing with friends and online connections

Many companies have been employing these tenets successfully to make their gamification efforts a huge success.

Nike is one of the leaders in the field. The NikeFuel fitness app can be paired with Nike wearable tech to encourage users to share the fitness goals they've attained. The SNKRS app took gamification a step further. It allowed access to limited-edition sneakers, behind-the-scenes content, and gamified experiences. Nike's insistence on pushing the digital envelope has surely played a major role in Nike earning the title of the most valuable global apparel brand for seven years running, with a 15 percent share of sportswear.

Through gamification, marketers can:

- Increase brand awareness
- Improve customer satisfaction
- Increase customer loyalty
- Acquire brand equity
- Drive better conversions

In the future, gamification will create even better branding opportunities. It will allow for deeper levels of personalization, real-time experience adaptations, progressive rewards based on customer behavior, and the automating of basic functions among others.

Chapter 9: Influencers and Creators: The New Faces of Trust

"As marketers, we went through a journey the last 10 years," BMW customer and brand senior vice president Jens Thiemer said. "We learned how big the impact of influencers can be – positively as well as negatively. We saw brands becoming literally dependent on influencer marketing in FMCG, fast-moving consumer goods, and for companies like BMW, as well."

"Influencers can shorten the access to customers so we come up faster on their awareness agenda," Thiemer said.

As marketers wrangle for consumers' attention amid an explosion of clutter on every channel, it's no wonder influencers have become such important commercial facilitators. In a Nielsen study, consumers said that they trust recommendations from friends, family, and influencers the most. Understandably, Gen Z is the cohort most heavily inspired by influencers.

Influencers are the new faces of trust but to align influencer marketing with business strategy, a brand has to complete all of the following steps:

- Find the right influencer for a campaign
- Thoroughly research influencers before partnering with them
- Relinquish control and minimize creative input during campaign planning
- Be careful with humor and causes
- Ensure influencer authenticity
- Embrace new social trends

It's also imperative to think outside the box and handpick opportunities that resonate with the brand's message. Sometimes, the largest influencers aren't the most suitable choice.

Big-name celebrity endorsements and influencers get all the ink, and play a powerful role in brand awareness campaigns, micro-influencers are the ones that often deliver the best returns.

Sephora has been doing an excellent job with micro-influencing. It's harnessed the power of the TikTok effect – people seeing something on a TikTok video and trying to find out more.

Influencers on TikTok "are creators on their own terms. They become artists that you commission for campaigns," Sephora global chief brand officer Steve Lesnard said.

The role of virtual influencers is also not to be underestimated. Today, there are about 200 virtual spokespeople that companies adopted to blur the lines between fiction and reality.

As with other forms of digital promotion, AI will impact the way virtual influencers are created and utilized in branding. Some are claiming that the responsible use of such innovative tools will boost creativity and this "new thing" should be embraced. Others disagree. A number of lawsuits, including a major class action by visual artists against generative AI toolmakers, will decide how much leniency marketers have in using virtual influencers.

Conclusion

Most marketers feel certain that the future of influence will be very different from what we see today. Fair to say that this has been the theme of this book – the future is unfolding fast for marketers, and remaining on top of it is a top priority.

To do so, marketers have had to adapt and turn challenges into opportunities. Some of the leading CMOs have boldly embraced risk, capitalizing on societal and technological shifts. When such decisions are executed in a purposeful, strategic manner, they have consistently demonstrated an ability to differentiate, build a brand up, and help it establish a leadership position.



Mitch Duckler is founder and managing partner of FullSurge, a brand and marketing strategy consultancy based in Chicago, Illinois. He has more than twenty-five years of brand management and management consulting experience. Prior to FullSurge, Mitch was a senior partner at Vivaldi Partners Group and a partner in the Chicago office of Prophet, where he co-led the brand strategy practice area. His client base includes Fortune 500 companies and numerous world-class brands, such as Exxon Mobil, Deloitte, Kellogg's, and Best Buy.

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· Book 92 of 106 ·

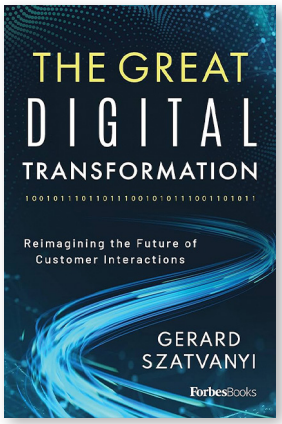
The Great Digital Transformation

Gerard Szatvanyi

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The Great Digital Transformation

Reimagining the Future of Customer Interactions



by **Gerard Szatvanyi**

Contents

Introduction
Page 2

Chapter 1: The Difference Between Digitalization and Digital Transformation
Page 2

Chapter 5: Mobile at the Center Of Everything
Page 3

Chapter 8: Virtual Space and Commerce: A How-To-Guide
Page 4

Conclusion
Page 5

THE SUMMARY IN BRIEF

The digital landscape of today is constantly evolving. What worked a decade ago rarely works today and what works today will most likely not work in the future. This constant change, however, can bring many opportunities for businesses with a capacity to think outside the box.

By interlinking digital transformation with the way your customers experience your business, the book ***The Great Digital Transformation: Reimagining the Future of Customer Interactions*** takes you on a journey to reimage customer-centric experiences. It helps you dive deeper into how your army of employees remains at the forefront of this transformation and how you can bring out the best in them.

Author Gerard Szatvanyi urges readers to take a step back before getting overwhelmed with technology and financial limitation. Instead, he encourages them to think creatively and understand how they can tailor their businesses to customers' needs in a way that is fun, engaging, and memorable. The strategies included in the book not only help you rethink the future of customer interactions but also turn your business into a flexible winning machine that customers and employees will love.

IN THIS SUMMARY, YOU WILL LEARN:

- How to put your business at the forefront of digital transformation.
- How to reimagine your business and the way it interacts with your customers.
- Drive engagement using experience-centered communities.
- How to link virtual spaces with commerce.

Introduction

When it comes to getting your business to win in today's highly evolving digital landscape, putting previously non-digital processes into a digitized state is not enough. Setting your business up for success today is about re-thinking how you do business, how you interact with your customers, how your employees work, what purpose your stores serve, and much more.

To bring in digital transformation, we don't need earth-shattering new technology. We don't need to build systems from the ground up and code our way to a massively disruptive system. Technologies are there and they are ready to be implemented. We just need to know how to best use them for our purposes.

It starts by sitting down, clearing our minds, and thinking of different ways to help customers find what they need.

Chapter 1: The Difference Between Digitalization and Digital Transformation

Digitization refers to putting information in digital form. If we are implementing technologies – for instance, shifting away from paper processes and making them digital – we might say we are undergoing digitization. By itself, digitization can provide great benefits. But it won't necessarily take us to a truly different model that puts the customer first and breaks down silos. To get a new experience for all involved, we need to go through a digital transformation.

Digital transformation is about taking new technologies, and new methods, and recombining them in different ways to reimagine your business and the way it interacts with your customers. In commerce, digital transformation holds the possibilities of a new shopping experience, better control over data, and a chance to reimagine how products and services are sold. It also involves revisioning the working environment for employees and associates, a deep understanding of the customer journey, and a better picture of what is going on in stores, online, and everywhere else.

Chapter 2: Digital Transformation and Talent

You cannot do digital transformation and not rethink how you work. You have to reimagine the company's culture to ensure that innovation is supported, not stifled. People are the heart of digital transformation. Without our employees on board, our digital solutions will have – at best – halfhearted results.

Find ways to adopt a growth-minded atmosphere when it comes to hiring and retaining staff. Remember, workers at every level of an organization want to carry out duties that they perceive as meaningful, fulfilling, and contributing to an organization's mission.

Remove repetitive duties for employees and replace them with more meaningful tasks. Make workers feel valued and respected. Your workers can be true drivers of transformation by when you offer them higher-than-average wages. Bring in innovation by asking employees for ways to improve their working environment. When they work in an environment where their ideas are valued, these very employees find ways to reduce costs and create efficiencies.

Chapter 3: Results, Not Presence

It's important to understand the wide range of possibilities in digital transformation. People can add value to the process, and their deliverables can be increasingly effective – regardless of where they are located and the hours they log in – when we reimagine the way we work.

Some businesses are committed to providing an experience for consumers, and this typically involves at least some level of personal interaction. At the same time, there are plenty of tasks that might be automated and not require a person to be on location.

Deciding when workers should be on-site and when they should be remote begins with an exercise to evaluate current conditions. How do your employees currently work? What are their ideas on the types of tasks that can be done from anywhere? Based on these answers, a hybrid solution could be drawn up.

Thanks to the power of automation, managers don't need to spend ample time carrying out routine tasks like project management, scheduling, and more. Remote work can also turn a call center from a cost to a profit driver.

Chapter 4: Reimagining the Customer Experience

The customer is at the center of everything. Without good customer service, there's really no way to make any experi-

ence, regardless of the final price tag, feel high-end.

There may be established methods - like sketching personas and using them to describe our target audience – to grasp our customer base. While these strategies may be helpful, they also carry limitations that are important to recognize. For instance, how are the personas created? Do they accurately describe shoppers in today's changing landscape? What about the type of surveys taken?

About 63% of executives feel their companies aren't making good use of analytics. There is often no substitute for putting ourselves in our customers' shoes. It helps us witness many components of the organization from a fresh perspective.

Consumers today are engaging in more interactive ways in the online space. A website that may have worked at the novelty stage of the internet may seem impersonal or stagnant for a buyer today. When we start imagining the ways experiences can unfold online, new possibilities pop up. Could the customer "try on" their clothes by adding their picture to a site? Could they have some sample products sent to them? Find ways to uplevel your online experience and you'll quickly notice how a great customer experience elevates the success of your business.

Chapter 5: Mobile at the Center Of Everything

Phones are intricately attached to customers, and the ways to leverage this connection begin with getting creative.

Start with understanding how regularly your organization connects with customers via mobile experiences. Understand what shoppers are looking for when they come to your site while using their phones. Decode what features could improve your customers' mobile experience and how cell phones fit into your customer journeys. Recognize any gaps that must be addressed.

Ask questions like, "How can my employees use mobile features to connect with customers?", "what can be done postsale to interact with customers?" and "What are the best ways to leverage the power of different devices that shoppers use?"

Chapter 6: Shifting from the Internet of Things to The Commerce of Things: Enter Headless Commerce

Behind-the-scenes changes can provide more flexibility for shoppers and improve their experience. E-commerce systems have a front end and a back end. The front end is what the user sees and the back end isn't visible.

Obstacles on the back end of a website can quickly lead to customer complaints and unhappy experiences. Fortunately, there are new ways to rework old systems that can lead to better outcomes for the customer, provide more opportunities to touch customers at different points and make it easy for them to complete transactions in their own time.

Headless commerce or composable commerce is one way to be more agile in the online space. It refers to separating the front end and the back end. By making an e-commerce platform headless, you can create a back end that will work with any kind of front end you want. For instance, the back end could support what you see on a website, and app, or through a voice assistant device. Using headless commerce makes it easy to add new pieces to the system without having to start from scratch. Find out when customers start having trouble interacting with your website and determine what can be done about interactions to make seamless experiences for consumers.

Chapter 7: Let's Talk about Brick and Mortar: Creating Transactions from Experiences

The biggest misconception about stores involves viewing the location as a place solely designed to present inventory and watch customers buy it. The debate over brick-and-mortar stores are a hot topic in recent years. Does your store have a place in today's commerce world? If so, what should that place look like? How should it interact with customers? What should it sell, and what can it offer? What experiences can it create?

To properly evaluate the way we treat stores and the purpose they serve, it's important to consider your current store locations and what they are like. Understand how your brick-and-mortar locations compare to your online site, how they are the same, and what is different.

Determine the sort of experiences you could create in your stores that would add value for your customers and gauge the benefits and costs of these experiences. Finally, reflect on how your mobile, online, and in-store experiences are related and how they fit into the customer journey.

Chapter 8: Virtual Space and Commerce: A How-To-Guide

If you haven't yet put on headgear and dipped into a 3D experience, or spent a few hours playing video games, now's the time. Virtual reality and headgear can play a massive role in commerce. Think about the big advantage these spaces hold. They allow users to experience a time and place that is outside of where are physically located. This capability can be used in a variety of industries that stretch beyond games and entertainment.

If you're a travel company, for instance, and are marketing high-end destinations to your customer base, why not send a potential client a headset? They can use it to get a peek at what their next adventure could look like. Some retailers have already moved forward in the realm of virtual commerce and play. The beauty brand Charlotte Tilbury has a virtual space where shoppers can complete a challenge to unlock access to specific lip colors.

The first step to understanding virtual reality is to be aware of what's in the marketplace. Try on a headset, jump into a virtual experience, and play video games. Decode ways to implement these technologies into your brand and think of how they could create experiences that provide value for customers.

Chapter 9: Engagement Everywhere: TikTok, YouTube, and Building Experience-Centered Communities

If you do not have an engaging, video-based way to interact with customers, you are not part of the conversation. For consumers, the world of video is a way to access information, be entertained, and participate in a community. For companies, it offers a vast assortment of possibilities. You can build your brand, engage with customers, make great use of your ambassadors, and have fun at the same time.

Understand how your brand can tap into video platforms to achieve your goals by portraying content in a real, relatable way. Build a social media community to drive more engagement, lower customer acquisition costs, bring in new customers and increase the number of repeat customers. You can also provide users with games to help them learn and grow. They'll also be able to relate better to your brand and value the experiences they have. If your video efforts ring true with them, you have found a customer for life.

Chapter 10: Capturing the Long Tail of Commerce

In today's world, you can target a niche market, go global, and overcome cultural challenges to reach more customers and improve profitability by capturing the long tail of commerce. It encompasses the concept of companies selling a smaller quantity of products to a larger number of people. Here, items with low sales volumes are spread out on the x-axis of a graph to form a "long tail," so that even though a small number of each product is sold, there are more product sales overall.

This gives companies the chance to increase profits, provided they are reaching the right people and offering products that fall into a niche. Determine whether you currently target mainstream customers or a niche market. Next, understand how you can expand to reach an overall greater customer segment and the opportunities you can tap into to offer more customized products to shoppers. Finally, determine how the long tail commerce approach can be used in your organization and how it would complement or impact your current strategy.

Chapter 11: Data and Increasing Margins

Capturing information the right way is critical to reaching customers quickly, making decisions faster, and moving the needle toward higher profitability.

Stores face losses such as having to offer steep discounts to clear the previous merchandise and accommodate new items due to disconnects in data. The issues related to integrating systems and leveraging data don't stem from a lack of information. In today's world, data abounds. The problem lies in what to do with all that data.

Understand how your current systems interact and what gaps exist in the way information is shared. Determine what sort of data would be valuable and drive the right decision-making processes. Know which departments might be fragmented and could benefit from integration.

If there are flaws in your current decision-making processes, find out how you can improve them. Understand who in your organization would benefit from having data that is easy to share. Finally, determine the types of solutions and integrations you would like to see and how you can make those visions a reality.

Chapter 12: Building Your Toolbox: A Set of Best Practices

To forge ahead into the coming years, it's important to set up your people and systems the right way. Then, you can bring in the digital functions to support your goals and allow your dreams to unfold.

The first step in long-term planning does not necessarily require an increase in spending. Instead, it focuses on making the most of your organization's talent base and leveraging its strengths. Start with setting up your teams. Which teams would you like to create? Would you want to prioritize some over others?

Then, focus on how your customers experience shopping for your products. Determine how you can build a better community. Finally, think about how you want your business to be in the coming years and which tools you'd need to get your business there.

Conclusion

From my experience, I've watched organizations and leaders struggle with words like imagine, play, and experiment. These terms aren't always associated with the business world, and it can be hard to strike a balance between productive agendas and downtime. It's often much easier to focus discussions on numbers, reports, and projections.

Sure, long to-do lists and budget meetings are important. But when you tap into the inner child, open your mind, put financial barriers and limitations aside, and create an image that features happy customers and high-profit margins – the sky is the limit in our digital landscape of today!



Gerard Szatvanyi is the founder and president of OSF Digital, a leading global commerce solutions and digital transformation company. Throughout his career as an entrepreneur and visionary, he has been a thought leader for the intersections of life and work, laying out trends and upcoming shifts in the tech industry. Szatvanyi is also the president and chief technologist at eSkill, the market leader in pre-employment testing which offers standard and customized hiring assessments.

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· Book 93 of 106 ·

The Hidden Psychology of Social Networks

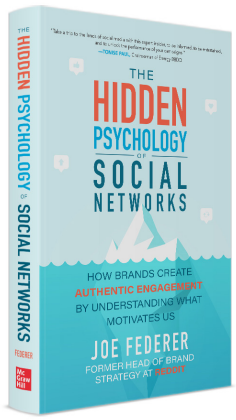
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The Hidden Psychology of Social Networks

How Brands Create Authentic Engagement By Understanding What Motivates Us

by **Joe Federer**



Contents

Introduction
Page 2

Part I: Memeology
Page 2

Evolving Meme Machines: Five Principles to Maximize Engagement
Page 3

Part II: Social Media and Its Discontents
Page 4

Part III: Social Media's Right and Left Brains
Page 6

Five Lessons for Building and Honing a Social Strategy
Page 7

THE SUMMARY IN BRIEF

Why do people act differently in various online spaces, and what do they seek from participating in each one? In ***The Hidden Psychology of Social Networks,*** author Joe Federer draws on evolutionary biology, anthropology, neuroanatomy, psychology, and extensive hands-on experience to answer these questions.

Federer shows how the internet is a digital reflection of the collective human psyche and how different social networks correspond to different mindsets. In the same way you behave differently when you're home alone, out with friends, or interacting with co-workers, people act and express themselves differently in various online spaces. Context matters. Understanding this allows you to execute effective engagement strategies to reach your target audiences on each social network.

Fascinating and deeply compelling, ***The Hidden Psychology of Social Networks*** will help you to make more efficient use of your media buys, establish more thoughtful strategies, develop better creative material, and deliver more effective marketing.

IN THIS SUMMARY, YOU WILL LEARN:

- To create content that drives sharing and word of mouth.
- How brands can fit into different types of social channels.
- Strategies and lessons for building a social strategy.
- Inspiring stories of companies balancing social presence across networks.

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Introduction

Social media represents new psychological territory for us. For our brains, Facebook, Instagram, Twitter, and Reddit are real places, not just websites we visit or apps we open. We don't just log on to social media. We navigate through it.

If advertisers are interested in engaging people in these spaces, they need to become accustomed to their cultural norms. When we attend a happy hour with our co-workers, we're probably slightly different versions of ourselves than when we go to a music festival with our friends or we are home for Thanksgiving dinner with our families.

Likewise, the person we play on Facebook and the person we represent on Twitter may be very different characters. The way we relate to a piece of content on Reddit is likely very different from how we'd relate to that same content on LinkedIn.

Social media feels very new to us, but what isn't new is us. From the content we share to the people we engage to the posts we like, the ways we express ourselves in social media are governed by the same psychological and biological processes that have dictated human social lives for millennia.

That's why we need to understand how social media fits into the innate, essential drives that have dictated our biological and cultural evolution as humans. To effectively reach people in different social media environments, we need to understand what value they derive from participating in those social networks in the first place.

Putting on a headdress and donning body glitter may be an effective way to integrate naturally into a music festival, but it's probably not how we want to approach someone at an office happy hour. Social media etiquette is equally nuanced, but it does not have the obvious physical social cues to tell us when we err.

By understanding the contexts in which we hope to reach people, we'll establish more thoughtful media strategies and deliver more effective marketing.

PART I: MEMEOLOGY

What's In a Meme?

Meme. It's that hot buzzword about which everyone in advertising, marketing, and communications with any digital sense can't stop talking.

Let's start with what is actually meant by the word "meme."

In 1976, an evolutionary biologist named Richard Dawkins wrote a monumental book called *The Selfish Gene,* in which he defines a new kind of replicator, the meme, which he defines as a unit of cultural transmission. Things like ideas, songs, fashion, and language are all examples of memes.

Like genes, memes undergo an evolutionary process. When a new idea occurs to someone, a physical process happens within their brain. And if they can find a way to articulate that idea to others, that physical process happens within their brains, too. The recipient of a meme may even change the meme, akin to mutation.

As advertisers, communicators, community managers, and influencers, we're in the business of propagating memes. Whether it's "Just do it," "I'm lovin' it," or "Buy my merch, you schmuck," ideas are at the bottom of every marketing and communications discipline.

When we talk about internet memes as "those silly pictures with text on them," what we're really talking about is the format used to communicate different memes. We might call these formats "meme machines." For early humans, we had only the meme machines of the sounds we made, the pictures we drew, and then eventually, the languages we invented.

Now, the meme machine is likely the physical pages in your hand, the digital screen on which the text is being displayed, or the audio version to which you're listening.

Meme Machines Evolve to Most Efficiently Communicate Their Memes

The meme machine is just as important as the meme itself. The meme can be carried by two entirely different meme machines, and they may show absolutely polar results when we measure their effectiveness at propagating.

A great comedian can tell you a joke about something you've heard a thousand other jokes about but will do so in a way that makes the idea—the meme—feel totally fresh and new.

A bad joke teller can start with the most hilarious possible content and absolutely fail to engage an audience.

When we're participating in social media as content creators, we desperately need to understand this principle. In advertising and marketing, we generally spend an enormous amount of time thinking about what we want to say—the meme—but we rarely put equal thought into the meme machines we use to deliver those memes. The meme machines

Be willing to break out of the advertiser comfort zone (video).Test new formats and ways of expressing your messages.

we use must be low friction and must be extremely efficient at delivering their memes.

The Meme and the Meme Machine: The Importance of the Format of a Meme

A social feed is an extremely competitive environment for content. The instant something seems boring or loses our attention, another piece of content is immediately ready to follow it.

When we're scrolling through a competitive social feed, a video requires a drastic change in behavior for us. Assuming we're on our phones, a video requires us to put on headphones, enable sound, and click to view as full screen, after which we sit and wait for things to happen.

By adding captions to videos, content creators remove the requirement for users to enable sound, meaning anyone viewing the video in a public or quiet space can suddenly access the memes present in the video in ways they couldn't (or wouldn't) with an average video.

Gifs, which are essentially silent videos, have made a massive comeback in internet culture. But video shouldn't be the only type of content we create, and it shouldn't always be our default format. Videos work particularly well on TV and YouTube because they fit naturally into those environments.

Social feeds are active—people are scrolling manually through posts, not waiting for content to be delivered to them. Text, images, gifs, and gif-like videos are much more active meme machines—they move at the speed of the audience.

Be willing to break out of the advertiser comfort zone (video). Test new formats and ways of expressing your messages, and you may well discover new, more efficient ways of sharing those messages.

Evolving Meme Machines: Five Principles to Maximize Engagement

It's up to each of us to discover which memes and meme machines will most effectively propagate our brand. What works for a brand with a massive following will probably not work for the fresh contender brand. What works for the flashy new startup probably won't for the century-old legacy brand.

But that doesn't mean we have to start from scratch. Consider these principles starting points from which any brand can test, iterate, and improve.

Add value. Understanding what adds value means removing our brand-centric lenses and looking critically at what we're making. If we weren't in any way invested in the brand for which we're creating content, and this piece of content crossed our social feeds, would we care? Would we click the share button? Why? Adding value means giving people something with which they have a reason to interact or pass along. Exactly what is meant by "value" can vary significantly among categories, brands, target audiences, and social networks themselves.

Design meme machines to reinforce the value of the meme. Whatever we upload to a social network—usually an image or a video—is the content. What we write in the social platform's text field is what we're saying *about* that content. A headline, instructions for how to make something, context required to understand a joke or reference, or any other information that is vital to unlocking the value of a post should be present within the content itself.

Create space for personal connection through narrative elements. Most of the time, we don't have the space to tell long, full stories in social media. However, we can still borrow narrative elements that render our content more memorable. For example, when we're telling people about a fun new do-it-yourself project, showing people an intriguing finished product is an important part of the narrative. But we can build an even more compelling narrative by showing the steps toward achieving that final product.

Develop content for a specific objective or action.

When we create content, we should have a particular goal in mind, and we should make it as simple as possible for our audience to act in accordance with that goal. Keeping particular actions in mind during the development process simplifies the consumption process.

Maintain brand consistency and ownability. The counterbalance to leveraging popular meme machines is that the finished content needs to be ownable for the brand. Making a popular post on a social network is great, but it's only worthwhile from a marketing perspective if it's attributable to the brand.

PART II: SOCIAL MEDIA AND ITS DISCONTENTS

Wearing Our Memes: The Ideal Self, Managed Self, and True Self

In his book *Civilization and Its Discontents*, Sigmund Freud, the father of psychoanalysis, proposed that a single mind is actually composed of different, sometimes incompatible psychological forces.

Freud called our mostly unconscious, unfiltered, instinctual drives and desires our Ids. As social creatures living in complex societies, we also internalize our learned cultural rules, which becomes our conscience and resides in what Freud called our Superegos. And to mediate between our instinctual desires, our cultural ideals, and the limitations placed on us by the physical world, we develop what Freud called our Egos.

The instinctual desires of our Id and the cultural rules in our Superego are often in conflict, with our Ego in a constant state of moderation between the two.

The Id, Ego, and Superego Manifest Themselves in Different Kinds of Social Networks

We tend to occupy one of three essential personas when we interact online, and these personas correlate to this Freudian structure. Which type of persona we wear is closely related to the two factors of social network structure: how we're identified and how we're connected.

When we engage as our offline selves and are connected exclusively to the people we know offline, as we do on Facebook and Snapchat, we're manifesting our Egos—managed versions of ourselves. We pay close attention to how we communicate about ourselves because anything we say or do has a one-to-one correspondence with how people will think about us offline.

On platforms like Twitter and Instagram, we're again likely to participate as our offline selves, but there is a significant mindset change that comes from being potentially exposed to millions of people we don't know. It's the difference between recording a silly selfie video you'd send to your friends and a video that might just get broadcast on national television. This is Superego, ideal self space, where we may have the exact same friend connections we did on Facebook, but where we're discoverable by the seemingly infinite number of people we don't know yet.

In ideal self space, we filter ourselves a little more, we try to be a little quippier, and we tend to curate particularly bright highlights. Superego networks are often hierarchical. Social standing means everything.

While anonymity has certainly borne the brunt of much of the discourse about online safety, anonymous space can be extremely constructive and healthy for people. Without an offline self to represent, people are free to be expressive and candid. This unfiltered self is an embodiment of the Id.

Id networks are those in which users are disconnected from their offline selves and are organized around their interests and passions rather than by their offline connections. Networks like Reddit, Tumblr, Imgur, Twitch, and even 4chan are examples of Id networks.

On Id networks, we're looking for content that's funny, compelling, entertaining, or otherwise interesting to us—not representative versions of ourselves. We're able to discuss taboo topics without worrying about what our friends and relatives might think.

Let's dig further into Id, Ego, and Superego network structures, what makes them tick, and how brands are leaning strategically into the value people derive from participating in each.

Online Representation of the Offline Self: The Ego and the Conscious Center of Action

In Ego space online, we're connected almost exclusively to the people we know offline, and we're clearly identifiable as our offline selves. Facebook, Snapchat, and any network that remains closed around your curated group of friends while identifying as your offline self qualifies as an Ego network.

When we participate in Ego networks, we're more bound to

our real-life selves than we are in Superego and Id networks because the only people with whom we're connected are the people who know our offline selves.

The things we do and say in Ego networks have a greater sense of realism attached to them. Our real name accompanies every post we make, every article we like, and every comment we express.

> Instagram, Twitter, TikTok, VSCO, and even LinkedIn are examples of Superego networks.

Adding Value in Ego Networks Means Helping People Represent Themselves

As brands, if we ask ourselves how we can add value for users in Ego networks, our answer must relate to the self-expression of our audiences. Too often, we set out to create campaigns that "generate engagement," but we fail to ask ourselves a simple question: What would it mean for a person to engage with this content?

This doesn't mean "What would it mean *to us*?" It means, if people engage with our content, what are they expressing about themselves socially? What would their friends think about their engagement with that content? In order to drive meaningful engagement within Ego networks, it's not enough to position ourselves to our audiences. We need to help our audience define themselves to *their* audience.

For example, in a competitive industry filled with overly stylized, modified, and generally unattainable beauty standards, the Dove brand made a bold decision to embrace real people with real bodies. Its Real Beauty Sketches generated more than 630,000 shares on Facebook in its first 10 days.

When someone shared the Dove Real Beauty Sketches campaign, they weren't thinking about what the video meant to the Dove marketing team. They were thinking about what it would mean to their friend connections—and, more specifically, what it would mean for their friend connections to see that the video came from them.

Given that Ego space is where our identity is most closely associated with our offline selves, these networks are also the ones in which people are most strongly attached to their preconceptions about our brands.

Brand building in Ego space happens piece by piece through the content we share, meaning it's very difficult for us to get people to change their minds about us.

The Guiding Influence of Cultural Ideals: Superego Networks and the Expression of the Ideal Self

The Superego is the combination of our learned rules—the cultural norms that characterize what it means to be a good person, how we ought to relate to the people around us, and who we ought to be.

Superego networks are ones in which we're usually identifiable as our offline selves, have some connection to the people we know offline, and simultaneously have the potential to reach an entire network of people we don't know yet.

Instagram, Twitter, TikTok, VSCO, and even LinkedIn are examples of Superego networks. Each of these platforms employs mechanics like hashtags to connect otherwise disparate users and content. In response to these connections of self-expression, we tend to manifest idealized versions of ourselves.

Engaging Audiences in Superego Space Means Helping Them Manifest Aspects of Their Ideal Selves

As brands in Superego space, we're in delicate territory. The content with which people are willing to engage is much more tightly curated. Our audiences' expressions in Superego space are not only filtered through their selves as known by their offline personal connections but through the representations of their ideal selves.

How can we provide people with content that speaks to their ideal selves? Or satisfies their need for social approval and acceptance? Or reduces their anxiety as they compare themselves to others?

The reason we ought to pose these questions for ourselves is because our audience will judge us much more harshly—"If you don't add value to my experience, I will not interact with you in any public way." And "public" is important here because that's how brands demonstrate their social status in Superego spaces.

Technology company GoPro shares the epitome of aspirational content: professional extreme athletes performing ludicrous stunts. Most of us probably don't ride our bikes down jagged mountain outcrops, skydive in formation, surf waves as tall as buildings, or scuba dive in underwater caves. But that doesn't mean we don't identify with what those represent—daring, adrenaline, conquering death, nerves of steel.

It also doesn't mean we don't want a camera that could capture all of those extreme activities. Subscribing to GoPro and engaging with its content is a way of communicating that we're adventurous, that we're energetic about life, and that we're willing to confront our fears. With more than 16 million followers on Instagram and over 2.2 million followers on Twitter, GoPro is a brand that has embraced the natural Superego niche cut out for it.

The Unrealized Power of True Self Networks: The Id and the Unconscious Self

The prevailing attitude of the media toward online anonymity is that if only we could strip the internet of anonymity, we could solve the problems of online trolling, bullying, and general bad acting.

But the ways in which people use anonymity online are varied, and anonymity comes with some built-in risk. It provides us with protection for ourselves—mental breathing space that's safely separated from our curated identities. Anonymity allows for creative vulnerability and expression without social ramifications. It gives us space to explore new interests and ideas we haven't yet integrated into our social identities.

It's the freedom to learn about something without announcing "this is what I believe."

This space without Ego is important to users and vital to us as brands—people have room to change their minds. As brands, we're in the business of changing minds. We're trying to get people to think about our brand as being relevant to them, or recognize that our product solves a problem they have, or agree that our product is better than another product, or that we represent something different from their preconception.

By strategically engaging Id networks, we're able to move our messaging upstream to the points at which the broader internet is actively forming opinions.

As a result of this freedom of expression and more fluid sense of identity, people tend to be more candid in Id networks. They also expect brands to be more genuine. Content that goes behind the scenes, makes people feel involved in something larger, and that sparks genuine discussion will be highly effective at driving meaningful engagement in Id space.

Charles Schwab on Reddit

For financial brands, communities like Reddit's group r/PersonalFinance offer unique kinds of engagements, given Redditors' comfort in discussing intimate details of their financial lives. The Charles Schwab brand took an interesting approach to adding value to these conversational financial communities by opening lanes of dialogue with challenging questions.

With its brand creative platform being, "Own your tomorrow," Charles Schwab prompted Redditors with an open-ended question: "What's something you're doing today to set yourself up for success tomorrow?" Encouraging Redditors to answer from all aspects of their lives, the brand generated an engaging thread of constructive life choices.

Redditors talked about doing yoga, putting more money into savings, starting investment portfolios, contributing toward future children's college funds, and so on.

In Id networks, it's especially important to demonstrate that the brand understands the local culture. Because these spaces are more community minded and because they develop their own customs, memes, vernacular, and so on, we need to proceed with humility and start with listening.

PART III: SOCIAL MEDIA'S RIGHT AND LEFT BRAINS

Left and Right Brain Networks: The Known and the Unknown

The right hemisphere of our brains is the domain of raw experience with the world, while our left hemisphere creates a workable representation of the world based on the right's experience.

The Id, containing our unfiltered, unconscious self, seems to share many of its characteristics with the right brain—expressive, experiential, and explorative. The Ego, being a representation of the self in the context of the outside world, and the Superego, being a representation of our learned social rules, seem to fit comfortably in the left brain's domain of categorization and analysis of the represented world.

In Ego and Superego networks, we're creating literal repre-

Because users in right brain space are in a mode of exploration , we have the opportunity to engage people with deeper and more immersive experiences.

sentations of ourselves in simulated social worlds, and we're connected to people in an environment we've curated—a world of familiarity.

When we're searching for new information or are exploring a new topic as we might in Id networks, we're wading into the unfamiliar—right brain territory. We're not concerned with creating a representation of our offline selves because we tend to be anonymous and engaged directly with information as we encounter it.

To reach people effectively in different social networks, we need to understand the mode in which they're interacting: Which space are they occupying? Known or unknown? By understanding how these psychological contexts affect our audience, we can be more strategic about which messages we direct to which channels and how we embody them.

Introducing Novelty into Known, Left Brain Territory Helps Grab Attention

The Target brand is a prime example of strong, traditional brand building that has successfully differentiated itself from Walmart, Kmart, Lowe's, and other home goods retailers by introducing just the right amount of novelty.

Following in the footsteps of more clothing-specific retailers like H&M and UNIQLO, Target started partnering with high-end designers in 1999. Thanks to notable integrations with designers like Missoni, Jason Wu, Alexander McQueen, and Michael Graves, Target inserted itself into high-end fashion conversations that would previously have been completely unattainable for the average home goods retailer.

In right brain Id networks, brands tend to be less present. More often than not, brands are represented through organic conversations among users. People also tend to have more candid conversations about their beliefs in right brain space, and the lack of official brand presence in these networks allows user conversations to maintain near full control over brand perceptions. That's a massive opportunity for brands willing to embrace unexplored territory.

Because users in right brain space are in a mode of exploration, we have the opportunity to engage people with deeper and more immersive experiences. It also means that our success depends on our ability to stoke users' curiosity.

Coca-Cola put this strategy to use in a Super Bowl campaign on Reddit in 2016. The brand had partnered with Marvel Studios to develop its Super Bowl TV spot, and prior to its airing, Coca-Cola asked comic book enthusiasts and bloggers to hype a "never before seen" matchup between two Marvel characters. To stoke the conversation further, Coca-Cola created an open-ended thread asking Redditors to get creative with their knowledge of the Marvel universe: "Which Marvel Super Hero matchup would make the best Big Game commercial?"

Seeding the thread first within Marvel communities, then eventually broadening its targeting to Reddit's front page, the brand generated a post filled with unique user-generated stories. Some users even wrote scripts about their favorite Marvel characters fighting over Cokes.

Once the actual spot aired during the Super Bowl, the Coca-Cola team posted the video, sparking Redditors to share their ad organically across various Marvel communities and confirming that one Redditor had actually correctly guessed the matchup—Hulk versus Ant-Man.

Coca-Cola harnessed this natural tendency toward creativity and conversation to drive a massive amount of organic sharing and deep engagement.

Five Lessons for Building and Honing a Social Strategy

Creativity and strategy are just as important in forming our channel strategies as they are in developing our content. Let's explore some guidelines and suggestions for fitting this broader social exploration together into some actionable advice.

Social listening is critical to building a social media-savvy brand. Different social networks and communities are ecosystems, meme pools, and cultures. That's exactly how we ought to treat social networks and the cultures

that reside within them. Listening helps us figure out from which channel we'll get the most value and how we ought to interact within those channels. Listening enables us to act as natives within these cultures—or, at the very least, as conscientious tourists.

Choose as many channels as you can do well, and designate discrete channel roles. The right channel mix and strategy is different for every brand. As we try to answer this question for our brands, we should first ask ourselves what we're trying to accomplish. Are we trying to attach our brand to popular culture? Do we aspire to build a community, or are we satisfied with being a voice in a community we don't manage?

Manifest behaviors with right brain appeal. Then tell left brain stories about them. Whenever possible, we should strive to find synergies between manifesting real behaviors in the world that have a tangible impact on people's lives (right brain) and telling those stories in ways that are generally interesting to a broad audience (left brain). Not only does that generate effective social content but it also maximizes the impact of everything we do.

Start your creative process with the most competitive content environments in mind. For major brands, social media is often the absolute last consideration when planning content and establishing messaging hierarchy. But social networks are also the most competitive meme pools in which our brand messaging competes. Rather than going straight into full-on production, let's find the most simple, straightforward way to communicate our concept and promote it to a small audience on our social channels.

Timing can be an effective tactic, but it's not a strategy. While timing can be an effective tactic to utilize, it must be couched in a broader strategy and leveraged during moments of particularly high impact. Timeliness is not a strategy in and of itself.

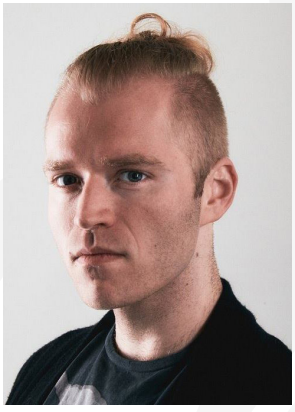
If a marketer's goal is to change people's minds, it's not enough to simply tell a story. We can spend all of the production budget in the world and still create an ad that's ineffective if the story feels disconnected from our audiences and the cultures in which they participate.

Fortunately, the internet provides a broad canvas for creating experiences and representing ourselves in ways that attract people. We may find our audiences engaged in pure self-expression and in modes of curiosity, in which we can deliver explorable experiences. And we may find our audiences in spaces in which they're representing themselves socially, in which we can aid them in expressing those representations, represent ourselves in ways that are aspirational or genuinely relatable, and facilitate connections between people. The possibilities are limited only by our creativity.

Look for what people value. Try to understand why they value it. Create something they'll genuinely enjoy. Then, tell stories about it.

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Joe Federer is the former head of brand strategy at Reddit, where he helped reposition the platform's narrative to the larger world of advertising, helping to drive revenue growth of more than 10× in its first year in market. With clients as diverse as Charles Schwab, Google, Amazon, McDonald's, Toyota, Audi, S.C. Johnson, Bud Light, and Coca-Cola, he thrives at finding the intersection between what brands stand for and what their social media fans are interested in seeing. He has developed a model for the way social media sites network together, an understanding of the value users derive from each platform, and the way ideas mutate and change as they are shared between different psychological environments.

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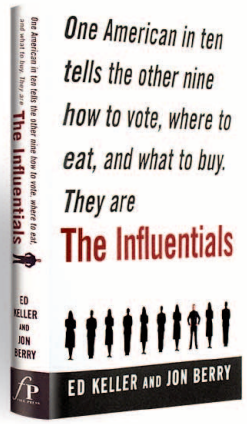
· Book 94 of 106 ·

The Influentials

Ed Keller and Jon Berry

SOUNDVIEW Executive Book Summaries®

FILE: MARKETING



By Ed Keller and Jon Berry

CONTENTS

Who Are The Influentials?
Pages 2, 3

The Influential Personality
Pages 3, 4

The Influential Spiral
Pages 4, 5

The Message Of Influentials
Pages 5, 6

The Influential Vision
Pages 6, 7

Developing An Influential Strategy
Pages 7, 8

One American in Ten Tells the Other Nine How to Vote, Where to Eat, and What to Buy

THE INFLUENTIALS

THE SUMMARY IN BRIEF

Who are they? They are the most influential Americans — the ones who tell their neighbors what to buy, which politician to support and where to vacation. They aren't necessarily who you expect. They aren't the richest 10 percent or the best educated 10 percent. They aren't the early adopters who are always the first to try everything. They are, however, the 10 percent of Americans most engaged in their communities — where they wield a huge amount of influence. They're the campaigners for open-space initiatives and friends of the public library. They're the Influentials. Together they are the best marketing tool around — using word of mouth to create spirals of influence. With word of mouth increasingly important, they've never been more powerful than now. Today, a fragmented market has made it possible for Influentials to opt-out of mass-message advertising, which means that you must take a different route to reach them.

What You'll Learn In This Summary

This summary will help you reach the Influentials by:

✓ Showing you who the Influentials are and where they live and work.

✓ Giving you a sense of the Influential personality so you understand what's important to them and why they're so important to you.

✓ Showing you how Influentials get ideas and more importantly, how they spread them. If you can reach an Influential, he or she can create a powerful word of mouth influence spiral that spreads the message about your product or service far beyond the individual.

✓ Explaining why we're in an age of autonomy and self-reliance and what this means to you and your products and services. You will also learn what seven trends Influentials indicate will guide the marketing future in the next few decades.

Finally, you will discover the six rules for reaching Influentials and getting them on board.

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Who Are the Influentials?

About 25 minutes north of New York City lies Irvington, the kind of small town idealized as the perfect place to raise a family. In Irvington, Isabel Milano stands out as an active member of the community. The 42-year-old mother of two was one of the organizers of the Irvington Education Foundation. She ran for village trustee, and won. In the process, she has become a community leader. Because she gets around and knows lots of people, she is often asked questions about topics unrelated to her role as volunteer and trustee. The questions range from restaurant recommendations to child care advice to how to secure a patent for an invention. She didn't have the answer to the last one, but found it.

Isabel Milano is an Influential American. About one out of 10 Americans are, and their effect in their communities is easy to see. They hear where people are going on vacation and get feedback when travelers return. They then spread the good or bad reviews much like continuously updated Zagat's guides. Because of their strategic placement at the center of conversations in their communities and the nation, the Influentials are an important intersection for business, government and society. Because they know many people and get around, they have a powerful multiplier effect, spreading the word quickly across a broad network when they find something they want to tell others about. The result can accelerate trends in the broader society or bring them to a crawl.

Just who are these people? They don't fit the stereotype of who runs the country. Many have reached material success but they aren't among the richest Americans. They are well educated, but not among the most educated. They have done well in their careers but aren't at the top of their industry.

Influentials have some common demographic characteristics. They tend to be well educated — the vast majority have attended college and 20 percent have done graduate work. Most are employed full- or part-time, are married, have children and own homes. The median age is 45 and their median income is healthy — about $55,000 per year. They're technologically literate. Politically, they are centrists.

What Defines an Influential?

Demographics alone don't define Influentials. What most identified Influential Americans is their activism.

(continued on page 3)

Demographics: Who Is the Typical Influential?

A man *or* a woman (50 percent each)

Middle-aged
.... 45.2 years old for median (+2.3 years from the total public)

Middle/upper-middle class
.... $55,300 median household income (+$17,900 from the total public)

College educated
.... 80 percent have attended college (+30 points from total public)
.... 49 percent are college graduates (+26 points from total public)

Married with children
.... 70 percent are married (+13 points from total public)
.... 53 percent with children at home

Homeowners
.... 74 percent own their own home

Employed
.... 72 percent are in work force
.... 58 percent in full-time job

Executive or professional
.... 34 percent as the leading occupation (+19 points from total public)

Source: Roper Reports

The authors: Ed Keller is the CEO of RoperASW, a global marketing research and consulting company that serves many of the world's leading companies. Jon Berry is a vice president with RoperASW.

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For Additional Information on a typical Influential, go to:
http://my.summary.com

For Additional Information on the authors, go to:
http://my.summary.com

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Who Are the Influentials?

(continued from page 2)

They attend community meetings, write and call their representatives, serve on committees, attend political events and are active persuading others of their point of view. They are volunteers who lead busy personal lives. They read, listen to music, eat out, spend time on hobbies and have friends over frequently.

Influentials are also connected. They have ties to a significantly larger number of groups than the average American. This focus on people is a major factor in their influence on the larger society. Their contacts create new opportunities that bring them into contact with more people, in turn creating more opportunities and more contacts in an ever-widening network.

Being connected helps Influentials on many levels. It introduces them to different points of view and increases the opportunity to encounter information they might not otherwise get on subjects from social and political issues to everyday decisions. It allows them to traverse economic and social boundaries and establish relationships with people whom they might otherwise not meet. It gives them contacts they can call on if they have a question or are trying to rally support for an issue.

The third essential Influential quality is influence. They are people others look up to for advice. Influentials say people ask them just about anything — from their opinion on politics to raising children to what car to buy to health care. In fact, research suggests that Influentials have the most influence across a breadth of topics compared with other groups.

The Influentials are people with active minds. They typically have a restless intellect — continually taking input from what they see, hear and read, and turning it all over in their minds for new insights and ideas. They maintain interests in many areas. They are heavy readers of books, papers, magazines and online materials.

Influentials are trendsetters for the larger society.

How to Reach Influentials

Want to engage Influentials? You have to go where they go. Influentials expect companies to take an interest in more than profits — to contribute to their communities and other causes. Try these tips:

✓ Support groups Influentials support through cause-related marketing programs.

✓ Sponsor events for educational foundations and youth sports programs.

✓ Encourage employees to volunteer and get involved in community events.

An Essential Influential Tool: The Cell Phone

Influentials were integral in building the market for cell phones. By 1992, when fewer than half of the public had heard of them, mobile phones had virtually universal awareness among Influentials. Within two years the product was gaining a foothold among them. By 1995, 14 percent of Influentials had a cell phone, double the general public penetration. By 1997, the proportion had reached 40 percent and by 2001, 62 percent. They have been about three years ahead of the public all along. Today, Influentials are ready for cell phones to do more — such as access e-mail and get news updates.

Although they aren't the most voracious consumers, they do seem to discover important products and services early and adopt them. They serve as a test laboratory for the mainstream market. They were among the first to have a personal computer and get online. They were among the first to recognize the Internet's potential. They were among the first to use automated teller machines, VCRs, camcorders, invest in IRAs and bottled water. They also foreshadow the decline of products. For example, Influentials were the first both into and out of the small car market and showed the rest of us the value of sports utility vehicles. ■

For Additional Information on Influentials' entrepreneurial leanings, go to: http://my.summary.com

The Influential Personality

Influentials are drawn into action, often overcoming personal obstacles. Sometimes Influentials seem to be the keepers of the flame for the ideas that are central to the larger society. In learning about Influentials' values, we also learn about the values of the nation. The Influentials' sense of priorities comes through on three key questions that have been used for years as gauges of Americans' aspirations — their ideas of what "the American Dream" and "the Good Life" are and what they consider to be life's necessities.

Influentials also think change is a good thing and that people, communities and society are capable of change. They are optimistic about the new century. They believe they will achieve their goals and that an individual can have at least some small effect on the course of the nation. They are clear-headed about their priorities. They don't "want it all." Instead they want opportunity,

(continued on page 4)

The Integrated Influential Home

One of the ways Influentials lead trends is through adapting what they see elsewhere — ideas, products and services — into something that works for them. One example is the integrated life. Through piecing together such new technologies as computers and cell phones and new ideas like flex-time schedules, Influentials very consciously seem to be reshaping their work lives to be able to devote more time to family, activities in the community, hobbies and interests. Rather than separate from each other the workday and the rest of life, work and personal time were brought together in new ways to make life better.

This trend toward integration is especially obvious at home. The Influential's home is a hub of pursuits, a private retreat, a family haven, an entertainment center, a social hub, a financial asset, a workplace and a hobby center. People at one time had only one choice — go out — but they increasingly have an option to stay home. The result has created a growth path for business.

The Influential Personality

(continued from page 3)

freedom, a home, marriage, children, meaningful work, enough leisure time to enjoy life, a secure retirement, and balance. Many seem to have arrived at the goal — suggesting this group knows something about not just what makes for a satisfying life but also how to go about achieving it.

Influentials place a strong value on individual rights but also believe in the value of community. They believe, for example, that they have a responsibility to neighbors and community that goes beyond what the law requires of them. They also believe that business has a similar obligation to consider what is good for society, not just what's good for profits. ■

The Influential Spiral

Because they are the most engaged Americans, Influentials are conduits of information for their communities and the nation. Their activist bent, many connections and active minds as well as the sheer force of their personalities make Influentials natural intersections for intelligence. They know more than others, hear about things first and broadcast what they know to many people.

The result is a spiral of influence. As the Influentials' efforts to learn something new bear results, they're inspired to further exploration and experimentation, which yields further results — which they share with others in an ever-widening circle of influence and change.

Take, for example, the Influentials' early interest in computers, which was already evident in 1981. They acquired computers early and took to learning first generation applications like word-processing. This in turn led them to see the potential benefits of PCs ahead of others and to take advantage of the technology to work from home, tap into the Internet, shop, invest, file taxes and to store and disseminate their photos. Today 34 percent of Influentials report being regularly asked for advice on computers.

Clearly, it is important for businesses to reach Influentials. But the problem is that traditional methods don't work well. Influentials don't respond well to traditional advertising: They don't watch much television, don't do leisure shopping and don't have time to read ads in newspapers and magazines. Decisions are often a group conversation. The message enters a group. It's dissected, analyzed, and discussed by the group and meshed with other sources of information. More voices make it easier to cut through the marketing to the key issues. Is it really new? Is the quality good? Does it solve a problem?

Influentials are not waiting for a product or service like a relay runner waiting for a baton. They want what they want when they want it. Influentials are more like marathon runners stopping briefly at a water station. If you want to reach them, you must place your water station along their route. These are the rules of their route:

- **They use multiple sources of information.**
- **They put people first.** Word-of-mouth is more important than traditional media.
- **They believe in sharing what they know.**
- **They are voracious readers.**
- **The companies they buy from must practice continuous meaningful improvements or risk being overtaken by competitors who do.**
- **Buzz is not guaranteed.** Influentials want better products and services but don't always have time to keep up with what's new.
- **Influentials trust their instincts.**

Multiple Sources of Information

How can businesses become part of Influentials' conversations? Influentials consume an eclectic media mix. An Influential may read the local newspaper, the *New York Times*, the *New Yorker*, listen to *NPR* and leaf through *People* and *Martha Stewart Living* while reading a book for a book club or one discovered in a good review. In short, they are information sponges.

Influentials also use more channels to communicate.

(continued on page 5)

The Influential Spiral

(continued from page 4)

On average, they use six channels, including the phone, one on one, the mail, online services, e-mail and faxes. The average person uses just the first three.

Yet personal recommendations remain the favorite way for Influentials to receive information. With Influentials, nothing beats word of mouth. The cue for institutions from business to government should be obvious: The door should always be open for Influentials when they have a question or concern. Those who represent the company — particularly salespeople, customer service representatives, investor relations personnel and others in public positions — should be well-informed about the business and its products, and empowered to address concerns.

Influentials don't hold back their opinions when they find something they like or don't like. Over the course of a year, Influentials have an aggregate impact of millions of word-of-mouth recommendations. Since they broadcast their recommendations to a large network of friends, relatives and acquaintances, they create a large multiplier effect, multiplying the scope of their influence beyond the size of the group.

Companies need to practice "continuous improvement" by continuously re-proving their value to consumers. You must make significant and meaningful improvements to your products and services to keep the buzz going. To keep the Influentials' attention, you must find compelling messages to deliver.

So how do you become part of the conversation? For many Influentials, the starting point is the printed word. Influentials are big readers. They love newspapers, magazines and books and rate them as great idea sources. In particular, they use newspapers for ideas about new jobs, new products, new movies and which products are best. They use magazines for ideas about home improvement, places to visit, cooking, clothing and which car to buy. They turn to books for ideas on retirement, investing and health. ■

The Message of Influentials

Influentials are at the forefront of the self-reliance movement. They focus on doing something about the problems facing their communities and the challenges in their personal lives. This movement toward self-reliance and local grassroots activism is a theme that connects many of the changes taking place in society today, from the growing priority Americans place on saving for retirement to their willingness to learn new technologies and the comeback of traditional values. Americans are increasingly looking inward for answers.

An important marketplace manifestation of the emerging trend of self-reliance is "the tactical consumer." Americans are looking for product promotions and sales. They reject brands that carry a premium price and instead demand quality at a good price. They've become smart shoppers and aren't likely to turn back anytime soon. The population today can be self-reliant because it is more mature, older on average, more educated and more adept than earlier generations. This is a good set of ingredients for brewing more responsible, self-reliant workers, consumers and citizens.

There is good reason to believe that the movement toward self-reliance will continue to be a defining theme for years to come. Businesses and institutions need to take account of these attitudes and behaviors with their products, services, communications and operations. The trend has a strong force behind it. A wealth of new technologies and businesses are now predicated on self-reliance, from the mutual fund industry to retailers like Home Depot. Those businesses who are adapting well to the new American are those who tap into this new independent-minded, tactical, self-reliant and autonomous consumer by not providing a solution. Instead, they provide resources to facilitate solutions in tandem with consumer-citizens. They are equipped to be full partners.

The Role of Influentials

Influentials have played a dual role in the self-reliance movement. They have led the way in adopting many of the new products and services that enhance self-reliance: computers, the Internet, cell phones and self-directed retirement plans. On the other hand, their basic ideas have not changed much at all. Instead, it seems that it is the general public that has changed to become more like the Influentials. In essence, they have become role models for the national agenda.

Some key dynamics worth watching include:

A different kind of activism: Americans are doing some things more than they were a decade ago. More are volunteering and more are setting up new community groups to address problems.

Thinking outside of the orthodox box: When getting involved, the emphasis seems to be on being effective and relevant. Influentials don't migrate to old interest groups or charities: They may even form their own.

Return to values: Influentials appreciate their background and strive to preserve traditions and customs. They also see lack of morals as a major societal problem. To that end, they believe that parents and others in the community have a responsibility to guide children, including businesses that cater to children and youth.

Levels of confidence: Influentials know being self-

(continued on page 6)

The Message of Influentials

(continued from page 5)

reliant doesn't mean knowing everything. People bring different levels of confidence to different subjects. But Influentials seek out knowledge to fill the gaps. Businesses must work hard to reach the right level of communication — not so complicated that customers can't follow, not so simple that they are offended.

Self-improvement and learning: A major component of the self-reliant mind-set is learning. ■

The Influential Vision

Influentials catch ideas well before they move into the mainstream. They do this by moving back and forth between different communities while keeping their eyes open to the world around them. Through their sense of priorities and their ability to engage others in what they care about through their activism and broad social networks, they drive their ideas into the broader culture.

Their orientation toward growth and change inevitably lead Influentials to think more about the future than the average person. They daydream about the future and are in effect the "early majority," seeing what the majority of Americans will be doing in two to five years. The subjects that interest them, the projects they're involved with, the activities they're pursuing, and the products they're intrigued by are leading indicators of what is to come in the broader culture.

Influentials think the future will bring severe problems, particularly problems related to technology, like privacy and techno-terrorism. But they aren't crippled by these problems. They aren't pessimistic. Instead, they think future problems can be tackled — just like they're tackling present ones. Building on what they have accomplished, they think society can take steps forward and address the issues one by one.

Seven Trends Important to Influentials

This combination of interest in the future and confidence about what it holds can be counted on to create further "spirals of influence" for the initiatives, issues, products and services that the Influentials deem to "matter" in creating a better future. Together, Influentials illuminate these seven trends that have great importance for business, government, culture and society:

The Legacies Agenda: Every era has an issue that defines it. In the 1960s it was the civil rights movement and the sexual and cultural revolution of the Baby Boom. In the first decades of the 21st century the issue the United States will focus on is its legacy. The focus is the children of the Boomers and future generations. This concentration on what the legacy will be for the next generation will be the impetus for major social and political initiatives. There will be government reform, new monuments and public buildings and parks. Three issues will predominate — quality public education, the breakdown of the family, and the way young people think and act. The rising cost of health care and wrongdoing by elected government officials are also issues.

Global Connections: The American lifestyle is a lot like modern cars — assembled from parts made all over the world. Between travel, work, the globalization of the marketplace, and the innate curiosity Influentials have, the globally connected lifestyle will accelerate at a faster pace than many people appreciate. New global standards may emerge. So far, people in business have concentrated in the "act local" part of the call to "think global, act local." The future will include greater focus on thinking globally. Influentials are likely to continue cross-fertilization of ideas, tastes, fashions, reading, popular culture, home furnishings and even beliefs.

High Pace, High Peace: Influentials integrate periods of relaxation in their day. It may be a regular stop at a coffee shop, diner, park or church, but it is regular. As the pace of life has picked up, demands for peace have accelerated. Americans work harder, juggling busy personal schedules and their kids, lessons, practices, and play dates. But the pace was wearing Americans down. In response, growing numbers of Americans are carving out "high peace" from life's "high pace," creating a haven where they can get away from it all. It may be vacations, weekend trips, dinners out, spa days, massages, church, yoga and coffee breaks. Upcoming years will see more opportunities for businesses to help Americans manage their stress.

The PC-Centered World: Want to watch *Casablanca* tonight? Push a few buttons and ask the television to retrieve it from the movie database on the server. Not there? Ask it to go onto the Web and find it. Going to the doctor? Call up the records from last year's checkup and download them onto your medical smart card. It's all possible. Influentials are expanding the influence of the computer in the home. Influentials have a tech-oriented view of the future. They worry about privacy, but embrace the promise of technology anyway. But there is a wide gap between those Influentials who want to apply computer technologies to their lives and those who do. There is substantial room for businesses to capitalize on that gap and help Influentials fulfill the promise of their computers and other electronic tools.

Living Longer Stronger: Sixty-year-olds have climbed Mount Everest while ninety-year-olds have topped the best-seller lists. Second, third and fourth careers are possible. And this is only the beginning as most of the U.S.

(continued on page 7)

The Influential Vision

(continued from page 6)

population growth in the decades to come will be in its older population. Influentials are pointing out that old age isn't what it used to be. Old is getting older and is viewed more favorably. Being old is also getting easier, as is looking younger. Older Americans expect to remain self-reliant. Expect a boom in new products, services and technologies, as well as self-help books and seminars on how to get more out of old age.

No Big Brothers: The Influential Americans are all too aware of the possibility that the future will be like George Orwell's *1984*, with Big Brother monitoring even the minutest detail of life. They're doing their best, though, to construct a life that resounds with empowerment. They want a future with parity between people in the currency of information. Their self-reliant desire to have autonomy over personal information is already bumping up against the relationship marketing goal of many businesses that want to collect more information on consumers to serve them better. Privacy is a major concern of Influentials.

The Limits of Convenience: For decades, companies have preached the gospel of convenience, dedicating themselves to making everything faster and more efficient. Consumers generally have welcomed this. But among Influentials, convenience has begun to hit a wall. Sometimes convenience is not enough, especially if convenience comes at the cost of quality. Influentials aren't fond of convenience staples like fast food and microwave meals. Instead, Influentials save time by cleaning less, buying in bulk, multitasking in the car, and shopping online and via catalogs. Discount stores and nonstore shopping venues will benefit as will the market for gourmet food and good restaurants. ■

For Additional Information on how Influentials feel about customer relationship programs, go to: http://my.summary.com

Developing an Influential Strategy

"What's your influential strategy?" If you haven't asked yourself this question already, you should. To succeed today, you need to connect with people who are at the center of the conversation. Businesses, governments and nonprofit organizations must have Influential strategies just as they need marketing, advertising, public relations, promotion and Internet strategies.

Specifically, you should make sure you are reaching the decision makers who are influential in others' decisions. You should know where the opinion leaders get their ideas — the kinds of publications they read, the programs they watch, the radio stations they listen to and the Web sites they visit. You must not shut the door when an opinion leader comes to you with a complaint or a question. You need to be out in the community listening to opinion leaders' concerns and paying attention to what's happening in opinion leaders' lives. Ask yourself if your products and services, environmental stance and corporate practices would be met with Influential approval.

Be Prepared to Enter the Conversation

Realize that you are in an all-important battle for share of mind — the space in the consumer's thinking that holds opinions about products, services, companies, political candidates, solicitations from nonprofit groups, and other issues. You must be prepared to enter the conversations of everyday life, discovering common ground with opinion leaders and offering solutions to their problems. Speak to Influential values.

There are clear business benefits to winning the favor of opinion leaders. Influentials are not only active in their communities: They have an active approach to life. They are connected to nearly twice as many groups as the average American and are intellectually engaged in a variety of topics from news and current events to health and fitness, history, technology, travel, art and cooking.

With the multiplier effect of Influentials, the result can generate buzz far beyond their proportion in the population. But how do you go about getting into the conversation of the opinion leaders? You must find a way to reach the people whom people turn to when they need ideas and information. There are six rules you should use to reach the Influentials. They are:

1. Be Where the Information Is

Succeeding with Influentials begins with information. A salient, meaningful piece of information is a conversation starter. It can also make a difference in a decision that is critical to Influentials, such as achieving financial independence. Getting good information is integral to Influentials' decision process. They value information; businesses that want their attention should begin with offering them good, high-quality information. Where do you place the information? In media that are rich in information because that's where Influentials migrate.

Advertising isn't always the way to go. Placement in magazine or newspaper articles works better. When you do advertise, you must entertain and inform. Respect their intelligence. Don't exaggerate the benefits of your products or services or make unfair or misleading comparisons. Remember that public television gets high marks among Influentials. Sponsorship may help there, as can selective ads on special interest cable outlets like the History Channel and Home and Garden TV.

(continued on page 8)

Developing an Influential Strategy

(continued from page 7)

2. When Critics Come Knocking, Invite Them In

For several years now, Leonard Pitt has been waging a one-person campaign to get companies from whom he buys products online and through mail order to stop packing merchandise with plastic foam peanuts. He's written letters, sent e-mail, called customer service representatives, and he's stopped buying from companies that don't listen. He's not alone among Influentials. At any given time, large numbers of Influentials are doing the same thing. About 40 percent have had a problem with a product or service in the last year and many try to do something about it. According to one survey, virtually all Influentials who did have a complaint did something about it. When someone comes to you with a complaint, he or she is probably an Influential.

What did Influentials do when they complained? Many returned the product or complained to management. Many told friends and family about the problem and stopped buying the product or service. When a call comes into a consumer complaint center, companies should assume it's from an Influential. Don't shy away from their criticism: Engage it and assess its merit with the individual making the call. Keep tabs on Influential criticism.

3. Get Out Into the Community

One of the best ways to win Influential favor is to become active in a cause that will produce tangible benefits in peoples' lives. Build sports fields, sponsor Girl Scout activities and create or maintain parks. In surveys, Influentials say they would welcome more locally cause-related marketing. They prefer programs with tangible results over softer, feel-good campaigns. College scholarships, internships, donations directly to schools to buy supplies and sponsorship of after-school activities score high. While cause-marketing campaigns can't make up for a poor product, they can tip the scale in your favor when price and quality is equal. Influentials are willing to switch brands for a good cause.

Most Influentials think businesses have obligations to four groups: consumers, workers, community and shareholders. They want businesses to make safe products, protect the health and safety of workers and the environment, advertise honestly, pay their fair share of taxes, charge fair prices, be good citizens in the communities in which they operate, and provide good wages and benefits for workers. In other words, they expect customers to come first, then the nation, and then shareholders.

4. Make it Easier and Then Make it Easier Still

When Influentials talk about brands, they usually do so in terms of how easy the brand has made their life. Saving money, getting good value for the dollar, and making life easier are the main focus when Influentials go shopping. They are, however, willing to pay extra for making life easier. They aren't impulse buyers, either, and they don't care about "prestigious" brands and often buy brands they know and trust. Your marketing must convey the practical benefits of your products or services.

5. Know the 'Exceptions' and Keep Up With Them

Influentials are utilitarians in many areas, but they make "exceptions to the rule." Their homes are one as are automobiles. They also indulge in travel and personal health. Another frequent exception to the rule that products must be good quality and at a fair price is their penchant to shop locally, such as at an organic farm or farmers market and non-chain stores.

6. Be a Brand and Tell the World

Influentials are skeptical of marketing and demanding of businesses, but they hold a high opinion of brands. They often believe a particular brand is worth paying more for. Don't be afraid to market your brand to Influentials. They likely will stick with it once they're sold on its quality and other benefits. ■

Decisions Are Conversations: The Growing Power of Word of Mouth

Do the Influentials compete with your marketing efforts? The evidence says, "Yes." Businesses were once able to build huge consumer brands by sending out messages to consumers through television advertisements. Today, those advertisements — in fact, any marketing message through any outlet — are being filtered through the word-of-mouth analyses of friends, family and colleagues.

The research proves it. Twelve consumer decisions — including decisions about places to visit, movies to see, the merits of one car versus another and improving the appearance of home — were tracked over a number of years (in some cases back to 1977). In every category, the total percentage of Americans citing "friends," "family" and "other people" among the "two or three best sources of ideas or information" is substantially higher than at the start of the trend.

Since 1977, for example, the percentage of Americans citing word-of-mouth among the best sources of ideas and information for decisions on improving the appearance of your home rose 25 percent points (from 44 percent to 69 percent). As for deciding where to eat, word-of-mouth today has an astounding 85 point edge over the second source of information: advertising.

· Book 95 of 106 ·

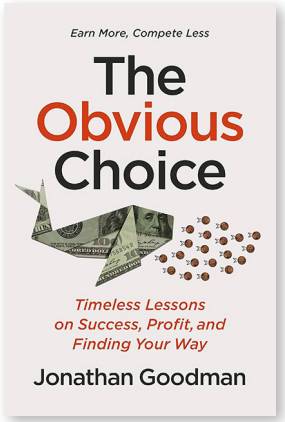
The Obvious Choice

Jonathan Goodman

Executive Book Summaries®

The Obvious Choice

Timeless Lessons on Success, Profit, and Finding Your Way



by **Jonathan Goodman**

Contents

Trust in You > Your Credentials
Page 2

Fix What's Inside Your Fence First
Page 3

Discover the Easy Answer
Page 5

Become Famous to the Family
Page 5

Find Your "So That"
Page 6

Social Media Is Not Enough
Page 6

THE SUMMARY IN BRIEF

Instead of going for the biggest possible audience, those who understand the "Obvious Choice" know precisely who they're for (and not for), and they don't fall into the trap of trying to win the internet. ***The Obvious Choice*** by Jonathan Goodman provides great insights on how to get more benefit with less effort from marketing while simultaneously removing all comparison to others. The result is a simpler and more reliable approach with higher profitability in less time and with less stress. While many people are distracted by shiny objects (like social media), the secret to avoid that is to build a foundation on the stuff that worked before the internet existed — a devolution of sorts, back to a simpler time. To do less, but better. To look at modern marketing technology as an amplifier, not an ignitor. As fuel, not the fire.

Admittedly, there's a trade-off. For those who follow these principles, three to five million dollars in annual profit is the limit of what can be achieved. The reason for this limit is simple: at a certain point, more risk and more sacrifice are required to reach increasingly higher levels of income. Some people decide to accept this trade-off in exchange for a potentially larger windfall in the future. That's fine. You won't find those stories celebrated here, however. Instead, we'll focus on the strategies and principles with the highest odds of success.

IN THIS EXECUTIVE BOOK SUMMARY:

- Focus on self-awareness and trust-building to avoid the pitfalls of blind ambition.
- Learn why relationships and authenticity matter more than large audiences.
- Optimize your efforts by doing the right things consistently.
- Understand that social media is just a tool, not a shortcut.

Part 1: A Few Not So Obvious Truths

When Ambition Results in Recklessness

The process of becoming the Obvious Choice begins with subtraction, not addition. When we know what we want, we can clarify what we don't want. And even painful decisions, though not easy, become simple.

You hear it all the time. Ambition fuels passion. Creates a purpose in life. What those same people don't tell you is that ambition left unchecked results in recklessness. It's comparison. Your ambition might be the very thing holding you back from accomplishment.

It's hard to separate our actions from our motivations. Our feelings from our insecurities. Our facts from our biases.

Chaotic ambition is reactive, comparative, and rushed. It leads to frustration and burnout. True ambition is proactive, thoughtful, and strategic. It allows for calculated risk and provides the energy and direction necessary for achievement. It has become very easy these days to work very hard on the wrong things.

The secret to doing less and having more is to know yourself, and how you work, better. That's why the first step to becoming the Obvious Choice is to focus inward—to study yourself as an objective and dispassionate outsider.

Trust in You > Your Credentials

While the same knowledge and experience that make you reputable might help you deliver a great product or service, they won't help you become the Obvious Choice. Humans don't buy things as a result of good decisions made with complete evidence. Instead, we trick ourselves into thinking that we're making educated decisions. It's embarrassing. You won't want to admit it.

Trust transcends expertise. It's more important than your credentials and can be created through any combination of three factors:

1. Community—proximity, association, or affiliation
2. Specificity—suited uniquely
3. Familiarity—repeated exposure

All the things we conventionally think of when we think of marketing —paid ads, content, flyers, booths at events—are exciting. They're easy to teach, see, and measure. Strategically building trust, on the other hand, is nebulous. You can't measure the value of a single relationship until one day you can.

Buying a thing because we think it's the best is a lie we tell ourselves. People don't actually want the best. Instead, they need to trust that whatever they're buying isn't bad. And people don't want cheap, they want easy. American political scientist Herbert Simon, who first identified this phenomenon, calls this behavior "satisficing."

Big brands spend millions of dollars over many years to develop familiarity on a large scale. The Obvious Choice accelerates familiarity by concentrating on a very small target audience or market to create an "everywhere illusion"—strategically omnipresent to a chosen few.

Just because you can sell online, it doesn't mean you have to. And what you don't hear about enough is how much more difficult and expensive it is to sell online when you're new.

It's not a one-or-the-other thing though. Online and local marketing can be combined to maximize leverage. Building trust through familiarity is a powerful way to reduce the cost of customer acquisition.

Despite what you see online, trust through community, specificity, and familiarity drive more sales, easier sales, and more profitable sales than any piece of content, script, or advertisement on their own. The tricky part about trust is that it won't feel like anything is happening until, one day, it happens all at once.

There's a few lessons we can pull out here: The first is to get out of your own head. Most of what matters to you is irrelevant to the people you sell to. The second is that because trust is harder to see than most people imagine, it's more lucrative than most assume. The third is that starting and scaling are two different games. When you start, optimize for profit. There are a lot of problems that can be solved with money, and a lot more that arise when you don't have enough.

Success Shouldn't Be A Surprise

Success stories are visible; failures are invisible. The resulting effects are a combination of overoptimistic thinking and correlation/causation errors. Survivorship bias assumes that success tells the whole story and ignores past failures. Nobody speaks onstage about people who take insane risks, fail miserably, and live their lives as abject failures in beds of their own making.

You don't become the Obvious Choice by doing the same thing as everybody else, just a little better. You become it by being unique.

Nobody knows what the future will bring. The people who become the Obvious Choice measure success with a long lens. With the proper habits, they skew the odds in their favor and, with a long-enough time-horizon, the odds always work themselves out.

Fix What's Inside Your Fence First

Social media is, in the words of Morpheus in The Matrix, "the world that has been pulled over your eyes to blind you to the truth." It seduces us into thinking that if we figure out how to get attention online from strangers, money will follow. While there might be some overlap, endlessly publishing content to the abyss is a gloriously inefficient way to build a business.

When you're focused on serving a specific group of people with specific needs, you can quickly become the Obvious Choice by tailoring your marketing and product to their unique needs in ways larger competitors can't.

Fixing what's inside your fence means you build from your strengths, not limit your vision.

Tech Changes, Humans Don't

Computers thrive when they're efficient. Humans thrive when we're strategically (in)efficient.

Dabbling is the secret to success. Aimless exploration is the pathway to discovery.

According to the 2021 Nielsen Trust in Advertising Study, 88 percent of people trust recommendations from people they know (word of mouth). Conversely, only 23 percent of people trust ads from influencers. Trust in online media is shrinking at a blistering pace.

The more people playing the same game, the harder it is for anybody to win. What initially looks like an advantage unfortunately results in us all working more, benefiting less, and burning out in an endless cycle of one-upmanship.

You don't become the Obvious Choice by doing the same thing as everybody else, just a little better. You become it by being unique.

Figure Out What Game You're Playing Online

Building a business and becoming an online entertainer are different games people play—neither's better or worse, but problems arise when you conflate the two. Social media success is most often a lagging, not leading, indicator of real-world impact. To be clear: building a big online following is a worthwhile goal for some. The game of trying to become an influencer is different from the game of getting customers.

While it could contribute to business, it's not necessary for business and it's both a slower and less efficient route. For now, think about your social media platform as a savings account. Make deposits when there's excess time and money. Think of it as an investment in the future, not a way to benefit short-term.

If the way you've built an audience is inconsistent with the product or service you want to sell, you'll end up rich with likes but poor with dollars.

Remain Optimistically Ignorant

Overinformed pessimism is an inevitable and unfortunate by-product of an information economy.

It tells us the reasons why somebody else is better suited than you to do the thing. We second-guess ourselves, not because we don't know enough, but because we know too much.

Informed pessimism can't be avoided. Instead, we must learn how to overcome it. The first step is to accept that others are more qualified than you, which is totally fine.

Don't let your perceived inexperience, lack of impressive specs, or any other inadequacy related to your peers stop you. The Obvious Choice doesn't rise above because they know more than others in their field; they rise because they see opportunities that others don't.

People don't buy what you do; they buy into the belief that you can help them solve their problem. Not only that, the people buying from you are rarely in your industry. The Obvious Choice stands out by making connections when others don't. As a result, they see opportunities others won't. Your value rarely relies on expertise, but in range.

You can try very hard to become truly great at one thing. Or you can combine multiple skills. Both strategies work. The advantages of combining skills is that they can be learned quickly, because none of them need to be high-level or depend on extraordinary talent. The versatility they bring can also help you adapt to an evolving world.

Leapfrog Skills are timeless and transferable:

1. Business writing
2. Behavioral psychology
3. Conversation
4. Sales
5. Wealth management

Leapfrog Learning has two parts:

1. Sixty-day focused sprints
2. Teach

It's okay to not know it all. Let your progress pull you forward, lighting the way as you go.

"g–e" good enough

Excellence is mundane," wrote the sociologist Daniel Chambliss. "Excellence is accomplished through the doing of actions, ordinary in themselves, performed consistently and carefully, habitualized, compounded together, added up over time."

Busyness is a punishment imposed on people for indiscriminate thinking. For neglecting to make the few critically important decisions. For lacking the fortitude to stick with a plan. And sticking to a plan is challenging.

"It's easy to get bogged down searching for the optimal plan for change," wrote James Clear. He then added that "You have to fall in love with boredom."

Don't seek boredom. Seek the freeing feeling that comes when you're content with your rhythm. Try to find joy in the daily mundanity.

Conventional wisdom suggests that you have to set goals. But if you study successful people, you'll discover that most don't do it. Maybe they started with goal setting, but they never attribute their success to their goals—they attribute it to their systems. Systems are consistent, reliable, and fluid.

There might be a Capital B "Best" way to do something. Never forget that there are seemingly infinite lowercase "g–e" good enough ways that'll also work just fine. What you choose to do doesn't have to be the best. Once you've found your good enough, stop looking. Find your good, close the book, and execute. And, yeah, you can make it up as you go. Obvious Choice people sure as heck do.

Part 2: Becoming the Obvious Choice

Let Your Geek Flag Fly

Anxiety and overwhelm don't result from the amount of work you have to do; they're the result of not knowing whether the work you're doing is making any damn difference. Your competitive advantage is that you're unique and special and weird. We all are.

"Be authentic" is advice you hear all the time. It's not authenticity you need. It's trusting that your authentic self is enough.

The best way to become the Obvious Choice online is to share a nerdy obsession—an uncommon commonality—with a subset of people. Being unique and special and weird are your competitive advantage. Don't aim to be the best; aim to be the only.

Sharing irrational obsession attracts your people to you—friends, customers, promoters, and even investors.

Three-stage framework for finding your way:

Stage 1: Break down everything you do into four big markets.

Stage 2: Branch off each market that applies to you into three or four submarkets.

Stage 3: Add in your uniqueness.

Once you've narrowed it down, ask:

1. Is it unique?
2. Are people irrationally passionate about it?
3. Are these people both willing and able to spend money?

If you can say yes to all three, you're good to go.

Discover the Easy Answer

It's not how smart you are, it's how you are smart. Before you try harder, make sure you're on the right path. Before you work on a solution, make sure that you understand the problem.

Despite all the incredible advances in technology, the best marketing to humans by humans can be summed up in three words: talk to people.

Trying to convince somebody to change in order to buy from you is hard. Instead, find people already doing the thing you help people do and get them to do more of it with you.

There's three rules to follow when getting referrals from other businesses:

1. Give before getting.
2. Make it easy for the other business owner.
3. Make it compelling for the customer.

The easiest sale you'll ever make is to a referred customer. Make your customers feel like the all-star that they are, and they'll send you more business than you know what to do with. Discovering your easy is really about focusing your energy on the right problems, even if it challenges the way things are "supposed" to be done.

Become Famous to the Family

Seth Godin wrote: "You need to be famous to the small circle of people you are hoping will admire and trust you. . . Being famous to the family is far more efficient than being famous to everyone."

Despite all the incredible advances in technology, the best marketing to humans by humans can be summed up in three words: talk to people.

Which people? Your people.

What do you say? Not much; you mostly listen.

Where do you find them? Wherever they already are.

Developing a Human Optimized Marketing System (HOMS) requires answering five questions:

1. What key benefit does my thing provide?
2. Who are my customers?
3. What do they want?
4. Where am I going to find them?
5. How can I talk to them today?

Becoming famous to the family is as simple as talking to people, offering them value, and not expecting anything in return.

#MonkeyFirst

Things like forming a legal corporation and getting a logo may be hard, time intensive, and expensive, but you know you can do them. Then there's sales. Does anybody actually want your thing? Will they pay money for it? Because if they don't, none of the other stuff matters.

We tell ourselves that we're optimizing for scale and efficiency when chasing the latest tech, when in reality, what we're most often doing is best defined as productive procrastination.

The "Founding Client Challenge" is a type of permission launch and can be applied to any industry. For example, here are steps for fitness coaching:

1. You've created a new, sixty-day fitness program.
2. You need five founding clients (max) to help test it.
3. You don't have everything figured out yet.
4. You're offering a huge discount.
5. If they complete the steps, they get their money back (so, it's free).
6. It starts on a firm date.

Find Your "So That"

How your product or service works doesn't matter. What matters is what somebody wants to become as a result of what you do. And everybody's wants are different.

Sell people what they want and give them what they need. They need your product or service; they want the results of it.

"It's rare to listen to somebody in totality," said Julian Treasure, a sound and communication expert. "Giving somebody your full attention is the greatest gift you can give to another person."

Listen with curiosity. Your intent is to understand, not reply or impress.

Yes, your expertise matters. So does the quality of your product and service. But how people feel they're treated by you matters more.

Money's rarely a real objection. The real objection is most often an unwillingness to change stemming from a lack of tension. Basically, it's not important enough to them right now because you haven't made them aware of how important enough it should be for them right now.

More isn't better. Focus on one thing. Each new element you talk about in your marketing diminishes the power of the others.

Social Media Is Not Enough

Improved brand awareness can be beneficial long-term. Just don't depend on content for your short-term success. Social media amplifies what's already there. It's the fuel, not the fire.

Everybody should build their online platform. The way most people do it is burning them out, though. A better way is to build your account like it's a sales page with updates, case studies, and testimonials. Its job isn't to attract attention, it's to convert attention attracted elsewhere.

In ***Breakthrough Advertising***, Eugene Schwartz describes five levels of customer awareness:

1. Unaware
2. Problem aware
3. Solution aware
4. Product aware
5. Most aware

There's value in content when you're new, and there's value ongoing. The key is to figure out what value you need to get out of it based on your situation at any given time. First, create content for yourself. Then, for your customers. Next, for your industry. And finally, the world.

Thought leadership is primarily about the earned reputation of the person, not the quality of the content.

Content that best attracts new followers is different from the content that converts them into customers. Broken down into its simplest parts, thought leaders publish a combination of three types of content:

1. Viral—attracts followers.
2. Value—solves their problems.
3. Depth—creates connection with them.

Whether or not you use social media is your decision. If you do use it, define what "making it work" means for you. It was never necessary for success and never will be. It's simply a tool. A potentially useful tool, but just a tool.

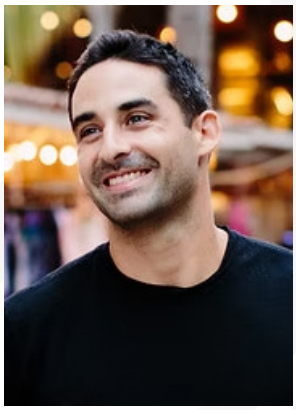
Whales and Minnows

Getting a cheap customer is just as hard as getting a customer who pays you a lot. And when we consider the value cheap customers bring to our businesses, we find that they tend to drain the bottom line and ruin the experience for others.

When your business is new, you lack the necessary scale to make a product that's both good and inexpensive. So, choose. But remember, you're judged on whether you've solved a person's problem.

Whales and minnows is also a life philosophy. Say yes or say no. Successful people make binary decisions and accept the trade-offs. Unsuccessful people cannot say no to substandard opportunities.

Becoming the Obvious Choice is simple, not easy. Our brains evolved to collect nuts in a forest, not process a 24/7 information onslaught. It's impossible to keep up. The modern world's hellbent on convincing us that there's a better way. But to that I ask, "If my way is good enough, does a better way matter?"



Jonathan Goodman is the creator of the Personal Trainer Development Center and host of the popular Obvious Choice podcast, a top show for coaches, entrepreneurs, and small business owners. Jon's been featured in most major business and fitness publications including Men's Health, Forbes, Entrepreneur, Robb Report, Inc., and many more. Over 200,000 coaches and small business owners in more than 120 countries have purchased business development materials from him. Originally from Toronto, Jon spends his winters exploring the World with his wife and two young sons.

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· Book 96 of 106 ·

The Science of Brand Associations

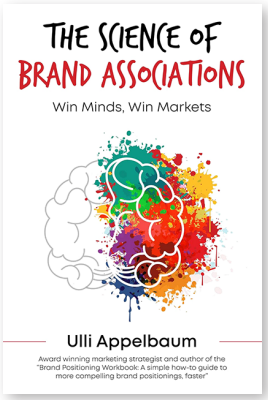
Ulli Appelbaum

Executive Book Summaries®

The Science of Brand Associations

Win Minds, Win Markets

by **Ulli Appelbaum**



Contents

What Is a Brand?
Page 2

The Many Different Meanings of Brands
Page 3

10 Reasons Strong Brand Association Networks Matter
Page 4

Brand Assets—Brand Associations with Superpowers
Page 5

9 Strategies to Create Strong Brand Association Networks
Page 6

14 Proven Principles of Brand Growth
Page 7

THE SUMMARY IN BRIEF

Consumers are constantly surrounded by brands—at home, at work, and in everyday life. Over time, these brands accumulate associations that shape how consumers feel, what they remember, and ultimately what they choose. The strength, speed, and nature of these associations play a decisive role in brand growth. Understanding how these associations form and how they can be shaped deliberately is therefore central to building successful brands.

In ***The Science of Brand Associations: Win Minds, Win Markets***, Ulli Appelbaum explains how brands are formed in the minds of consumers and why Brand Association Networks—the interconnected memories and meanings linked to a brand—are central to effective brand building. Drawing on insights from neuroscience, cognitive psychology, and marketing research, the book shows how associations are created, strengthened, and retrieved, and why some brands grow faster and command greater preference than others.

It also examines the different meanings brands can hold, the role of distinctive brand assets, and the principles that guide long-term growth. In addition, it outlines common reasons brands fail, strategies for overcoming negative associations, and practical approaches to researching and measuring brand associations over time. Together, these insights provide a clear framework for building, evaluating, and strengthening brands through associations.

IN THIS EXECUTIVE BOOK SUMMARY

- Explore how the human brain forms, stores, and retrieves brand associations, and why memory, emotion, and repetition shape consumer choice over time
- Demonstrate why strong Brand Association Networks drive growth and preference
- Outline how brands are built and differentiated through associations, from defining core meanings to reinforcing them consistently across touchpoints
- Identify common reasons brands fail—and how to avoid them

Introduction

Amazon has no books with the phrase *brand associations* listed in the title. This is true despite the fact that they are the single most important concept in marketing and successful brand management. Understanding how brands are formed in the minds of consumers—and how to create and nurture strong, rich association networks around an offering, whether a product, service, or idea—forms the foundation of effective marketing and brand building.

A science-based, data-driven understanding of how brands are defined, formed, nurtured, and grown enables more focused and effective brand strategies. With greater clarity around brand associations, marketers can evaluate initiatives more rigorously and manage brand-building efforts with greater confidence and precision.

CHAPTER 1

What Is a Brand?

A brand is a network of associations consumers develop over time in their minds about a specific offering—associations that shape how they feel about and act toward that brand. These associations, more specifically called *Brand Association Networks*, are basically memories that are connected to each other, forming a network, and linked to a specific offering.

Brand Association Networks represent the foundation of a brand's equity. They reflect how brands are formed in the brain and clarify the role of brand stewards: to deliberately create, nurture, and manage the associations that influence how a brand is perceived, remembered, and chosen.

Understanding how Brand Associations Networks, or memory structures, are formed, strengthened, and retrieved in the mind of consumers is therefore essential knowledge for building strong, successful brands and a requirement for every brand steward.

Despite the importance of the associations that exist in consumers' brains regarding products, few marketers can name the top associations consumers connect with their brand, and even fewer can identify the associations that are truly driving their business.

It is usually the marketing directors of the most successful brands who have a clear sense of the two or three core associations their brand should stand for. Additionally, within many organizations, there is little consensus among stakeholders on what those associations should be. Clarity of intent is essential to a brand's success.

CHAPTER 2

How Brands Are Formed in the Brains of Consumers

As Walter Landor said, "products are made in factories, but brands are created in the mind." Two scientific concepts are particularly relevant for brand associations. These are the Associative Network Theory and the learning and understanding derived from neuroscience. While these two approaches come at the brain from different angles, the principles and mechanisms of how brands are created are very similar and consistent.

The Associative Network Theory

Cognitive Psychology has developed the framework referred to as the Associative Network of Learning. At the center of the Associative Network Theory is the idea that our memory resembles a huge network in which ideas, images, emotions, concepts, and experiences are linked together. The theory describes the memory as a structured web of interconnected concepts made out of nodes and links between those nodes. These nodes are the fundamental units of information within the network, representing specific pieces of knowledge.

Every experience and emotion consumers associate with a specific brand is represented by a node. Links or associations are the connections that exist between three nodes and signify the relationship between different pieces of information. The more frequently two concepts or nodes are encountered together or are associated with each other, the stronger the link between these nodes becomes.

The strength of these associations plays a crucial role in the process of information retrieval. Stronger links between nodes increase the likelihood that activating one node will lead to the activation of related nodes. A node can be activated by a stimulus like a brand logo, by an internal need such as hunger, or even by scents. When a node is activated, it sets off a chain reaction of activation, like a firework, across the connected nodes in the network.

When a brand node is activated by the exposure to a brand name or logo, brand stewards want the subsequent spread of activation to lead to the retrieval of favorable and intended brand associations. This helps create brand preferences and prompts consumers at the time of purchase. Cognitive psychology and the Associative Network Theory can be described as the data management system in the brain, i.e. the cognitive processes of how brand memories, knowledge, and emotions are stored, organized, and retrieved in the brain.

> Brands with richer and more positive Brand Association Networks tend to have larger market shares than their competitors.

The Neuroscience of Brands

Neuroscience views memories not as stored in a single location, but rather as a dynamic system that connects different memory systems based on the type of memories encoded and stored. This pattern of connectivity is composed of groups of engrams and synapses rather than nodes and links.

The engram is also known as a memory trace and is the physical representation of a memory in the brain. When the brain encounters new pieces of information or experience, the engram represents the physical changes that the brain went through to store that piece of information. The engrams and the neurons they are forming can involve different brain regions and connections between them.

The connection between these neurons contained in the engrams is called synapses. These synapses become stronger if the two neurons are active at the same time, and stronger and more frequently activated synapses are analogous to the stronger "links" in the Associative Network Theory. When a stimulus or thought activates a particular neural node, the electrical and chemical signals propagate along the synaptic connection to other related nodes, mirroring the cognitive process described in the Associative Network Theory.

Within both frameworks, brands are the sum of all the associations (nodes or neuron networks), positive or negative, connected to a specific offering. If consumers get exposed to a new piece of information about the brand or have a new experience with the brand, this information is integrated into the existing network. The stronger individual associations are and the stronger the link between the associations, the faster they will be retrieved and activated when the consumer is exposed to an association within that network.

CHAPTER 3

The Many Different Meanings of Brands

Brand Association Networks are mental constructs that often carry meaning that extends far beyond their functionality and functional attributes. There are numerous potential meanings that can be associated with a brand.

The categorization of brand meanings is not "clear cut" and "discrete," and different meanings can overlap. Brands can have different meanings for different people. The five key meanings a brand can have are:

- **Cultural Meaning**. This refers to when brands embody and represent cultural values, beliefs, and traditions. This can also include cultural symbolism where brands can become public representations of specific cultures, embodying their distinctive characteristics. Consumers may use brands to express their cultural affiliations and reinforce their cultural identity.
- **Social Meaning**. Certain brands may signify social class or prestige while others represent membership in specific social groups or subcultures. Brands can also embody social responsibility by taking a stance on social issues that become part of its meaning.
- **Emotional Meaning**. Brands can evoke emotional responses such as nostalgia and excitement.
- **Symbolic Meaning**. This refers to when a brand serves as a symbol for certain values, as a means of self-expression, or for desired lifestyles or personal qualities. Brands can become iconic by becoming symbols of broader concepts or ideals such as speed, passion, luxury, etc.
- **Functional Meaning**. With the functional meaning, the primary appeal of a brand lies in its practical utility, reliability, and efficient problem-solving rather than in an emotional connection, status, or lifestyle aspiration. They do a job, and they do it very well, without much fuss or fanfare.

Marketing professionals are best served when they avoid promoting or focusing on only one type of brand meaning. Professionals ought to avoid embracing only one of these meanings as the absolute solution for every brand and every brand problem. For example, not every business problem can be solved with cultural branding.

Once the brand's meanings are identified, professionals can then decide how to evolve the brand by determining what type of brand associations would provide a more contemporary expression of meaning and how to add new associations that better reflect current consumer trends and values.

CHAPTER 4

10 Reasons Strong Brand Association Networks Matter

Research findings from numerous sources demonstrate that strong and rich Brand Association Networks play a critical role in brand growth and business performance. The following ten findings highlight why these networks matter.

1. Strong brand association networks increase mental availability, a key success factor for brand growth. Mental availability—the ease with which a brand comes to mind in buying situations—depends on the quality and quantity of a brand's memory structures, and extensive research shows that brands with higher mental availability grow faster, alongside the support of physical availability.
2. Brands with richer and more positive Brand Association Networks tend to have larger market shares than their competitors.
3. How fast a consumer can access a brand's Brand Association Network correlates with that brand's market share. In other words, not only do consumers need to have brand awareness, but even more importantly, a brand needs to be considered before its competitors.
4. Brand association networks that include the key category occasions, needs, and benefits have a higher market share. For example, in the U.S. beer category, the market leader built a broader and richer network of associations tied to the category's most common drinking occasions, emotions, and product benefits, while smaller brands focused on narrower, more specific occasions and therefore reached fewer buyers.
5. Brands with strong association networks have a stronger impact on business metrics such as long-term growth, customer acquisition, and brand profit growth.
6. Two-thirds of a brand's growth comes from strong Brand Association Networks, meaning future growth depends largely on the strength and richness of those associations. Brands that combine meaning, differentiation, and salience grow three times faster than brands that rely on salience alone.
7. Meaningful difference—brands with Brand Association Networks that are both meaningful to consumers and differentiated from competitors—explains 80% of why consumers buy a brand. Brands with stronger meaningful difference outperform those that lack clear, distinctive associations.
8. Brands with meaningful and different Brand Association Networks grow five times faster.
9. Consumers are willing to pay 14% more for brands with meaningful and different Brand Association Networks.
10. Neglecting maintaining a brand's meaningful difference leads to a decline over time.

CHAPTER 5

Associations Brands Should Focus On

There are a few models or frameworks that can guide thinking when it comes to which brand associations to focus on. Some of the most relevant are:

Kantar's "Meaningfully Different" Philosophy

Perhaps the simplest way to decide which brand associations to focus on is to use Kantar's philosophy: focusing on brand associations that are "meaningfully different." This means a brand should focus on those brand associations that include relevant consumer needs, i.e "the physical, emotional, functional, social and other ways that brands work in consumers' lives" as well as brand associations that help "create memories that separate the brand from others."

"Category Entry Points" by the Ehrenberg Bass Institute

Category Entry Points (CEPs) are the reasons, situations, or triggers that prompt consumers to start thinking about buying a product or service in a certain category. They are the moments or needs that put someone "in the market" for a product, even before they think of any specific brand.

Brands that associate themselves with these CEPs are more easily remembered and therefore more likely to be chosen at those moments. Following this logic, the more CEPs a brand is associated with, the more successful it will be. While Category Entry Points are a great way to look at brand associations, they can be hard and impractical to implement, and they can be of more use to larger rather than smaller brands.

Keller's "Customer-Based Equity" (CBBE) Model

According to this model, building strong brands involves 4 levels: Identity, Meaning, Responses, and Relationships, comprising 6 brand building blocks that can be visualized as a pyramid. These building blocks, from bottom to top, are brand salience, brand performance, brand imagery, brand judgments, brand feelings, and brand resonance. According to Keller's model, brand associations need to:

> Strong Brand Association Networks do not form by accident; they are built deliberately and strengthened over time.

- Help consumers clearly identify the category and the brand.
- Help the brand stand out in that category.
- Clearly communicate what needs the brand satisfies or benefits it provides and how it does so better than other brands.
- Clearly communicate emotional or psychological benefits or brand values that help define the brand's imagery and personality.
- Elicit a favorable emotional response and positive attitude towards the brand.

Additional Considerations

When determining what association your brand should focus on, you should consider the network of associations rather than the original associations. Not one single brand association can, or is meant to, do all the heavy lifting. Instead, each association is a piece of the puzzle that provides the whole picture.

Small and large brands will have different focuses. Small brands typically have limited resources, so they need to focus, and since their brand associations are often weak, they need to invest over time in continuously reinforcing their associations and establishing their distinctive brand assets without immediate return while also convincing consumers to purchase their products. They also need to focus on stealing shares within the category.

Bigger brands, on the other hand, already have a series of brand associations they can build on. As a result, brand stewards of established brands need to clearly understand the core associations that drive their business and continuously nurture and refresh them.

Sometimes refreshing and reframing existing associations is all you need. Well-established brands need to watch out for outdated brand associations that may turn customers away. In most cases, it is best to just refresh or reframe an association rather than getting rid of it completely.

Not all associations need to do all the heavy lifting. For a brand to be relevant, it needs to associate itself with some of the core consumer drivers in a given category even if those associations are generic. It is perfectly okay to use a generic but category relevant association but complement it with associations that help the brand feel different.

Southwest Airlines is an example of this. They started as a low-cost carrier with a clear emphasis on low prices. They were not the only airline to do this, however. They differentiated themselves via its humor brand personality. Generic benefit and differentiating personality triggered an emotional response toward the brand, creating a powerful mix even though each individual association is generic.

When selecting the right associations, start with core consumer needs and wants and the key category drivers—focusing on a specific consumer segment if the brand is small, or on the broader category if the brand is dominant. The priority is to understand what consumers truly want in a product.

CHAPTER 6

Brand Assets—Brand Associations with Superpowers

Distinctive brand assets, also called brand codes or fluent devices, are types of brand associations that deserve a specific mention because they are brand associations with unique characteristics and powers. They appear to be seriously understated by too many marketers and therefore represent an opportunity for clever brand stewards.

Brand assets are the unique and recognizable elements of a brand that set it apart from competitors and make it instantly identifiable to consumers. They are the sensory and symbolic cues that, over time, became synonymous with the brand in the consumer's mind.

These can be visual or auditory, and they can include colors, shapes, slogans or phrases, characters, and scents. These brand assets are important because they give each brand a unique and immediately recognizable fingerprint, and, if established strongly and distinctively, they act as a shortcut to the brand's association network. It is extremely difficult for a brand to create strong associations without distinctive brand assets.

It is important to mention that most package designs do not put enough emphasis on creating highly distinctive brand assets. Distinctiveness and distinctive brand assets mean something different in every category and for every brand, but it feels like a lot of package design work misses the opportunity to create something really unique and distinctive. Instead of focusing just on beauty, they should try to radically break the category conventions and just "look different."

Numerous chocolate brands such as Milka, Toblerone, and Tony Chocolonely were able to successfully do this. One study found that 15% of all tested brand assets were contributing to brand salience by acting as a shortcut to the brand's Brand Association Networks and by helping build brand equity over time.

Brand assets play different roles at different stages of a company's life cycle. Small brands with little awareness and recognition need to invest in distinctive brand assets, even though these investments may not yield immediate results. Like compound interest, their impact grows over time, making distinctive brand assets foundational from the very beginning.

CHAPTER 7

9 Strategies to Create Strong Brand Association Networks

Strong Brand Association Networks do not form by accident; they are built deliberately and strengthened over time. Several factors contribute to the formation of strong and rich Brand Association Networks, including:

1. **A clear branding position**. The starting point of any successful brand is a clear understanding and internal alignment of the desired brand associations you want to create and pair with your brand. This is your brand's positioning. A lack of clarity for consumers usually starts with a lack of clarity among the brand stewards.
2. **Repetition, repetition, repetition**. Strong association networks take time to build. Continuity and consistency over time as well as systematic communication of the desired brand associations across all touchpoints are essential to strengthen memory associations. Familiarity breeds liking.
3. **Make it emotional**. Emotional brand experiences, including anything from an ad to a physical touchpoint, make associations more memorable.
4. **Multisensory stimuli**. Engaging multiple senses during consumer interactions create stronger, more vivid memories.
5. **Storytelling**. Stories forming a coherent narrative tend to be recalled better. Emotional engagement triggers the release of neurotransmitters like dopamine and oxytocin which enhance memory consolidation and retrieval. Additionally, the narrative structure of a story helps organize information, creating mental frameworks that facilitate recall.
6. **Memorable brand experiences**. Memorable brand experiences, even in the form of small brand consumer touchpoints such as a customer service exchange, can have a huge impact on the brand's perception and the brand's association networks.
7. **Distinctive and unique brand assets**. Including brand assets that are unique and distinctive to the desired associations a brand seeks to establish—and communicating them continuously and systematically over time and across touchpoints—makes access to and retrieval of the brand's association network easier and faster.
8. **Personal relevance and importance**. Brand information that is personally relevant, has emotional significance, or is aligned with your values and prior knowledge is more easily remembered and integrated in the brand's association network.
9. **Recency**. Brand associations, just like memories, fade over time. The brand's association network therefore needs to be consistently and continuously reinforced in consumers' minds.

CHAPTER 8

The Undervalued Opportunities

Brand Association Networks are formed through the cumulative effects of all the encounters consumers have with that specific brand. Some of them are within the control of the brand itself, but most are outside of the company's control.

There are numerous broad sources of brand associations such as personal experiences, recommendations from family and friends, social media, expert recommendations, news and media, and a brand's own marketing communications and media. While the role of the various brand touchpoints differs by brand, category, and consumer segment, there are two undervalued opportunities that can create strong Brand Association Networks.

> Examining why brands fail can be just as instructive as understanding how they grow.

1. Personal Brand Experiences

Brands could and should, based on their resources, turn any touchpoint they have with consumers into a memorable and exciting experience that builds and strengthens the brand associations and help reap all the benefits of strong association networks. You can do this by positively surprising consumers at touchpoint and exceeding the expectations they might have.

Will Guidara writes about this in his book, *Unreasonable Hospitality*, when he discusses how staff members will occasionally feed the parking meters of their guests to ensure that guests do not get a ticket. These memorable touchpoints do not need to be expensive; they just need to create a wow moment.

Touchpoints can be positive, neutral, or negative, and it is best to address the latter first, ideally turning negative touchpoints into surprising customer experiences that exceed consumers' expectations. Identifying a normal or mundane touchpoint and turning it into a surprising customer experience that exceeds consumers' expectations and makes the customer feel like they are being taken care of will have significantly more impact on your brand's perception than having an exhaustive overview of all your touchpoints.

2. Advertising

The role of advertising is to build, refresh, and maintain mental availability—the ability to recall a brand's association network quickly and easily. Advertising does this by breaking through consumer attention and telling engaging, emotional stories that bring relevant themes to life, while clearly establishing the brand's assets.

Emotional advertising has a greater impact than non-emotional advertising. However, research shows that highly emotional ads without distinctive brand assets lose much of their effectiveness and can perform worse than non-emotional ads.

CHAPTER 9

14 Proven Principles of Brand Growth

Before outlining the principles of brand growth, it is important to clarify a key distinction that appears repeatedly across brand-growth frameworks: the difference between *differentiation* and *distinctiveness*.

Differentiation refers to how a brand is positioned relative to competitors—specifically, how it creates a unique and meaningful place in consumers' minds through the associations it stands for.

Distinctiveness, by contrast, refers to how easily a brand is recognized and remembered, often through distinctive brand assets such as visual identity, symbols, and other sensory cues.

While some research emphasizes distinctiveness as the primary driver of brand success and others highlight the importance of differentiation, the evidence suggests that both matter. Strong brands combine clear, meaningful differentiation with distinctive assets that make those associations easy to recognize and recall—an approach reflected in the principles that follow.

1. The brand focuses its growth on increasing penetration. This is done within a clearly defined and understood consumer segment if the brand is small, or it is done by continuously reaching all category buyers when the brand is large.
2. The brand understands that creating a differentiating Brand Association Network is critical to grow penetration and market share when it is small or operating in a new category. They also understand that distinctiveness becomes increasingly critical as it grows and expands in size.
3. Brand stewards understand that the objective of their brand activities is to help create brand predisposition and mental availability.
4. The brand's stewards have a thorough and shared understanding of consumers' core drivers, needs, behaviors, perceptions, beliefs, and feelings towards the category and the brand.
5. The brand stewards have identified and are aligned on a set of desired brand associations they want to create and associate with their brand to drive the brand's growth over the next three to five years.
6. This set of desired brand associations meets consumers' needs and delivers both tangible and intangible benefits that consumers truly desire, while creating

the perception of being different from their competing alternatives.

7. Brand stewards understand that the growth of their brand is determined by their ability to develop a brand association network that aligns with the critical category needs, benefits, emotions, and occasions to ensure brand relevance.
8. The brand understands that all its activities should help create an emotional connection with consumers and elicit an emotional reaction at its touchpoints, thus helping the brand stand out, grow, and strengthen its Brand Association Network.
9. The brand nurtures and reinforces its distinctive brand assets across all touchpoints, understanding the unique characteristics and opportunities of each.
10. The brand invests sufficient resources to continuously refresh and reinforce its Brand Association Network, thus making it easier to be remembered first at the moment of purchase.
11. The brand consistently strikes a balance between reinforcing its core brand associations without diluting them while staying interesting, fresh, and timely in its expression, product innovation, and other brand behaviors.
12. The brand makes it easier for more people to buy it in more situations by identifying the potential reasons consumers might not purchase.
13. The brand stays ahead of the competition by not giving consumers reasons not to buy the brand and potentially creative negative brand associations.
14. The brand conducts regular audits to assess and monitor its health and understand the source of its brand equity.

CHAPTER 10

16 Reasons Why Your Brand Fails

While clear principles help explain how brands grow, examining why brands fail can be just as instructive. Understanding the barriers to success and the common reasons brands fall short often makes it easier to recognize problems early and address them effectively. The following sixteen reasons highlight where brands most often go wrong.

1. Lack of understanding of your core consumer segment.
2. As a larger brand, you target too small a consumer segment within your category instead of trying to expand the category by increasing consumer penetration in adjacent categories or by trying to grow the category overall.
3. As a newer brand, you are focusing too much on customer retention and not enough on customer acquisition.
4. You and your executive team are not clear and aligned on the five or so brand associations you want to create around your brand.
5. Because you are not clear and aligned internally on what brand associations to focus on, you let your various communication agencies prescribe the direction—strategic and executional—of your brand.
6. Because you are not clear on which associations will drive your business growth, you act reactively to competing initiatives in that category.
7. You have defined a series of desired brand associations but they either do not tap into consumers' needs, do not provide clear value, or do not trigger an emotional response from consumers.
8. Your brand isn't different enough from your competition, neither at the strategic level nor at the executional level.
9. You do not have truly distinctive brand assets that help your brand stand out even though your design might look beautiful.
10. You are not systematically leveraging your brand assets at every touchpoint.
11. If you are an established brand, you do not have a clear idea of the core brand associations that have made you successful.
12. You are not communicating above your weight class within your desired consumer segment and thus not achieving an excessive share of voice.
13. You have clear brand associations, but they are not brought to life in an attention getting, interesting, or fresh way.
14. You are not consistently focused on building your brand association network.
15. While you have good and strong brand associations, you also have negative associations that have not been addressed and that prevent consumers from buying your brand.
16. Most of your brand/consumer touchpoints are purely transactional and none of them delights and exceeds consumer expectations, thus missing an opportunity to create an over-proportional brand impact.

> Brands live in the minds of consumers and are built one memory and one association at a time.

CHAPTER 11

Strategies to Overcome and Avoid Negative Brand Associations

There may be situations where a brand suffers from negative associations that hinder its growth and hold consumers back from buying that brand. There are several ways to overcome negative brand perceptions and associations. The first is to address the negative association directly and truthfully. The second is to tap into the brand's heritage to dust off an emotional consumer truth that can be turned into a positive brand association.

This approach consists of reminding people of their personal and emotional experiences with the brand. A third method is to reframe the negative association into a more positive one, if you can do so credibly. Fourth, a company may adapt their product offering to make their brand more accessible and increase usage occasions. Fifth, a company can refresh their core associations.

There might be cases where a brand isn't necessarily associated with any major negative association that prevents consumers from buying the brand. It could simply be that the brand's associations, while still relevant, feel a bit outdated, haven't kept up with competing activities, have lost their salience, or have simply not been executed and brought to life in a contemporary and fresh way.

Companies should beware of the dangers of messing with the brand's user imagery and user base. This risk arises when negative brand associations are tied to perceptions of the current consumer base.

What are the implications for brand stewards?

1. Understand your brand's Brand Association Network, both the positive associations and the negative ones.
2. Be able to make the distinction between negative associations that need to be addressed and associations that may appear to be negative but may just need a refresh and reframing.
3. Realize the power of emotions and human truth consumers can relate to in overcoming more rational negative associations.
4. When targeting a new consumer segment, make sure that you are not ignoring, or even worse, denigrating your current consumer base, the one that has made you successful until now.
5. Understand and change if necessary the brand's attributes around size, format, price points, etc. to make your brand appealing and accessible to as many category buyers as possible.

CHAPTER 12

Researching, Measuring, and Integrating Brand Associations

Researching brand associations can be challenging, but it does not need to be overly complex. A range of qualitative and quantitative methods can be used to identify and assess brand associations.

Qualitative methodologies can include anything from focus groups to one-on-one interviews, online panel discussions, to social monitoring. The interview techniques you can use can also vary widely from in-depth psychological explorations (best done by experts), direct or open-ended questions or projective techniques.

You can also use quantitative methods common in marketing such as benefit or attribute rankings, and tracking studies, to much more sophisticated methodologies such as implicit association test, electro-encephalography (EEG), eye-tracking, etc. Those are more "rigorous" but also take longer and are significantly more expensive.

Regardless of the methods employed, research into brand associations should focus on answering a few fundamental questions.

1. What are the most important associations?
2. How important are they in driving brand preferences?
3. How unique are they to your brand?

Effective research typically combines qualitative and quantitative approaches. Initial insights can often be drawn from existing data, direct observation, and analysis of the category and its competitors. Consumer feedback from reviews,

websites, and social media can also provide valuable signals, particularly around the associations driving the category. Any research effort should be grounded in a solid understanding of brand associations.

There is no universal research methodology to help you track brand associations. That is okay. Be pragmatic about it and use the method that will best fit your unique situation and resources.

Conclusion

Brands don't live in board rooms, marketing departments or flashy philosophies. They live in the mind of consumers and are built one memory and one association at a time, shaped by consistent exposure, reinforced by emotion, and anchored through distinctive assets.

Building strong brands ultimately comes down to a few fundamentals. Successful brand stewards understand what consumers associate with their brand today, not what they hope those associations to be. They define a small number of associations that truly drive preference, reinforce them consistently across all touchpoints, and protect them over time.

There is no shortcut or fashionable framework that replaces this work. Long-term brand success is the result of applying these fundamentals with discipline and consistency.



Ulli Appelbaum is an award-winning marketing and brand strategist with more than 30 years of experience building distinctive brands worldwide. He is the author of the award-winning book *The Brand Positioning Book*, widely regarded as a leading guide to modern brand positioning. Appelbaum has held senior strategy roles at global agencies including BBDO, Leo Burnett, Fallon Worldwide, and SapientNitro, contributing to multiple Effie Awards and an ARF Ogilvy Award. His work has shaped brands such as Wrigley, Harley-Davidson, Hallmark, Nestlé, Procter & Gamble, and Chrysler. He founded the strategy boutique First The Trousers Then The Shoes in 2014.

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· Book 97 of 106 ·

The Short List

David Ackert

Executive Book Summaries®

The Short List

How to Drive Business Development by Focusing on the People Who Matter Most



by **David Ackert**

Contents

Part 1: Creating and Optimizing a Short List
Page 2

Part 2: Attracting People to Your Short List
Page 4

Part 3: Growing and Nurturing Your Short List
Page 5

Part 4: Elevating Your Short List and Sustaining Momentum
Page 6

THE SUMMARY IN BRIEF

When it comes to business development, professionals often struggle – not from a lack of opportunities but from not knowing where to focus their attention. In a world of sprawling LinkedIn networks and bloated CRM databases, the real challenge is identifying the relationships that actually move the needle.

The Short List: How to Drive Business Development by Focusing on the People Who Matter Most by David Ackert offers a simple yet powerful solution: focus your time and energy on a carefully chosen group of key contacts who can help you reach your goals, and to whom you can offer genuine value in return.

Ackert, a trusted business development advisor and CEO of PipelinePlus, introduces a practical system for building an intentional, trust-based network. Through step-by-step exercises, he helps readers identify, nurture, and sustain high-impact relationships that lead to meaningful results. Whether you're just getting started or refining your approach, this book helps you eliminate the noise and concentrate on what truly drives growth: authentic connection with the right people.

IN THIS EXECUTIVE BOOK SUMMARY:

- Shows leaders how to identify the most valuable relationships in their network based on alignment with their goals.
- Explains how to build and sustain authentic, mutually beneficial connections.
- Teaches leaders how to prioritize quality over quantity in business development efforts.
- Offers advice on how to strategically grow your network with people who amplify your impact.

Introduction: Quality Over Quantity

You can have whatever you want in business if you know the right people. So, when you start adding those people to your network, establishing a mutually beneficial relationship with them, and engaging in authentic, persuasive conversations, the results you want come to fruition. Unfortunately, most of us have too few of the right people in our networks.

So how can we authentically connect with people in an increasingly crowded, noisy, dangerous, and untrustworthy world? The answer, and the topic of this book, is this: focus on quality over quantity.

THE SHORT LIST:
A MOREINTENTIONAL NETWORK

The Short List is a system for creating a more intentional network of trusted relationships, prioritized according to their ability to help you achieve your goals. This book will show you how to focus your network down to the most crucial people, and ensure you provide each other with meaningful value.

Part 1: Creating and Optimizing a Short List

Chapter 1: A Winning Strategy

When I transitioned out of the entertainment industry and started my career as a business coach, I knew I needed to build a new platform, so I joined several networking groups and attended any event that would have me. The process was tedious and inefficient. So, I decided I would only propose meetings with people whose company I genuinely enjoyed.

The more I networked with people I liked, the more my connections consisted of individuals whose interests, demographics, and aspirations were similar to my own. Over time, I observed that whenever a meaningful business opportunity or job offer came my way, it originated from a client, mentor, or connector from the upper echelon in my network. Focusing more of my time on influential people whose goals were aligned with my own was clearly a winning strategy.

HOW MANY RELATIONSHIPS SHOULD I CULTIVATE?

Even with my more strategic intention in mind, I still struggled with scope. How many influential people did I need in my network, and how many could I realistically maintain?

Research by English evolutionary psychologist Robin Dunbar indicated an upper threshold when it comes to the number of relationships most people can actively manage. Across the board, he found that the average size of a cohesive network of friends is 150 people.

Now, to arrive at your Short List, consider the 80/20 rule, which suggests that for most endeavors, 80 percent of the results are a product of 20 percent of the causes. In other words, only 20 percent of your 150 closest connections have the potential to help you succeed. **That brings the list down to just thirty people.**

LESS IS MORE

In the early years of a career, it is important to meet as many people as possible and establish a broad base of relationships that align to your business goals.

But later, as we become more established and adopt greater personal and professional responsibilities, we discover that the only way to triage our time is to adopt the principle of "less is more."

It may feel cold-hearted and mercenary to eliminate people from your circle and arrange others in order of priority. But as you think through the Short List process, you'll see that there's nothing wrong with focusing on relationships that return value for value.

Chapter 2: Knowing What You Want

During my transition from actor to business coach, I held jobs at various firms in marketing, operations, and business development departments and I observed firsthand how management used extrinsic motivators to incentivize performance among the workers. This model appeals to basic human emotions of survival, greed, and fear.

IDENTIFYING YOUR PROFESSIONAL GOALS

After reflecting on the work environment that motivates you (the why), focus on the professional goals you want to achieve there (the what). A clear goal will help drive any successful endeavor.

YOU'RE SMART. BUT ARE YOUR GOALS SMART?

Begin by asking yourself what outcomes you want to accomplish over the next twelve months. Apply a SMART framework to your goalsetting so your goals are Specific, Measurable, Actionable, Realistic, and Time-Bound. Precise descriptions will help to focus your actions.

In a business context, sustainable, long-term relationships must have four characteristics: positive chemistry, meaningful character, the right level of capability, and a spirit of collaboration.

Chapter 3: The Three Relationship Categories on Your Short List

The names on your Short List will fall into three categories: clients, prospects, and connectors. Some may qualify for more than one bucket, so think about the role that describes their most likely contribution and organize them into the category that describes them best.

CLIENTS

Clients recognize your value and pay for it. Depending on the kind of work you do, they are your employer, investor, or an existing consumer of your services. They fortify your existing business with greater profit and stability.

PROSPECTS

Prospects are in a position to engage your services or work at companies that can hire you but haven't yet. You'd like to work with them, but you still need to persuade them to do so. They represent the opportunity to expand the scope of your existing business.

CONNECTORS

Connectors bring you new ideas, referrals, resources, clients, or other business opportunities. They may be partners at your firm or external referral sources providing adjacent services to your industry. Some connectors take the guise of a mentor or sponsor, championing your career success and granting access to influential networks.

Chapter 4: The Characteristics of the People on Your Short List

To what degree can the people on your Short List advance your SMART goals?

An influence score is a scale of one to five that helps you qualify people for your Short List. You start by putting yourself in the middle of the scale with a score of three. Then assign a score of one or two to the people who have less influence to drive commerce than you do, or who don't reciprocate your gestures of goodwill. Those who act as gatekeepers should get a score of four, and decision-makers get a five.

Your Short List should include only the people to whom you assign an influence score of three or higher.

THE FOUR CHARACTERISTICS OF SUSTAINABLE PROFESSIONAL RELATIONSHIPS

In a business context, sustainable, long-term relationships must have four characteristics: positive chemistry, meaningful character, the right level of capability, and a spirit of collaboration.

Chemistry

Chemistry is paramount to a sustainable relationship. It's nearly impossible to nurture connections with people whose company you don't enjoy.

Character

When you first meet someone, pay attention to the behaviors that signal their depth of character, and make sure they fit your standards. If you don't yet have a sense of someone's character, pay close attention to whether they keep their word.

Capability

The people on your Short List are part of the professional brand you message to the world. If you are surrounded by capable people, it's easy to collaborate and refer your clients to them.

Collaboration

Ideally, you'll focus on people who understand the importance of reciprocity and demonstrate a willingness to contribute value to you.

Chapter 5: How to Refine and Manage Your Short List

As your networks grow, your goals become more ambitious, and your pattern of thinking becomes more expansive, the makeup of your Short List will begin to change. You know that you are maintaining your network mindfully when your Short List continuously evolves over time.

Given the importance of your Short List, and the dynamic adding and culling process, you'll need to be consistent about tracking.

There are a variety of resources available for keeping track of your Short List, ranging from basic spreadsheets to apps specifically designed for Short List management, to advanced CRM platforms.

Consider the following criteria when developing your method for tracking your Short List:

1. An intuitive layout.
2. Ease-of-use.
3. Reminder alerts.
4. Guidance.

Part 2: Attracting People to Your Short List

Chapter 6: Your Niche

The secret to attracting the kinds of people and opportunities that fulfill your SMART goals is to develop a brand that communicates value to the communities you want to do business with. You start by carving out a unique niche that differentiates you from your competition, then use thought leadership, effective presentations, a compelling elevator pitch, and social media to amplify your brand. But first, you must overcome the plight of the generalist.

Transitioning from a general brand to a niched one isn't easy. Consider the many challenges that come with being a generalist:

- Pitching.
- Networking.
- Cross-selling.

To avoid these challenges and develop a niche that attracts high-quality work, you will need to look for the intersection of three things: your interests, your strengths, and client demand.

FINDING YOUR NICHE

There is wisdom in the saying, "there's riches in niches," and it is more relevant today than ever. As the business landscape becomes more complex and more crowded, it becomes nearly impossible to differentiate without a specialization. It's critical to find your niche so you can take the steps necessary to corner a defined market and concentrate your Short List accordingly.

The following steps illuminate the path:

- **Your interests.** What are you passionate about?
- **Your strengths.** Structuring your work around your strengths will give you a competitive edge.
- **Client demand.** Confirm that there is sufficient client demand to warrant your concentration.

Chapter 7: Memorable Content

When you use content to demonstrate your thought leadership, you signal the value you can provide to the various people who either play or will play a key role in your success.

Avenues for Demonstrating Thought Leadership

To share thought leadership with the world, you'll need two things: expertise and an internet connection. Then, you'll need to decide which avenue best plays to your strengths and sense of self-expression. Whether you excel at writing, thrive in dynamic conversations, or have a knack for presenting, there's a format that aligns with your natural talents and communication style.

These include:

- LinkedIn Posts.
- Blogs.
- Podcasts.
- Videos.
- In-person presentations.
- Webinars.
- Articles.
- White Papers.

Choose the format that complements your strengths and interests. Once you've selected a format, you can amplify your work by affiliating it with established people, brands, organizations, and concepts.

Chapter 8: Memorable Conversations

Just as generating memorable content helps you amplify your brand and demonstrate value, having memorable conversations also advances your SMART goals. Whether online or offline, your interactions are branding moments, communicating the kind of professional you are and how

Nurturing your most valuable relationships requires intentional effort, because time is the enemy of connectedness.

you want to be perceived. When you have impactful dialogues that resonate with your audience, you leave a lasting impression and advance your objectives.

Part 3: Growing and Nurturing Your Short List

Chapter 9: Cultivating New Relationships

Now your contact list is edited down to the people in your life who you respect and who have the power (or at least the potential) to move your career up the ladder. They are in line with your SMART goals, they are organized into a tracking tool that's easy to manage, and they are receiving content and messaging that elevates their impression of your professional brand. But what if your Short List is shorter than you'd like?

Fortunately, between social media, social circles, social invitations, and industry socials, you can easily fill the gaps in your list. All you have to do is start networking.

Chapter 10: Maintaining Existing Relationships

It's a good thing your Short List is, well, short. Its brevity ensures you can focus not only on activities and networking forums that add new people to it but also on the care and maintenance of those already on it.

Nurturing your most valuable relationships requires intentional effort, because time is the enemy of connectedness.

A large part of the work that goes into maintaining a Short List is managing your feelings of rejection. There may be extended periods of time when the people on your list are unresponsive. In such moments, it's essential to remember that to maintain your Short List you must play the long game. Don't take their lack of effort personally. Don't give up. Be persistent.

Chapter 11: Targeting

The idea behind targeting may seem counterintuitive given the approach you've taken so far to build your Short List. But in addition to the people you already know, and the people you've met by networking in accessible communities, you need 10 to 20 percent of your Short List to consist of perfect strangers who fit the profile of your high-value client.

CLIENT PROFILE ANALYSIS

First, consider the typical client you currently serve so you can see how close or far you are from a high-value book of business. Reflect on the profile that currently makes up the lion's share of your clientele, starting with your typical client's demographics:

- Age
- Geography
- Culture
- Industry

Next, identify your typical current client's psychographics:

- Key objectives
- Chief concerns

The third category in your Client Profiler will focus on the service needs in your current client base:

- Offerings
- Level of expertise
- Frequency of need
- Trigger circumstances
- Decision-makers

Finally, consider your clients' personal interests. The more their interests match your own, the more opportunities you will have for social time.

Chapter 12: Successful Engagement Strategies

There are seven engagement stages when converting a B2B prospect into a loyal client: acknowledge, follow, respond, meet, pitch, engage, and expand.

In our business development training and coaching programs, we are often asked about the total number of interactions required to advance a contact through all seven stages of engagement. The answer depends on

numerous factors including whether the contact in question is a prospect, client, or connector; the number of unique commonalities you share; whether they like you personally; which industry you hail from; the complexity of your offering; the stage of your career; and the skill with which you apply many of the concepts in this book.

Chapter 13: Adding Value in Every Interaction

Outreach to your Short List requires careful aim with a bow and arrow, not peppering the landscape with a machine gun. With your ideal client profile clearly defined, a personalized approach to communication, and a value-added action, you drastically improve your success rate, even at the earliest stages of engagement.

Incorporating a closing question into your professional email does not guarantee a response, but it invites an ongoing dialogue more effectively than the alternative. By consistently leaving the door open for responses, you cultivate an environment where communication is not just a transaction but a continuous exchange of ideas and opportunities.

Part 4: Elevating Your Short List and Sustaining Momentum

Chapter 14: How to Activate Connectors

Connectors have access to information and business opportunities that can catalyze your success. A referral from a connector skips past the first three engagement stages. The prospect is ready to meet with you solely based on the recommendation from their trusted contact.

Like any contact in your Short List, you must nurture your connectors if you expect to maximize their beneficial impact on your business. Here are the six steps that convert connectors into catalysts:

Step 1: Present your connectors with a connection request.

Step 2: After requesting an introduction, provide an assist.

Step 3: When a connector sends you a prospect, keep them in the loop.

Step 4: After a connector sends you a prospect, thank them.

Step 5: If you can't help the prospect, send them back to the referral source.

Step 6: Reciprocate whenever you can.

Chapter 15: How to Convert Prospects into Clients: The Pitch

In professional services, individuals typically navigate the initial four stages of the engagement process—acknowledge, follow, respond, and meet—relatively easily. These stages revolve around familiar principles like being helpful and delivering valuable information, which are standard practices in client service.

But the pitch stage poses a distinct challenge. It demands skills that are uneasy for many, such as selling, negotiating, and, at times, directly asking for business.

TURNING FRIENDS INTO CLIENTS

The pitch stage can be particularly tricky when the prospect is in your personal network. These informal approaches explore the business potential of your personal contacts in an easy, conversational manner.

PITCH MEETINGS

Unlike a casual exploration with a friend, a formal pitch meeting is a dedicated conversation oriented around a buying opportunity. A pitch meeting typically consists of five distinct parts, each contributing to a successful outcome.

- Build Rapport
- Understand Their Problem
- Propose Your Solution
- Address Their Objections
- Ask for Their Business: The Close

Chapter 16: How to Convert Prospects into Clients: The Negotiation

The process of converting a prospect into a client usually includes negotiation, which can be an uncomfortable conversation for most people in professional services.

Confidence is critical when negotiating with new prospects, defending rate increases with legacy clients, or establishing expectations with sophisticated institutional clients. Without it, you may compromise, offering discounts, write-downs, and write-offs. Use these negotiation techniques to prevent your client service from becoming client servitude:

- Know your bottom line.
- Understand their expectations.
- Ask them to advance first.

- Take incremental steps.
- Hold your ground.
- Explore counters.
- Retreat as a last resort.
- Don't settle for a promise.
- Be willing to walk away graciously.

Chapter 17: How to Expand High-Value Clients

By branding your expertise, you enjoy the upside of typecasting, where your professional network consistently associates you with a particular industry, solution, and prospect, and refers accordingly. But once you've secured a client, your work with them tends to follow the same theme until you earn their confidence in your firm's other solutions.

FROM TECHNICAL EXPERT TO TRUSTED ADVISOR

The key to success lies in the ability to earn greater trust and confidence from your clients over time. The fastest way to transition from technical expert to trusted advisor begins with a constructive feedback loop.

CROSS-SELLING

Once you have used client feedback or other information-gathering mechanisms to understand your client's business problems, you will be in a good position to cross-sell additional service lines that simultaneously help your clients and better leverage your firm.

CLIENT GIFTING

Client gifting is a thoughtful expression of your appreciation for your client's business and, when well chosen, strengthens the connection and creates a more lasting relationship.

FACE-TO-FACE INTERACTIONS

Deepening your professional relationships hinges on a higher quality of interaction that only face-to-face interactions can provide. The very effort itself sets you apart from competitors who can't be bothered to leave their desks and invest the time and effort in establishing a face-to-face connection with their prospects or clients.

INDUSTRY ROUNDTABLES

Professional services firms often form industry roundtables to add value to their high-value clients and attract prospective clients. This mastermind forum regularly brings together a peer network to discuss common challenges.

Chapter 18: Sustaining Momentum: A Systematic Approach to Business Development

The key to success is consistent action, and for that, you need to organize what you've learned into a system. So, here are the five steps for perfecting your Short List.

1. Create two or three SMART goals.
2. Compile a Short List consisting of nine to thirty-five people (clients, prospects, connectors) who can help you achieve your SMART goals.
3. Curate your Short List regularly.
4. Contact the people on your Short List monthly.
5. Manage your Short List with technology you will use consistently.

CLEARING THE WAY: REMOVING THE THREE BARRIERS TO BUSINESS DEVELOPMENT

Most of the people I've worked with have reasonable explanations for not prioritizing business development, even though they know it's crucial for growing or sustaining their client base. The real barriers are usually internal and within their control. To overcome them, we need to shift our mindsets, reprioritize, adopt more structured approaches to business development, and challenge the cultural norms that reinforce these justifications.

- **Barrier 1: Time.** If you aren't making time to interact with the people on your Short List, you aren't advancing your SMART goals.
- **Barrier 2: Lack of Accountability.** The key to an effective accountability structure in business development is understanding how much of an intrusion you will need to push through your reservations and maintain a consistent focus on your Short List.
- **Barrier 3: Firm Culture.** Most professional services firms face an uphill climb when it comes to creating a healthy business development culture.

Conclusion

So often, as professionally ambitious people, we feel we must put our family, friends, and even ourselves last while prioritizing our clients' needs, project deadlines, and to-do lists. But it doesn't have to be such a binary choice.

Certainly, maintaining a Short List will make you more organized and efficient. But ultimately, that's the trivial stuff. More importantly, it will integrate principles into your workday that make your professional life more fulfilling.

Life is fleeting, and time is precious. Spend what you have with the people you care about, doing the things that fulfill your personal and professional purpose. As for the rest, put it on your Long List and file it away. You can deal with it later.



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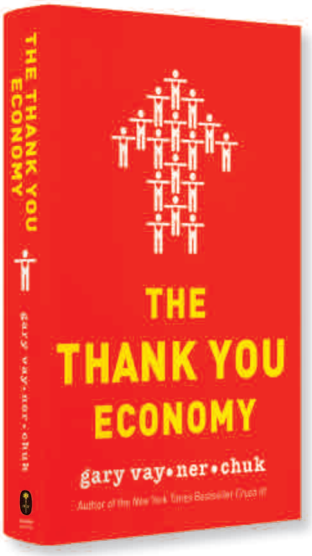
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· Book 98 of 106 ·

The Thank You Economy

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The Thank You Economy



by Gary Vaynerchuk

THE SUMMARY IN BRIEF

The Thank You Economy is about something big, something greater than any single revolutionary platform. It isn't some abstract concept or wacky business strategy — it's real, and every one of us is doing business in it every day, whether we choose to recognize it or not. It's the way we communicate, the way we buy and sell, the way businesses and consumers interact online and offline. The Internet, where The Thank You Economy was born, has given consumers back their voice, and the tremendous power of their opinions via social media means that companies and brands have to compete on a whole different level than they used to.

Filled with renowned entrepreneur Gary Vaynerchuk's irrepressible candor and wit, as well as real-world examples of companies that are profiting by putting Thank You Economy principles into practice, *The Thank You Economy* reveals how businesses can harness all the changes and challenges inherent in social media and turn them into tremendous opportunities for profit and growth.

IN THIS SUMMARY, YOU WILL LEARN:

- How we have entered into an entirely new business era.
- Why the businesses and brands that harness the word-of-mouth power from social media will pull away from the pack and profit in today's markets.
- Why the companies that see the biggest returns will be those that can prove they care about their customers more than anyone else.
- How companies big and small can scale personal, one-on-one attention to their entire customer base.
- How businesses use social media to keep the conversation going.
- What the future of the Thank You Economy looks like.

CONTENTS

Part I: Welcome to the Thank You Economy
Page 2

Part II: How to Win
Page 3

The Perfect Date: Traditional Media Meets Social
Page 4

Shock and Awe
Page 5

Part III: The Thank You Economy in Action
Page 6

Conclusion
Page 7

How to Win in the Thank You Economy, the Quick Version
Page 8

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THE COMPLETE SUMMARY: **THE THANK YOU ECONOMY**

by Gary Vaynerchuk

The author: Gary Vaynerchuk is a serial entrepreneur who has revolutionized the way people look at interacting with their communities. Askmen.com named him to its list of the Top 49 Most Influential Men of 2009, and he was included in *BusinessWeek*'s list of the Top 20 People Every Entrepreneur Should Follow.

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Preface

Companies of all stripes and sizes have to start working harder to connect with their customers and make them happy, not because change is coming, but because it's here.

The cultural changes social media have ushered in are already having a big impact on marketing strategies, but eventually, companies that want to compete are going to have to change their approach to everything, from their hiring practices to their customer service to their budgets. Not all at once, but it will have to happen, because there is no slowing down the torpedo-like speed with which technology is propelling us into the Thank You Economy — and that's a good thing.

PART I: WELCOME TO THE THANK YOU ECONOMY

How Everything Has Changed, Except Human Nature

No relationships should be taken for granted. They are what life is all about, the whole point. How we cultivate our relationships is often the greatest determinant of the type of life we get to live. Business is no different. Real business isn't done in board meetings; it's done over a half-eaten plate of buffalo wings at the sports bar, or during the intermission of a Broadway show. It's done through an enthusiastic greeting, with an unexpected recommendation or by offering up your cab when it's raining. It happens in the small, personal interactions that allow us to prove to each other who we are, what we are and what we believe in, honest moments that promote good feelings and build trust and loyalty.

Now imagine you could take those interactions and scale them to the hundreds, thousands or even millions of people who make up your customer base, or, better yet, your potential customer base. A lot of people would insist that achieving that kind of scale is impossible, and up until about five years ago, they would have been right. Now, though, scaling those interactions is not only possible — provided you use the right tools the right way — it's necessary. In fact, those companies and brands that refuse to try could jeopardize the potential of their business and, in the long term, even their very existence.

Why? Because when it comes down to it, the only thing that will never change is human nature. When given the choice, people will always spend their time around people they like. When it's expedient and practical, they'd also rather do business with and buy stuff from people they like. And now they can.

Social media has made it possible for consumers to interact with businesses in a way that is often similar to how they interact with their friends and family. Trusting relationships and connections formed via social media are quickly becoming two subtle but rapidly growing forces of our economy. It is imperative that brands and businesses learn how to properly and authentically use social media to develop one-to-one relationships with their customer base — no matter how big — so that they make an impact in their market now and in the future.

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Rebecca S. Clement, Publisher; **Sarah T. Dayton**, Editor in Chief; **Andrew Clancy**, Senior Editor; **Amanda Langen**, Graphic Designer; **Chris Lauer**, Contributing Editor

Erasing Lines in the Sand

Most people's DNA simply doesn't allow them an entrepreneur's anticipation skills. They don't see potential in the unknown, they see a threat to their comfort zone, so their knee-jerk reaction is to draw a deep line in the sand between themselves and anything new or unproven, especially when it comes to technology. Close to 90 percent of Americans own cell phones, but many still remember questioning the need to be, and even the wisdom of being, reachable by phone at any time. Just four short years ago, we actually used those phones for talking, not texting. And no one was playing Farmville on Facebook. How many of today's more than 500 million Facebook users swore they'd never use the site? There's a reason the divide between innovators — people who eagerly embrace new technology — and the majority has been described as a chasm.

Most businesspeople spend far too long on the wrong side of that chasm, hiding behind tired sayings like "You can only manage what you measure."

Don't Wait Until Social Media Is Able to Prove Itself to You

Corporate America loves e-commerce now, of course, but business leaders, brand managers and marketers have simply drawn new lines in the sand, this time putting distance between their companies and social media, all the while desperately clinging to the security that they still believe numbers can provide.

Unfortunately, if you wait until social media is able to prove itself to you before deciding to engage with your customers one-on-one, you will have missed your greatest window of opportunity to move ahead of your competitors. ●

Why Smart People Dismiss Social Media and Why They Shouldn't

Here are five excuses companies use to justify their refusal to commit to and invest in social media:

1. There's no return on investment (ROI). It's very logical: There is proven ROI in doing whatever you can to turn your customers into advocates for your brand or business. The way to create advocates is to offer superior customer service. In the Thank You Economy, a key component of superior customer service is one-to-one engagement in social media. It's what customers want and, as we all know, the customer is king.

2. The metrics aren't reliable. The tools for tracking and measuring social media initiatives are becoming increasingly sophisticated and reliable. After all, this data is coming from Nielsen. In September 2010, Nielsen announced it was launching a cross-media metric tool that will measure a campaign's effectiveness online with ratings data comparable to that already offered for TV.

3. Social media is still too young. Embarking on one-to-one customer engagement offers significant long-term rewards, but the company will also experience immediate benefits — greater brand awareness, stronger brand loyalty, increased word of mouth, improved understanding of customer needs and better, faster consumer feedback — and suffer very few drawbacks, if any. Meanwhile, the drawback to resisting social media engagement is clear: The longer you wait, the farther the competition can pull ahead.

4. Social media is just another trend that will pass. The growth and technological shifts we are experiencing today have a faster and greater impact on business than they used to. You can't expect any product's penetration to follow the same pattern that, say, the Walkman did 30 years ago.

5. We need to control our message. Overall, problems can be fixed if you catch them in time. If you plead your case quickly and sincerely, you'll gain back the customers' trust, as Ann Taylor did. When Ann Taylor LOFT introduced their silk cargo pants on their Facebook page in the summer of 2010, a wave of online customers complained that no one except a giraffe-sized, skinny model could possibly look good in them. To prove them wrong, LOFT employees of all heights and sizes posted photos of themselves wearing the pants. The response was extraordinary: Tons of comments from women thanking LOFT for listening, some even admitting that they might wear the pants. ●

PART II: HOW TO WIN

From the Top: Instill the Right Culture

Success in the Thank You Economy hinges on obsessively caring about the customer, yes, but a great caring culture stems from the top of a company and cascades through it like a waterfall. If you want that culture to flow outside of the company to the customer, and then get carried even farther by word of mouth, you have to be sure that your messengers live and breathe it the same way you do. Therefore, the dominant obsession for any leader running a company in the Thank You Economy

shouldn't be the competition, nor should it be customer service. It should be your employees.

Here's how a leader can put the cultural building blocks to a Thank You Economy company in place:

1. Begin with yourself. Since culture stems from the top of a company, one would hope that the top executive has a good sense of who he or she is. Strong self-awareness makes a strong culture possible.

2. Commit whole hog. The mental commitment is probably even more important than the financial commitment, especially in the early stages of preparing a company for the Thank You Economy.

3. Set the tone. As soon as leaders commit to building a caring culture, they need to send a strong, direct message about their intent. Employees should be able to feel the difference immediately, and they should be able to look to their leaders for examples of the kind of care, concern and one-on-one interaction with customers that will be expected of them.

4. Invest in employees. Create a culture that rewards people who show that they care. Seek the input of people who have shown a tendency to take risks and share big ideas.

5. Trust your people. Creating a Thank You Economy culture will become easier and easier as you begin hiring people who share your commitment to caring.

6. Be authentic. With the power of social media to spread articles, images, videos and audio recordings around the world in minutes, authenticity and the long-term relationships that can result from authentic interactions with consumers will almost always be the deciding factor in how a brand or company survives a false step in the Thank You Economy. ●

The Perfect Date: Traditional Media Meets Social

If you were on a date and there was some serious chemistry, you wouldn't let it end at the restaurant. You'd probably suggest continuing your conversation over drinks or coffee or an ice-cream cone. You might take a walk, duck into a bookstore or stop in at the retro vinyl shop. If you're on a fabulous date, you don't want the night to end, and you're going to try to find any way you can to keep the conversation and connection going.

Combining traditional and social media can allow you to do the same thing when talking to people about your brand. Denny's, for example, had a great TV date with its customers during the 2010 Super Bowl. It ran three commercials announcing that for a few hours on the following Tuesday, you could come in for a free Grand Slam breakfast. The ads were funny and creative — chickens freaking out over how many eggs they were going to have to lay for the event — but what a missed opportunity to leverage all the people watching the ads with their laptops open in front of them! All Denny's had to do was say, "Go to Facebook.com/Denny's right now, become a fan [an option that was supplanted by the "Like" button] and receive a coupon for an additional free large OJ." Hundreds of thousands — maybe millions — of people would have gone to the site, spent some time engaging with the Denny's brand and gotten their coupon, and Denny's would have had data that they could use and reuse for years.

So, Denny's spent about $10 million to produce three ads and gave away a lot of free product. They gave their customer a nice experience and more than likely gained some new customers, too. But had Denny's established relationships with their customers on a social networking site, they would have stretched the value of those $10 million. By clicking "Like" on a brand's Facebook page, customers show their willingness to offer data about themselves that allows the brand to communicate directly with them and tailor its marketing in an extremely personal, customized way. As the consumer-brand engagement shows up in the consumer's newsfeed, the message spreads even farther through the social media ecosystem with no additional effort by the brand. If Denny's had extended the conversation, the date might have ended with an invitation for a nightcap instead of a chaste kiss at the door. ●

I'm on a Horse: How Old Spice Played Ping-Pong, Then Dropped the Ball

Unless you were living under a rock, you probably saw at least one of the Old Spice commercials starring Isaiah Mustafa that began airing the day after the 2010 Super Bowl. With this campaign, Procter & Gamble (P&G), Old Spice's parent company, showed the world how a brand can play a kick-ass game of media Ping-Pong.

First, it started with outstanding content, spoofing every stereotype of masculinity they could come up with through clever writing and picture-perfect casting. As soon as a bare-chested Mustafa finished gliding around from one paperback-romance scenario to another, reassuring women that even if their man didn't look

like him, they could smell like him if they stopped using lady-scented body wash, millions of people rewound their DVRs and watched the ad again. And again. Then they started talking about it on Facebook and Twitter, and making spoof videos on YouTube.

So, five months and a second TV spot later, when P&G marketers used Twitter's promoted trend ad platform to ask Old Spice followers on Twitter and Facebook, as well as users on Reddit and Digg, to submit questions for the Old Spice Man, they replied enthusiastically. People voted for their favorite questions, and the winners received personal replies from the Man himself. The Internet went wild as people found out they could talk directly to the man who could ride a horse backward and catch a birthday cake while sawing through a kitchen. Over the course of two days, Mustafa taped about 200 real-time videos responding to fans' questions.

The Huge Miss

The Old Spice campaign is considered a huge social media win, one that hundreds of social media experts have praised, but here's where the story takes a bit of a surprising turn. Old Spice could have planned to use the information it has on its almost 120,000 Twitter followers to start engaging with each and every one of them on a personal, meaningful level. Every one of those people should have received an e-mail thanking the followers for watching the videos and offering them a reason to keep checking in.

As of September 2010, almost two months after Old Spice ambushed Twitter, the Old Spice account has tweeted only 23 times, and not one of the tweets talks or interacts with an actual person or user of the brand. *Ad Age* published an article that begins "Old Spice Fades Into History …" It looks like Old Spice is a sprinter stuck in a traditional marketing mindset, not a marathon runner living in the Thank You Economy. ●

Intent: Quality Versus Quantity

Crush It! addressed the belief that embracing your DNA, zeroing in on your passion and living that passion day in and day out were the keys to creating a fulfilling, happy personal and professional life. But there's something else that counts. In fact, it may be the single biggest differentiator in this new economy: **good intent**. If your intentions are good, it shows and it draws people to you. Good intentions create a pull.

Now, you can probably think of many examples of individuals who were able to fake good intentions to get what they wanted. But the Thank You Economy, which has brought us platforms like Facebook and Twitter that emphasize transparency and immediacy, has given consumers better tools to spot and expose a company's or brand's hidden agendas and bad intentions, as well as tools to recognize and reward good ones.

If you've ever considered embarking on a social media campaign, or even tried an initiative or two, what was your intent? Was your goal to get someone to click through or click the "Like" button? Or was it to build your online identity and foster a connection between yourself and the consumer? If your answer is the former, you've just hit upon the reason why most campaigns fail to meet their potential. ●

Evoke an Emotion

A successful social media campaign plays close to the emotional center; the farther away you stand from that center, the farther away your customers are going to stand, as well. Their value will therefore be worth less in the long run than it would have been had you engaged them in a way to make them want to come close. This principle factors into the lifetime value of a customer and is a cornerstone of the Thank You Economy.

Shock and Awe

If you ask phenoms to share the secret to their success, many will reply that it was paying attention to the little things. The athlete got up early every morning for an extra hour of training; the high-end restaurateur made families feel welcome with early-bird hours and adult-quality kid food served in charming frog-shaped dishes; the car wash owner provided Wi-Fi. What's remarkable about the little things is that the positive impact they have on a person's performance or a customer usually far outweighs the effort or cost it takes to implement them.

In the Thank You Economy, the same can be said for the big things. Most people usually think the big things are initiatives that only big companies can instigate because it is assumed that to pull them off takes tremendous coordination and budgets. But because the successful navigation of the Thank You Economy requires businesses to reconsider their resource allocation, the big things are actually within every company's reach.

What if Hershey's, for example, randomly chose a few people it regularly engaged with on Facebook or Twitter, and invited them and their immediate family for an all-expenses-paid visit to Hershey Park? The tick-

ets wouldn't be connected to a contest or any call to action — they would simply be gifts. Maybe that doesn't sound like very good ROI — several thousand dollars in airline tickets, park attractions, food and hotel expenses, all to make a very small number of customers happy. But that's a very nearsighted view. The long view is in the earned media opportunities, such as when the *Philadelphia Inquirer* gets wind of what Hershey's did because of all the blogging and tweeting the customers do when they share their excitement. It also doesn't take into account what I call the RCV — relationship context value — of the initiative. A few one-time expenses can pay off in a lifetime of loyalty from the people who are touched by the company's generosity. ●

PART III: THE THANK YOU ECONOMY IN ACTION

Avaya: Going Where the People Go

When most people think "sexy," voice-mail software, desk phones and routers don't usually come to mind. Functional, effective and, ideally, completely unnoticed by the outside world, communications systems are the Spanx that support companies so they can perform with confidence and at their best. Avaya, known for developing high-performing, even bulletproof, business communications applications, systems and services, sells some decidedly practical, unsexy products. Yet it is proving that a business-to-business (B2B) company can use social media with the same success as a cool lifestyle or retail company.

Avaya's main goal on Twitter has been to keep up with its consumer's technical questions and to head complaints off at the pass. Originally engaging in 1,000 interactions per week — replying to questions, addressing comments, et cetera — the social media team now fields almost 4,000. They also developed a product that can alert the customer service department when disgruntled tweets need to be addressed. The company estimates that by adopting this method, they've avoided losing approximately 50 customers, at an average cost of sale to replace them of about $10,000. ●

AJ Bombers: Communicating with the Community

If you go to the AJ Bombers website, you can see a long list of tweets scrolling down the right side of the page. There's a lot of talk about burgers. The Caesar seems to be particularly popular. People want to know how they can get a burger card.

At one time, there was a discussion about who's gone electric shaver over blade. The conversation seems to be endless between AJ Bombers fans, maybe because AJ Bombers, a Milwaukee burger joint started in March 2009 by Joe and Angie Sorge, makes it a priority to keep the conversation going.

The customers have input over almost every aspect of the restaurant brand. They build menu items, determine price structures and hours of operation, suggest promotions and even guest bartend for charity events.

Why does Joe Sorge dare give such control of his brand over to his customers? Two reasons. The first is that one-to-one relationships make life more fun. The second is that in a Thank You Economy, it pays off big.

Knowing his customer base has always been a priority for Sorge. The idea that you have to create a welcoming atmosphere in a restaurant is a no-brainer, but at AJ Bombers, online customers get as much attention as anyone sitting at a four-top. ●

Joie de Vivre Hotels: Caring About the Big and the Little Stuff

The name Joie de Vivre, California's largest boutique hotel company, says it all. Executive chairman and founder Chip Conley could have named it after himself (Conley Hotels does sound stately). He could have given it a name that nodded to the company's California roots. Instead, the name he gave his company is foreign and kind of hard to pronounce. Yet, it's perfect. Bringing "the joy of life" to customers is exactly what Conley's company tries to do every day.

You'd think that was par for the course for anyone in the hospitality business. But it's easy to imagine that when customers experience a Joie de Vivre hotel, they realize something has been missing every time they've stayed anyplace else. It is a company that is doing its damnedest to perfect the art of customization, something people can experience from the moment they start looking for a place to lay their head for the night.

When travelers arrive, they're met at the front desk by a host whose profile is posted on a card. It describes a little bit about whoever is working that day, and offers his or her take on what visitors should avoid during their visit so they don't waste any time. It's a great way to start a conversation and set the tone for the visitor's stay, implying, "We love where we live and want you to love it, too."

The Message Comes from the Top

Setting the tone and establishing a cultural foundation of empathy and excellence is essential to success in the Thank You Economy. The message that one-on-one engagement and customer service is a top priority has to originate from the very top of the company.

Conley gives his employees ample training opportunities, the freedom to think creatively and from the heart and continually demonstrates and reinforces his commitment to providing a personalized, one-on-one experience with as many guests as possible.

Irena Vaksman, D.D.S.: A Small Practice Cuts Its Teeth on Social Media

There are a lot of people who list going to the dentist as one of the most frightening, unpleasant experiences they can imagine, but few of them are likely to be patients of Dr. Irena Vaksman. Vaksman's patients love her, her staff, her spa-like office, and the amazing "movie goggles" they can wear to distract them during procedures. We know this because they say so on Yelp and Facebook.

Some people might still think it's a little jarring to see medical practitioners marketing themselves on social networking sites, but Vaksman is simply trailblazing where other doctors are eventually going to follow. When more than half of the adult population of online users are at least occasionally turning to online reviews and commentary to inform their health care decisions, it makes sense that the professionals providing health care should be there, ready to talk to them as well.

Besides Facebook, you can also find Vaksman on Twitter, YouTube and LinkedIn. She uses all of these channels to share information, educate the public and make herself available to her clientele whenever they have a question, comment or concern.

Hank Heyming: A Brief Example of Well-Executed Culture and Intent

What do you call a lawyer who tweets? Smart.

Hank Heyming is an attorney who has used social media tools to build his practice within a global law firm, grow his personal brand, and communicate with his clients and the startup community. There might be many blogging, tweeting, skyping, Quora-contributing lawyers practicing on either coast, but in Richmond, Va., Heyming stands out as an example of how implementing and acting upon proper culture and intent can reap great rewards in the Thank You Economy.

Heyming's passion is guiding and advising startups from conception to moneymaking maturity. An entrepreneur himself, he knows how vulnerable young companies are as they try to gain their footing. "Once a company is up and rolling and has a few rounds of financing under its belt, it can typically throw a stick and hit a lawyer/accountant/consultant. But, when they are just starting out and are cranking code in their parent's basement, they barely have money for ramen, much less advisers. This is where I see an opportunity to both build the ecosystem and, ultimately, help myself … I am a firm believer in 'doing it right.'" He adds, "Today, this ecosystem is dependent on social media and connectivity. The founders I work with live and breathe Twitter and Skype, so I live and breathe Twitter and Skype. I work when they work — even if that means doing a Skype video conference at 11:30 at night so we can talk to the team member in Hyderabad."

Most Adults Search for Health Information Online

According to a 2009 Pew Research Center report, 61 percent of adults look online for health information. Of those, 59 percent have done at least one of the following:

- Read someone else's commentary or experience about health or medical issues on an online news group, website or blog.
- Consulted rankings or reviews online of doctors or other providers.
- Consulted rankings or reviews online of hospitals or other medical facilities.
- Signed up to receive updates about health or medical issues.
- Listened to a podcast about health or medical issues.

Conclusion

The companies that soar will be those that figure out a way to balance the short-term demands of Wall Street or investors with the long-term demands of the Thank You Economy. Their leaders will begin by weaving strong strands of their DNA, laced with good intent, into the top layer of their companies, and allow it to infiltrate

every layer of their business. They will accept that the customers have most of the power and be glad to give it to them. They will hire individuals and create new departments dedicated to building long-term relationships with customers and potential customers. They will stop relying solely upon straight, traditional marketing channels to spread their message and, instead, allow their content to be passed back and forth (and sometimes around, across and through) as many platforms as they can reach. They will treat their business as an extension of themselves and care, care, care.

The Thank You Economy is now, it's here, it's relevant and its scale may be bigger than any of us can even fathom. And it's still very early.

We will one day dust off the bones of companies that fossilized because they didn't think it could "scale," or because they didn't think it was worth the effort or because they could not stop drawing lines in the sand. The day you recognize that the Thank You Economy exists, and you begin to take the steps necessary to execute properly within it, will be the day you ensure your business or brand a place in the future. ●

More Thoughts On ...

• **How Fear Blocks Innovation.** Too many big companies get stuck in the muck of their own fear and short-term concerns, which prohibits them from taking risks and following through on great, creative thinking.

• **Hiring and Firing.** Value good teamwork more than almost anything.

• **Talent.** Companies that resist the Thank You Economy are going to see an exodus of talent. The people who understand where the culture is going but don't get support from their companies are going to find the courage to leave for new pastures.

One day these companies are going to realize that they have to get on board. They're going to look internally for the leaders to take them there and execute, and find that the people they need bailed out of frustration a few years earlier. They didn't appreciate what they had until it was too late. ●

How to Win in the Thank You Economy, the Quick Version

- Care — about your customers, about your employees, about your brand — with everything you've got.
- Erase any lines in the sand — don't be afraid of what's new or unfamiliar.
- Show up first to market whenever possible, early the rest of the time.
- Instill a culture of caring into your business by:
  1. Being self-aware
  2. Mentally committing to change
  3. Setting the tone through words and actions
  4. Investing in your employees
  5. Hiring culturally compatible DNA and spotting it within your existing team
  6. Being authentic — whether online or offline, say what you mean and mean what you say
  7. Empowering your people to be forthright, creative and generous
- Remember that behind every B2B transaction, there is a C.
- Speak your customer's language.
- Allow your customers to help you shape your brand or business, but never allow them to dictate the direction in which you take it.
- Build a sense of community around your brand.
- Arrange for traditional and social media to play Ping-Pong and extend every conversation.
- Direct all of your marketing initiatives toward the emotional center and the creative extremes.
- Approach social media initiatives with good intent, aiming for quality engagement, not quantity.
- Use shock and awe to blow your customers' minds and get them talking.
- If you must use tactics, use "pull" tactics that remind consumers why they should care about your brand.
- If you're small, play like you're big; if you're big, play like you're small.
- Create a sense of community around your business or your brand.
- Don't be afraid to crawl before you run. ●

RECOMMENDED READING LIST

If you liked *The Thank You Economy*, you'll also like:

1. ***Enchantment* by Guy Kawasaki.** Enchantment transforms situations and relationships, converts hostility into civility and changes skeptics into believers. This book explains all the tactics you need to succeed.
2. ***Trust Agents* by Chris Brogan and Julien Smith.** This book will show you how to build profitable relationships with trust agents, or become one yourself, in the world of social media.
3. ***Exploiting Chaos* by Jeremy Gutsche.** Gutsche teaches readers how their businesses can capitalize during periods of economic uncertainty.

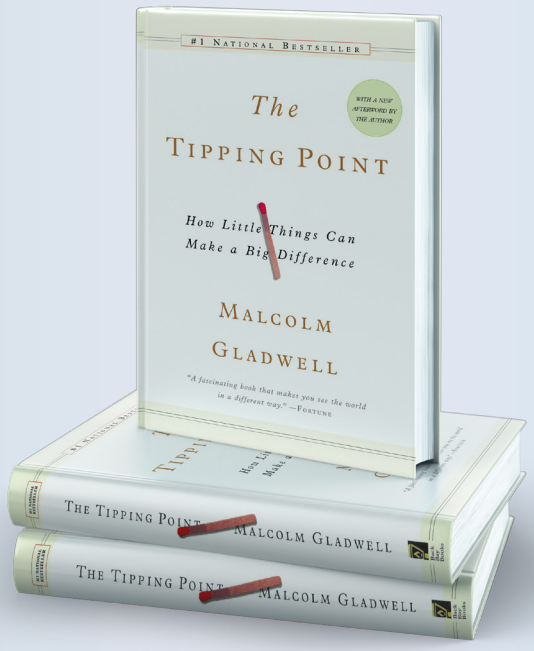
· Book 99 of 106 ·

The Tipping Point

Malcolm Gladwell

BOOK SNAPS™

Zooming In On Your Next Read



The Tipping Point

by Malcolm Gladwell

Malcolm Gladwell is the author of five New York Times bestsellers: *The Tipping Point, Blink, Outliers, What the Dog Saw*, and *David and Goliath*. He is also the co-founder of Pushkin Industries, an audio content company that produces the podcasts Revisionist History, which reconsiders things both overlooked and misunderstood, and Broken Record, where he, Rick Rubin, and Bruce Headlam interview musicians across a wide range of genres. Gladwell has been included in the Time 100 Most Influential People list and touted as one of Foreign Policy'sTop Global Thinkers.

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Little Things Can Make a Big Difference

The Tipping Point was Malcolm Gladwell's breakout debut. First published in 2000, the book explains how trends in behavior, marketing, or business have a "magic moment" when they rapidly spread, like a viral epidemic. He calls this moment "the tipping point." The book sparked its own epidemic of sorts, changing the way businesses market their products or services and how people spread ideas throughout society. The premise of the book is simple. "Ideas and products, messages, and behaviors spread just like viruses do."

A trend in the fashion world can become contagious in the same way as a decline in crime rates, despite the fact that those two examples seem to have very little in common. Viral trends always share a fundamental "underlying pattern." Despite the type of trend, be it in business or social behavior or something else, all viral trends with a tipping point are a result of "contagious behavior." A relatively small number of people in a small setting begin behaving in a different way. Somehow, those humble beginnings spread to a large amount of people in a much larger area. These changes are not the result of a slow, steady build up. Small changes among small groups of people lead to widespread, dramatic effects in a very quick amount of time. He names that dramatic moment when "everything can change all at once" as the Tipping Point.

The Three Rules of Epidemics

In order to understand why some ideas or products or behaviors have a tipping point and become epidemics and others don't, we need to understand the three rules of epidemics. Knowing this can allow the intentional "start and control" of positive epidemics within the spheres of education, business, and policymaking. Gladwell says that there are three "agents of change" that impact whether or not a trend is tipped. They have to do with the people who are "transmitting" the agent, the nature of the "infectious agent itself," and the "environment in which the agent is operating." He refers to these three ingredients as the "Law of the Few, the Stickiness Factor, and the Power of Context."

Whether or not a trend tips depends largely on the people who push it. In this context, not all people are created equally.

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A fashion trend can tip, for example, when just a few influential personalities are seen wearing the fashion choice and become enthusiastic about it. With trend tipping, the small minority of people make the biggest difference in how widely the trend spreads.

Whether or not a trend tips also depends largely on how "sticky" the message becomes. We are met with a barrage of communications and messages all day long. Some stick with us and others don't. Trends that tip have a stickiness that makes them stay with us. Contagious messages can become more memorable with "relatively simple changes in the presentation and structuring of information that can make a big difference in how much of an impact it makes."

Finally, epidemics are environmentally influenced. Seasonal differences impact how widespread flu infections become, for example. Environmental conditions can also impact how popular a particular fashion choice or behavioral choice becomes. Human beings are "more sensitive to their environment than they may seem." The deciding factor in a trend tripping is sometimes a result of the tiniest detail about the environmental conditions.

The three rules laid out by Galdwell help us make meaning of these behavioral, cultural, and marketing epidemics. Gladwell applies these rules to fascinating real life examples in the remainder of the book.

The Law of the Few

To explain the Law of the Few, Gladwell points to the most famous example of a word-of-mouth epidemic in our nation: Paul Revere's midnight ride. Based on something a young stable boy overheard a British officer say, Paul Revere became convinced that British troops would be moving in on Colonial militia stores. Revere decided to warn surrounding communities and raise awareness with the local militia so they could organize and meet the British invasion. Revere's famous "midnight ride" began when he jumped on his horse and covered thirteen miles in just two hours. He "knocked on doors and spread the word" urging those who he warned to carry the message further. Soon, alarms were sounding over an ever-increasing distance as locals began beating drums, ringing church bells, and riding out themselves to share the news. By five a.m., the news had reached a distance of over forty miles from Boston.

When British soldiers arrived in Lexington the next morning, they were "utterly astonished" to find a large and organized Colonial resistance. The American Revolution had begun. What is left out of the commonly told version of this story is that there was another man, William Dawes, who rode out with the same urgent message. He covered as much ground as Paul Revere and communicated the same idea. However, the locals from the are he covered did not ride out to meet the British. Why did Revere's role end up being memorable and successful where Dawes resulted in him being left out of the history books? Gladwell says it is because of the Law of the Few. Revere's role was so critical because he possessed a "rare set of social gifts." Some people have the power to drastically influence a situation and make it tip. Revere had that special gift and a connectedness with those around him that made his message result in a tip.

The Stickiness Factor

In the late 1960's, a television producer named Joan Ganz Cooney began a mission to start an educational epidemic. Her goal was to spread the virus of literacy throughout underserved impoverished communities, giving three and four year olds the foundational learning needed to start elementary school on a strong footing. Her audacious idea was called Sesame Street and its wild success is a perfect example of what Gladwell calls the Stickiness Factor. Harvard University psychologist Gerald Lesser joined Cooney as a co-founder. He expressed reluctance at accepting television as an effective medium for delivering education. He wondered if the lessons would fall flat not being designed to meet a particular child's interests or personality. He said, "You try to find the kid's strengths, so you can play into them. You try to understand the kid's weaknesses, so you can avoid them... Television has no potential, no power to do that." Television lacks the qualities of interactivity and individual engagement. Could a "talking box" really help children build literacy skills?

Sesame Street has been "subject to more academic scrutiny than any television show in history." Over and over again, it has "been proved to increase the reading and learning skills of its viewers." The creators behind Sesame Street did things differently than other children's shows had done in the past. They "aimed higher and tried harder." They made calculated, but critical changes to how their material was presented to the preschooler audience. Those changes overcame the weaknesses inherent to using television as an educational teaching tool. Sesame Street found a way to "make television sticky." The content of a particular message matters. Sesame Street's stickiness was not accidental. It was engineered thoughtfully and deliberately. The results were profoundly memorable and had the power to effect change.

The Power of Context

We don't usually think of crime waves or declines in the same context as a viral product trend or message. Crime isn't a singular thing one can point to like a style of shoes or political slogan. The word crime is used "to describe an almost impossibly varied and complicated set of behaviors." To become a criminal is to commit an act that puts yourself in great risk of serious consequence. Criminals are considered to be bad people who have a combination of undesirable traits. This does not seem like the kind of behavior that could become contagious. Nonetheless, New York City went from being "a city in the grip of one of the worst crime epidemics in history" in the 1980's to one of the safest cities in the country in the 1990's. How did that happen?

Gladwell says that the Power of Context explains what happened in New York City. This principle of epidemics is more complicated than the other two. The "lesson of the Power of Context is that we are more than just sensitive to changes in context. We're exquisitely sensitive to them. And the kinds of contextual changes that are capable of tipping an epidemic are very different than we might ordinarily expect."Gladwell uses

> **The "lesson of the Power of Context is that we are more than just sensitive to changes in context. We're exquisitely sensitive to them."**

the crime wave trend in New York as an example. Violent crime decreased across the United States in the 1990's, which were the result of some basic factors. The crack cocaine trade began to decline and thus the violent crimes associated with dealers and gangs also declined. The economy was booming so more people had legitimate jobs and were not forced into crime as a means of supporting themselves. The population was aging so there were fewer people in the dominant criminal age bracket out in society committing crimes. These are straightforward causes and effects. The reasons behind the dramatic decline of violent crime in New York City is more complicated.

Crime in New York City started taking a major nosedive at a time when the economy was not improving. Crack cocaine becoming less popular and available had some impact but cannot explain such a drastic decline. Finally, NYC was actually getting younger, not older, so age of the population was not a factor. Besides, Gladwell points out, those factors would cause a gradual decline, not a sharp turn around. The "decline was anything but gradual." There was something else at play in "reversing New York's crime epidemic. The "Broken Windows" theory is one of the most interesting possibilities as the "something else."

Criminologists James Q. Wilson and George Kelling put forth the Broken Windows theory. They asserted that "crime is the inevitable result of disorder." If someone breaks a window and that window is left unrepaired, it is an open invitation for further window breaking. People assume that no one is watching and no one cares. A signal that "anything goes" is sent into the community and before long, more serious crimes will be rampant. Gladwell points out that the Broken Windows theory is "an epidemic theory of crime." In the same way that other trends are contagious, crime waves can spread from a single broken window that is not repaired. Like the graffiti that covered every inch of the subway cars in New York, the "impetus to engage in a certain kind of behavior is not coming from a certain kind of person but from a feature of the environment."

The city hired a new subway director, David Gunn, who was to oversee a "multibillion-dollar rebuilding of the subway system. Kelling was brought on as a consultant and he and Gunn urged the transit authority to put the Broken Windows theory into practice. Instead of broken windows, the physical catalyst to crime within the subway system was graffiti. There was strong resistance, with advocates pushing for a focus on bigger issues like crime and schedule reliability, but Gunn and Kelling pressed on. A highly structured, deadline-driven cleaning system was set up to address every train on every line.

A rule was established that once a subway car was "reclaimed" it "should never be allowed to be vandalized again." The system was fanatical. If a car came into a station with new graffiti, it was cleaned during the changeover or taken out of circulation. Subway cars with graffiti that had not yet been cleaned could never be mixed with cars that were already free of graffiti. The point was to send a very clear message to the vandals. The graffiti would never see the light of day.

The city went on to address other seemingly small problems, like fare beating. "An estimated 170,000 people a day were entering the system without paying a token." It had a snowball effect. People who would normally pay jumped in and skipped the fare because they saw others getting away with it. The head of transit police tackled fare beating with ferocity. Mobile booking stations were set up and plain-clothed cops worked at the subway entrances. People caught fare skipping were handcuffed and lined up together in a public display of the crack down. They focused on the "smallest infractions" that were the root of the bigger problems. Small crimes on the streets were addressed just as they had been underground in the subway system. Quickly, overall crime rates in the city began plummeting. A Tipping Point had been reached by addressing "the smallest details of the immediate environment."

"These three characteristics—one, contagiousness; two, the fact that little causes can have big effects; and three, that change happens not gradually but at one dramatic moment—are the same three principles that define how measles moves through a grade-school classroom or the flu attacks every year." We have seen these same principles play out with the COVID-19 pandemic. The Tipping Point is filled with fascinating observations and real life examples of unexpected consequences. Minor adjustments can lead to massive changes. With the right messenger, a sticky message delivered in the right environment can make trends tip and become outright epidemics. From what shoes will be hot next season to how early literacy will be impacted by subtle changes in policy, the Tipping Point helps readers see the not so obvious roots of sweeping and dramatic shifts.

Gladwell's groundbreaking hit opens the mind to viewing the world in a whole new light.

· Book 100 of 106 ·

Think. Do. Say.

Ron Tite

soundview
Executive Book Summaries®

Think. Do. Say.

How to seize attention and build trust in a busy, busy world



by **Ron Tite**

Contents

The Opt for Change Part
Page 2

The Chaos Part
Page 2

The Think Part
Page 3

The Do Part
Page 3

The Say Part
Page 4

THE SUMMARY IN BRIEF

When every person in every department aligns on what they think, do, and say, and with what the organization thinks, does, and says, you'll achieve total organizational alignment. This cohesion between purpose, actions, and dialogue is what creates organizational momentum and growth. Growth occurs when your people execute consistent delivery at every possible touchpoint. That only occurs when senior management has not only informed the employees on what the organization thinks, does, and says, but also inspired everyone to deliver it.

Ron Tite, CEO of the marketing agency, Church+State, illustrates these concepts—think, do, and say—with examples from well-known businesses.

When the perception of what you think, do, and say matches the reality of what you actually think, do, and say, you get positive personal momentum and growth. Don't forget, while organizations typically have very narrow definitions of growth, you can choose to define it however the heck you want, including happiness, passion, opportunities, money, and more.

IN THIS SUMMARY, YOU WILL LEARN:

- To cut through the chaos to meet customer needs.
- That belief is the foundation of communication and action.
- What you do reflects belief and makes your message honest.
- To frame honest and authentic messages for your business.

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The Opt for Change Part

Every year on Black Friday, REI closes its stores, processes no online payments, and pays its 12,000+ employees to "opt outside" with friends and family. While retail staff at other stores are facing life-threatening injuries from deal-hungry crowds stampeding through the doors like the bulls of Pamplona, REI staff are enjoying the tranquility of taking in a hike or a paddle. Since they began #OptOutside in 2015, 15 million people and more than 700 organizations have joined the movement. Unlike most "movements," it wasn't created as a response to a creative brief. It was just an idea someone tossed out during a brainstorming session. It's genius. Here's why: At its heart, #OptOutside is not about a campaign; it's about an action that reinforces a belief. When beliefs and actions come together, great stories are easy to write and worthy of being told.

REI shut down on its busiest day of the year and actually grew revenue in the process. They got consumers to look. They established trust in the brand. The result was incredible momentum and growth, all because everyone, from the CEO to the cashier, was aligned on what they thought, what they did, and what they said.

On the one hand, we need to step away from the MBA textbooks and jargon-filled exercises to land in a truthful and honest place that is as compelling as it is simple. On the other hand, we also need to step away from the latest and greatest technologies and platforms to set up for continued success regardless of when the device we're holding is obsolete and when version 2.0 of our sales software is replaced by version 3.0. Great organizations know it. So do great people. It's time to be calm in the chaos. Because the chaos certainly isn't going away.

The Chaos Part

They Don't Know Where to Look

In every category from telco to tacos, people don't know where to look because of the growth in the number of products before them. People are exhausted from getting pitch slapped. Everyone has a pitch. Everyone has a promo. Everyone's selling something. People are producing epic amounts of content, lining feeds and walls with promotional messages. The average person doesn't know where to look, but they're also afraid to look because of the pitch slaps they know they will get once they lift their head.

They Don't Know Who to Trust

In his book *The Tipping Point*, Malcolm Gladwell detailed how Hush Puppies grew in popularity thanks to a small group of "Connectors." Ever since, brands and consumers have agreed on the importance of those who are cooler, more connected, more informed, and more experienced than the average joe. With so many products and experiences available, people need gatekeepers to point them in the right direction. We only recently started calling them "Influencers." Elvis Presley was asked to influence behavior in 1956 by getting vaccinated against polio before an appearance on the Ed Sullivan Show. The thinking was, if Elvis got immunized, maybe teens would get immunized. They did.

In the beginning, influencers were surely worth the investment. Some still are. Consumers followed and listened to influencers because they didn't pitch slap. They authentically and responsibly discussed the products they used, and they did it without compensation so they could be trusted. Once fees were introduced, some influencers not only sold their souls, they sold out their audiences. Their once-authentic voices became parrots for brands, repeating—verbatim—what brands told them to say, representing the largest breach of trust in consumer marketing in decades. How can anyone know who to trust anymore?

They Don't Know What to Do

It takes an entire organization working together in complete unison to drive organizational momentum and growth. And 99.9999 percent of the organization didn't go to business school, doesn't care about SWOT analysis, and has never known the difference between mission and vision, let alone how either of them relates to their specific function. Old-school kickers try to change the organization with the McKinsey Quarterly, but most of their people are checking out BuzzFeed. Your mission statement is irrelevant if your people don't know exactly how they can live up to it. Your vision is irrelevant if they can't see themselves in your future. Your personal brand is important, but it should be based on action, not on mantras. Embracing new trends and new technologies is important, but they come after the answer.

What happens when certain individuals don't think, do, or say the same things as the organization? An Integrity Gap is when people within an organization contradict what the organization supposedly thinks, does, and says. The result is negative brand momentum. And that's never good for business.

When people and companies move from being product-focused to being purpose-focused, they elevate the conversation to something people actually care about.

The Think Part

Your THINK establishes the foundation for your actions. Without it, you'd be aimlessly executing, madly off in all directions. When everyone is pimping product and promos, it's no wonder people don't know where to look. When people and companies move from being product-focused to being purpose-focused, they elevate the conversation to something people actually care about. REI doesn't believe in selling tents or discounting sleeping bags. They believe that "a life lived outside is a life worth living." This not only helps them cut through, but it also helps establish a foundation that is independent of products. They've been able to develop revenue streams—like their outdoor school and travel group—that wouldn't fit into traditional retail product-based beliefs.

Brand Belief

The Brand Belief is a statement that reflects what the brand truly believes beyond its products and services. When the Canadian Wildlife Federation set out to write their Brand Belief, they could have featured the importance of donations or the generosity of volunteers or the beauty of nature. Instead, the Brand Belief was, "We believe that animals are Canadian citizens, too." It's a powerful THINK that easily sets up the DO. It can inspire staff, provide a thread for content, a roadmap for services, help make decisions on where to invest funds, and suggest partnerships. Here's the critical part. It wasn't created in five minutes while reading a book. It was an iterative process that took weeks.

Brand Belief is something to sacrifice for. Nike showed Brand Belief when they featured Colin Kaepernick. Gillette showed up with their ad, "the best a man can get." We have come a long way since The Body Shop and Ben & Jerry's were the only leading brands with a soul. But we still have a long way to go.

The Do Part

What do you do to live your beliefs? Clients and consumers don't know who to trust because they've experienced decades of companies claiming to believe in something, only to find out through the company's actions that they don't. Believing isn't enough. You have to act to reinforce your beliefs. These actions are based on who you do it for, what they want you to do, and who you do it with. REI supported "We believe a life lived outside is a life worth living" by closing on Black Friday.

What's Your Essential Do?

Your organization believes in something, SO you produce a product that reinforces that. Red Bull believes that pursuing an adrenaline rush pushes people to achieve more and experience more, SO they produce and sell a caffeinated beverage that energizes people into action. Red Bull's Brand Belief wouldn't make as much sense if they made an herbal tea that helped people fall asleep. Lady Gaga believes that people should be free to express themselves, SO she explores and pushes her expression into uncharted and unconventional directions. Nike believes in supporting athletes, SO they make products that help athletes (anyone with a body) be their best. They THINK, so they DO.

Who Do You Do It For?

No one understands who they do it for better than Netflix. It has millions of customers around the world. Each has unique viewing habits with different tastes in different genres. Netflix isn't just collecting data to broadly get to know who they do it for. They're using the data to customize the delivery of their product to the individual. Spotify provides customized music in the same way.

What Do They Want You to Do?

Solving the person's problem is the first step. Giving satisfying solutions to things that have always annoyed people takes it a step further. A problem isn't a problem until someone else solves it. Then, it's a huge problem. Gillette and Schick didn't see Dollar Shave Club or Harry's coming. They were too busy competing against each other to notice that someone outside the category was gaining ground. Someone was eating their lunch (or shaving their beards), and they didn't even realize it until it was almost too late.

Who Do You Do It With?

The people you do it for—especially in a retail environment—will always come and go, but the people and companies you do it with can be with you forever because you're aligned on purpose and values. If you want to generate positive momentum for you and your organization, you're going to need someone to do it with. What you may not realize is that—for someone inside or outside your organization—you're that person.

The Say Part

How do you spread the word? If you believe in something greater and you behave in a way that reinforces that belief, it's worth talking about. And if you're going to talk about it, you should say it in a way that gets as many people onside as possible. Just state what you believe, say what you do to live it, and say it authentically and memorably.

Say the Say

If you have a Brand Belief and you act in ways that reinforce it, well, that is worth talking about, and consumers won't feel pitch slapped when you do. But if you are going to talk about it, you should make conscious choices so that you get as many people looking and trusting as possible. When you have the permission to communicate, you need the desire to communicate effectively.

What to Say

The words organizations choose to label, define, and describe their products can be the difference between people looking up and people looking away. When Uber was fighting municipal policymakers around the world, they were cautious with the language they used to describe themselves. Their detractors called them a "transportation" company and, because of it, found them to be an illegal operation who failed to have the necessary transportation licenses to operate. Uber disagreed and said they were a technology company that didn't need to adhere to transportation requirements. Had they not made that specific choice, I doubt Uber would still exist.

How to Say It

More and more, informal language is building trust, not destroying it. Unscripted language with imperfections built right in is considered more authentic. The first, most important, and easiest part of "How You Say It" is to say it honestly and authentically. Be ready to tell your stories. The art of telling great stories isn't as critical to personal and organizational momentum as the skill of generating them. To generate great stories, you have to focus on countless DOs to deliver amazing experiences. If you want a great story to tell others about how you've exceeded expectations, you need to continually exceed expectations. Your SAY can only reflect your product, your service, or your capabilities as a professional. It can help you get heard, but if no one likes what they hear, you won't be any further ahead. Your SAY is a direct reflection of what you THINK and DO.

For most of you, you're lucky to live in a part of the world and be in a situation where, within reason, you can do whatever the hell you want. You can win that battle. You can think it. You can do it. You can say it. They'll look. They'll listen. And we'll all be better off for it.



Founder and CEO of marketing agency Church+State and host and executive producer of the podcast The Coup, Ron Tite has been an award-winning advertising writer and creative director for some of the world's most respected brands. He co-authored *Everyone's an Artist (or At Least They Should Be)*, wrote the stage play The Canadian Baby Bonus, has written for television, penned a children's book, and hosted the award-winning comedy show Monkey Toast. Ron speaks on innovation, branding, and corporate strategy to leading organizations all over the world.

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· Book 101 of 106 ·

This is Strategy

Seth Godin

Book Snaps™
In-depth reviews of best-selling business books.



This is Strategy

Make Better Plans (Create a Strategy to Elevate Your Career, Community & Life)

By Seth Godin

Seth Godin is the author of 21 international bestsellers that have changed the way people think about work and art. They have been translated into 38 languages. His breakthrough books include *Unleashing the Ideavirus, Permission Marketing, Purple Cow, Tribes, The Dip, Linchpin, The Practice,* and *This is Marketing*. He writes one of the most popular daily blogs in the world and has given 5 TED talks. He is the founder of the altMBA, the former VP of Direct Marketing at Yahoo!, and the founder of the pioneering online startup Yoyodyne.

A Book Review by Soundview

Reshape How You Create Change

We all want to find a way to get ahead in life, both personally and professionally. Often, we hustle our way to the next thing only to find ourselves repeatedly doing the same thing. Ultimately, this doesn't get us where we want to be and will likely lead to burnout. Why does this happen? When there is an end goal in mind and a strategy in place, we should see the results we're looking for in relatively short order, and when we don't, we experience frustration.

So what can be done? Working with the same strategy is an option, but it won't deliver the desired results. We must shift our thinking and create a better strategy, walking away from our default to work more efficiently and get the desired results. Since the world is changing, it is imperative that our strategy shift with it.

In ***This is Strategy: Make Better Plans (Create a Strategy to Elevate Your Career, Community & Life)***, Seth Godin shares how he helps others create strategies to reach their goal in a book that he says is for the person who wants to make things and market their product better, not only the person who has an MBA or are in the military. He says that strategy is seen as elitist, expensive, or out of reach for the majority, and he proposes to break it down in a way that is accessible to the reader as they go through the book.

Godin has written *This is Strategy* in a way that some might see as unusual. Instead of chapters, he has written what he calls riffs. While they are each tied together with a unified theme, they are unique and short so that, as he encourages, the reader can discuss the ideas, strategies, and questions presented with a small group of colleagues. Each riff is numbered for easy reference, and as they are discussed in the small group, the reader will realize that the strategies are beginning to shift in a way that will bring about the desired results.

What is Strategy?

According to Godin, strategy is a compass that points toward better. It is choosing what will be done today to make tomorrow better. With that in mind, he begins by weaving together the threads of time, games, empathy, and systems because they are interdependent. Each thread will be tugged on and shifted as

the project is being worked on. It is possible to posture oneself in a way that puts forth a strategy that will help those around them, but often, the systems being worked on are resistant. Godin proposes that a smoother way forward is to work with the system rather than fighting against it. Ultimately, you can work within the system to effect change.

While not explicitly defined by Godin, it could be inferred that systems, in this case, are a group of people who have come together to work towards a common good or goal. The shared desire utilizes the different skills, talents, and tactics these individuals bring to the table to reach the desired results. Systems are everywhere humans are working, ultimately defining lives, whether we like them or not. It is up to the reader to create a strategy that will result in a successful system. A system is made of many things, such as boundaries, bystanders, resilience, and more, and we see them play out all around us (work, school, local coffee shops, etc.) The system is the total of the decisions and feedback loops made, whether visible or not.

Creating a Way Forward

Godin shares that usually, after basic needs are met, marketing strategies focus on the desires for affiliation (community), status (who is first), and freedom (from fear). While other things could be added to the list, he asserts that these three significant factors drive someone toward their decisions. Godin encourages the reader to be active in their strategy and decision-making and to avoid non-strategies, setting, and allowing life to happen to them.

The reader is encouraged to take the elegant path forward. The elegant path forward is the one of simplicity and effectiveness. It will put the system to work and reduce excess waste. The elegant path will lead the reader to the desired result and get them there in a way that, though it might seem roundabout, will successfully leverage the system. It doesn't fight the system, but it is essential to recognize that not all elegant strategies are the same. Refining and focusing on what is and isn't working will take work, but it will help the system deliver the desired value.

Taking the Necessary Time

When considering what's working or not, Godin invites the reader to consider how roads and cities are created, saying that moving a building is more manageable than rerouting a road. The road (system) will fight to stay as it is, so those working in and on it must be willing to implement small changes that will pave the way for a more significant impact.

It is important for the reader to recognize that the strategy they are implementing will take time. Often, these systems have been in place for a long time, and rushing to a new strategy can create unforeseen issues and hindrances that will set them back even further.

Creating an Effective Strategy

Godin shares some issues the reader might try to avoid, such as being pre-programmed to follow instructions, fear that the new strategy will fail, or intimidation. These holdups, along with others, have the potential to hinder the reader and cause them to stay where they currently are.

To reach their target audience, the reader must put aside their fears and create an effective strategy. By creating a blueprint from which to move forward, they will have a firm foundation they can reference, talk about, and work through with others on their team. Doing so will keep them on track and avoid distractions from outside forces that would stop them.

Impacting Change

It would be prudent for the reader to recognize that they cannot abruptly implement the new strategy in their current environment. They need to create conditions for the changes they want to make so that they are more effective. The readers can work proactively and place themselves in the right place, time, and purpose to make decisions that are in line with the change they are working to implement.

That might mean struggling with the culture they are in because the culture will defeat tactics almost every time. When the reader can tap into the systems, they will see the desired change happen organically because it has had the opportunity to gain traction. Why? Because the participants recognize what they need to move forward and have worked to align their strategy with the world they are in. They have realized that the change they are working towards needs to be horizontal and based on team communication, which will help it last.

Getting the Timing Right

They must realize they must use their time wisely and not waste it. By having a strategy that is easy to implement and clear, they will be able to fight against aimlessness and be productive as they move forward. The reader will learn how to prioritize, do what they need to do to change the system in front of them and align the strategy to help them elevate their lives.

Godin also wants the reader to understand that strategy requires trust because it will not be implemented or completed overnight. There will always be a delay of some kind when working to change the system one is in. It is the reader's responsibility to invest in the future and use their time wisely, with confidence and belief that they will be successful.

Understanding Your Audience

Godin says that a large part of creating an effective strategy to impact the system is identifying their target audience and working to identify and solve their customers' problems. There is something that is being looked for, something they want that will better their lives and help them affect their strategy. It is the job of the reader to comprehend the needs in front of them and create a strategy to help their audience.

When they do this, the reader gives them a story to share with others, connecting them with the world around them more. Everything around them has the potential to be interwoven,

> *Often, nostalgia is related to the past, but Godin wants the reader to think ahead and be nostalgic for the future.*

and by creating an effective strategy, those strands will be pulled together even tighter.

Looking to Tomorrow

Godin proposes that the reader should look ahead to the future instead of staying focused on where they are or even where they have been. Often, nostalgia is related to the past, but Godin wants the reader to think ahead and be nostalgic for the future. As the reader looks to create a strategy that will help them affect the systems they are in, they will likely find themselves visualizing the future that they want to see. Godin wants them to be nostalgic for this future so that they form an attachment to their strategy and work even harder to bring it to life.

However, the reader must be willing to be flexible in their goal. They must not have a firm attachment to a hoped-for future because that might not be the outcome. But if they have a resilient strategy, they can use that to build and influence a better tomorrow.

The Right Kind of Tension

As the reader refines their strategy to create a better tomorrow, they will face tension, but Godin proposes that this isn't always bad. Tension keeps the reader focused on the world around them and helps them make positive change happen. Tension results from challenging the current system and proposing a series of tweaks and trials to create a better and smoother system.

Godin shares stories of those who created tension, and the waves that rippled out changed their circle and significantly impacted the rest of the world. These people and companies decided to shift their view of their world and begin to think strategically. Godin hopes that the reader will learn how to do the same. Being a strategic thinker means the reader has empathy for those around them and realizes that they should not rely on tactics to help them reach their long term goals. They know that strategy will help them achieve their long-term goals and are proactively working to create an effective strategy.

The Danger of Repitian

Godin warns the reader of the danger of feedback loops when creating a strategy. Feedback loops, he says, are there to either drive change into tomorrow or hold it back into the holds of yesterday. They provide stability. These loops are the product of a system at work, and for the reader to be a practical part of the system, they need to understand how their actions will impact and respond to them. They must realize that using yesterday's solutions to create a better tomorrow is not the most efficient way forward.

It can also lead to a place where negative outcomes thrive. Cultural pressures surround and are embedded in the systems the reader is in, and while they likely didn't purpose to be that way, the result has been a place where those in it struggle. For the reader to create a strategy for positive change, they must be willing to work for a new system that is more welcoming and adaptable, which will make the old system alter its behavior.

Creating Waves

It can be overwhelming for the reader to think about creating a strategy to change the system. They may have a goal to work towards and a plan to move forward, but how and where do they begin? Godin shares five steps to a widespread change that will help the reader impact their system and ways to move forward in the face of pushbacks and setbacks.

Steps Forward

In order to create a widespread change, Godin says the reader must have a core group of individuals who share a common desire and then maximize the chances of a small win to encourage them. When they have achieved that small win, the reader and their group will have the confidence to discuss it with others, but it must include an empathic link that connects with their desires. When this happens, there should be the potential for another small win that will impact those around them even further. The reader and their group should then establish new roles, opportunities, and a way to codify their data efficiently. The reader must recognize that they need to be willing to take that first step toward change because the current infrastructure likely will not.

Disagreements Are to Be Expected

Disagreements can be uncomfortable, especially when the reader is stuck in a feedback loop that allows negativity to persist. However, if the positive change is gaining traction, Godin encourages readers to respectfully but purposefully ignore those who don't believe in the change they are working to create. There will be those who welcome the change that the new strategy is bringing and encourage those around them to face their fears and join them in the new, whether it be a product or a system. The reader must have the confidence to continue working to implement a change because it will likely be rejected simply because it is new or different. They need to be willing to build up scaffolding to support their idea and move beyond the chasm that separates the early adopters and innovators and reach the masses.

Will it Last?

Godin shares the thought that strategy will work until it doesn't. Something new will eventually come along, and it will be a result of the impact that the reader's strategy had on the system and how it responded to other strategies around it. It may have taken a lot of hard work to get there, but the reader still lives inside a system that regularly has change being pushed at it. But that doesn't mean they can't still majorly impact it. He encourages the reader to work on the system, not just in it, to improve things.

What Drives a System?

The system is often driven by predictable outcomes and those willing to continue to feed into it. The system persists by offering similar outcomes to the majority. However, it may not always deliver the promised results, yet it feels safe for those working in it. Godin says that if the reader wants to predict how the system will respond to a new input, they must first describe what is in the self-interest of the people in the system that they are interacting with.

The system is comprised of people making choices, and those decisions are ultimately voluntary. People will impact the system either positively or negatively depending on their goals, and they are never fully acting alone. Godin encourages the reader to realize that a useful strategy is one that is empathetic and respectful of those around them.

Using the Correct Tools

When the reader is working to develop a strategy, they make decisions, but they may struggle when communicating those decisions to their team. Action must be taken, but it is easy to be paralyzed by the fear of potential bad luck. Making a decision is challenging, but Godin urges the reader to assess the tools they have to help those around them achieve their goals.

It is important to acquire skills and assets whose values increase over time and are resilient enough to be utilized in other areas and projects when the world inevitably changes. If the systems that drive the market are broken, it is possible to help the market repair itself by creating and implementing strategies for the good of those in it.

This is Strategy: Make Better Plans (Create a Strategy to Elevate Your Career, Community & Life) by Seth Godin is a book that is easy for the reader to digest and understand. He is passionate about helping the reader learn how to create a strategy and begin to implement it in the system they are in. He has written the book in such a way that the reader can skip to riffs that apply to where they are currently and come back to sections that don't meet where they are at present, and he encourages them to do so. The stories he shares are humorous and relatable so that readers can see that his ideas can be applied to their lives while realizing that they must do the hard work to create an effective strategy to reach their ultimate goals.

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· Book 102 of 106 ·

Trade Off

Kevin Maney

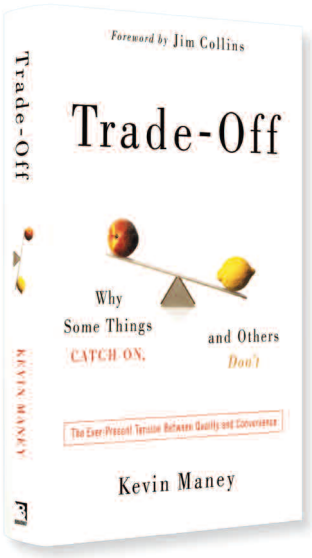
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Marketing: Product Development

Trade-Off

Why Some Things Catch On, and Others Don't



by Kevin Maney

THE SUMMARY IN BRIEF

There is an ever-present tension between fidelity (the quality of a consumer's experience) and convenience (the ease of getting and paying for a product). In *Trade-Off,* Kevin Maney shows how these conflicting forces determine the success or failure of new products and services in the marketplace.

Almost every decision we make as consumers involves a trade-off between fidelity and convenience — between the products we love and the products we need. Rock stars sell out concerts because the experience is high in fidelity — it cannot be replicated in any other way, and, because of that, we are willing to suffer inconvenience for the experience. In contrast, a downloaded MP3 of a song is low in fidelity, but consumers buy music online because it is super-convenient. Products that are at one extreme or the other — those that are high in fidelity or high in convenience — tend to be successful. The things that fall into the middle — products or services that have moderate fidelity and convenience — fail to win an enthusiastic audience.

Trade-Off demonstrates that the most successful companies skew their offerings to either one extreme or the other — fidelity or convenience — in shaping products and building brands.

IN THIS SUMMARY, YOU WILL LEARN:

- How to build stronger products, organizations and careers.
- How technology and social value affect fidelity and convenience.
- How the trade-off between fidelity and convenience can make or break a product, brand or business.
- How to carve a path that is uniquely tailored to you.

CONTENTS

The Fidelity Swap
Page 2

Fidelity Versus Convenience
Page 3

Winners and Losers
Page 4

The Worst Place to Be
Page 5

The Trade-Off in Practice
Page 6

Opportunity
Page 7

Personal Strategy
Page 8

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THE COMPLETE SUMMARY: **TRADE-OFF**

by Kevin Maney

The author: Kevin Maney is the author of *Megamedia Shakeout* and *The Maverick and His Machine*. He has been a contributing editor to *Condé Nast Portfolio* and a contributor to *The Atlantic*, *Wired*, NPR and ABC News NOW. He covered the technology industry for *USA Today* for almost two decades.

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PART ONE: THE FIDELITY SWAP

In our everyday lives, we constantly make trade-offs between the fidelity, or quality, of an experience and the convenience of getting it. It happens when we decide to watch a baseball game on TV instead of going to the park, make a phone call instead of meeting face-to-face, eat fast food at McDonald's instead of a gourmet meal at an upscale restaurant or buy $300 noise-canceling Bose headsets instead of using the inexpensive earbuds that come with a music player. Businesses, nonprofits and governments make the same kinds of trade-offs in their buying decisions.

The way those trade-offs work and play out in the marketplace is the key to countless business successes and failures. This is the *fidelity swap*.

This fidelity swap has been going on since humans invented commerce, but the role of technology today accelerates the whole process.

There are five key concepts behind the fidelity swap:

• **Fidelity versus convenience.** Fidelity is the total experience of something. Convenience is how easy or difficult it is to get what you want. Consumers constantly trade fidelity for convenience and vice versa.

• **The tech effect.** Technology constantly improves both fidelity and convenience. If a product or service is the highest fidelity today, technology and innovation will soon make it possible to create a product or service of higher fidelity. The same is true of convenience. These boundaries move over time. Nothing about the fidelity swap stays fixed.

• **The fidelity belly.** Any product or service that is neither extremely high-fidelity nor high-convenience risks sinking into the *fidelity belly* — the no-man's-land of consumer experience. It is a land ruled by apathy. No one gets very excited about a product or service that has so-so fidelity and is only somewhat convenient. Because the tech effect keeps expanding the outer edges of fidelity and convenience, it expands or redefines the borders of the fidelity belly at the same time. The expanding belly swallows products and services that don't improve and keep pace with technology advancements.

• **The fidelity mirage.** Contrary to what many businesses want to believe, achieving both high fidelity and high convenience seems to be impossible. It looks tempting. Some companies believe they can get there and life will be beautiful. But as it turns out, any company or product that attempts to capture both is likely to fail, wasting resources and time.

• **Super-fidelity or super-convenience.** This defines the winners. Most successful products fall either at the far end of the fidelity axis or at the far end of the convenience axis. Apple landed the iPhone at the top of the fidelity axis in the cell-phone market, and it was an instant success despite its high price tag and limited availability. Wal-Mart won its leading-retailer position by becoming the high-convenience winner, making shopping for basics easier and cheaper than anywhere else. A way to win is to get to the top of one axis or the other.

Two significant additional factors to watch for are:

• **Social accelerants —** Our connection with others and our individual identity matter more to us than just about anything else. All other quality/convenience factors being equal, adding a social dimension can change the prospect of a product or service.

• **Wrecking-ball moments —** Every once in a while, a new product or service smashes a market sector

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Rebecca S. Clement, Publisher; **Sarah T. Dayton**, Editor in Chief; **Andrew Clancy**, Senior Editor; **Edward O'Neill**, Graphic Designer; **Chris Lauer**, Contributing Editor

and starts an entirely new one, resetting the trade-offs people will make between fidelity and convenience. For example, by the 2000s, digital cameras had blown apart the film-camera market, creating an entirely new sector dominated by digital cameras on both the high end (or high fidelity) and low end (or high convenience). Film cameras became entombed inside the fidelity belly, offering few advantages in fidelity or convenience for most customers. ●

Fidelity Versus Convenience

High fidelity is about the experience, rather than the cost, although in many cases you pay a premium for a high-quality, high-fidelity experience. Fidelity is often about tactile, visible, sensory aspects of a product or service. But fidelity is also made up of two subtle components that can be easy to overlook: *aura* and *identity*.

Experience + aura + identity = fidelity.

Aura can add to the fidelity of a lot of products. There is certainly an aura to attending Harvard and other prestigious universities. There is an aura to a handmade suit that comes from a famous tailor. Aura is sometimes based entirely on perceptions and marketing — a perceived fidelity. Perceived fidelity can be a powerful marketing tool, but it can be transient in nature. As soon as people decide a restaurant is no longer hot, for example, the aura will deflate and go away.

Many of our consumer choices are a way to tell other people something about ourselves. The concept of identity applies to a broad spectrum of things. Car-buying decisions are based as much on personal identity as on practical matters like gas mileage or luggage space. The more an item says about your identity, the more fidelity it has for you.

Loved or Needed

Ted Leonsis is part businessman and part philosopher. During AOL's most dynamic period, the company was run by Leonsis, Bob Pittman and CEO Steve Case. The venture made Leonsis a very wealthy man. He bought the Washington Capitals hockey team in 1999, produced film documentaries in the 2000s and continues to invest in tech startups.

Leonsis has a mantra that has helped him evaluate business opportunities: A successful business is either loved or needed.

Fidelity is all about being loved (although not necessarily needed). Designer clothes, rock concerts, iPhones, Tiffany's jewelry, Prada bags, lie-flat first-class airline seats — they're all loved, but rarely needed. They are high-fidelity but not convenient.

Convenience, on the other hand, is about being needed. Wal-Mart, microwave ovens, 7-Eleven and inexpensive home computers have all become needed. While such things might be needed by a lot of people, they're not usually loved, any more than toilet paper or dish detergent is loved. And these products don't need to be loved to succeed.

High-fidelity products or services often occupy a high-end niche. They are relatively expensive, but have fewer customers. In fact, part of their fidelity has to do with their exclusivity, because it is their exclusivity that lends them social cachet and identity. On the flip side, high-convenience products or services often serve the mass market. They cost relatively little but touch almost everyone. The mass appeal adds to the convenience because it tends to make the product or service more available and drive the price even lower. The mass appeal also diminishes the fidelity of a product or service because if everyone has it or does it, it doesn't do anything to boost our sense of identity.

Both successful high-fidelity products or services and successful high-convenience products or services can be great businesses. They are just different kinds of businesses.

But it's very hard to be both loved and needed, to be both high-fidelity and high-convenience. In fact, trying to achieve both can lead to a breakdown. ●

The Fidelity Swap Model

The fidelity swap challenges classic business-school teaching that tells you to make a chart on an *x* and *y* axis — and try to push your business into the upper right quadrant of the chart.

In fact, in this model, gunning for the coveted upper right quadrant, where a company tries to achieve both high fidelity and high convenience, can bring a company crashing down — exactly what happened to Starbucks in 2007 and 2008.

The Trade-Off, the Belly and the Mirage

The fidelity swap is an individual's decision to trade fidelity for convenience or vice versa.

This is easy to see in everyday life. Listening to a U2 song wherever you happen to be on an iPod, rather than on a surround-sound system at home, is a decision based on convenience over fidelity. Popping into

McDonald's on a long trip is a choice for convenience. Going to a four-star restaurant is a choice for fidelity.

Fidelity/convenience trade-offs are often based on a situation. If you're in a hurry, you'll choose the convenience of McDonald's even if a high-fidelity gourmet restaurant sits next door.

Any product or service that offers too little of either convenience or fidelity risks landing below a threshold where consumers are motivated to act. That threshold is the fidelity belly.

New technologies almost always start out *inside the fidelity belly*. They're often too expensive or difficult to use to be highly convenient, and they don't yet offer a rich enough experience to win over enough people on fidelity alone. Digital cameras, HDTV, personal computers, cell phones, microwave ovens, home air conditioners — all started inside the fidelity belly.

Technologies that never escape the fidelity belly die. These failed technologies are usually referred to as "bad ideas."

The Fidelity Mirage

If consumers love fidelity and need convenience, one would think that the marriage of the two — high fidelity and high convenience — would be product nirvana. Why not strive to make something that's both loved *and* needed? In fact, that tempting combination is a mirage — try to get there and you'll find that it doesn't exist.

A big part of fidelity is derived from a product's aura and identity. Convenience acts like antimatter to aura and identity. The more convenient something becomes — the easier it is to get and buy — the more its aura and allure dissipate. The more convenient something becomes, the less that item helps identify its owner as someone who is special and unique.

On the flip side, adding fidelity reduces convenience. Fidelity is about the richness and quality of an experience. Injecting those qualities into a highly available, low-priced product or service usually means adding features and cost. By their very nature, the qualities that add to fidelity take away from convenience. Trying to move from high convenience toward high fidelity, a product or service will fall into the fidelity belly. ●

When Andy Grove Meets Trip Hawkins

In the early 2000s, it was not obvious that most people wanted a cell phone married to a camera. But once the combination was fully unleashed, the camera phone triggered a wrecking-ball moment in the picture-taking industry. It was one of those rare innovations that slams the marketplace so hard, it disrupts everything around it. Camera phones didn't occupy a new place among the fidelity trade-offs in the picture-taking industry — it wrecked the old set of trade-offs and created new ones.

Andy Grove, the legendary former CEO of Intel, calls such wrecking-ball moments "strategic inflection points" — those times when a new force dramatically alters an industry. When the personal computer put computing into the hands of everyday consumers, as opposed to back-office professionals — that was a strategic inflection point. The arrival of television and the Internet were other such moments.

It's Also About Social Value

There is one other significant phenomenon that can affect the fidelity/convenience swap: Products and services that become part of people's social lives can act as a fidelity turbocharger.

Few people have thought longer about this than Trip Hawkins, who founded the video-game giant Electronic Arts in 1982. He eventually left the company to start 3DO and then, in 2003, a company called Digital Chocolate, which makes games and applications for cell phones — all based entirely on the concept of the social factor.

Hawkins started Digital Chocolate to try a new approach to mobile games: Make them low-fidelity, easy to use and all about being social. In 2005, the company made a splash with a couple of social games. One was called *MLSN Sports Picks* (MLSN stands for Mobile League Sports Network). The other game was *AvaPeeps*. It let users create characters that go out on the network and try to date characters created by other people. Depending on their success, characters climb popularity rankings. Neither game tried to use all of a cell phone's processing power. The graphics were minimal. The allure was in the social connection.

"Media companies tend to view content as being all about fidelity and that's obsolete," Hawkins said. "Lower fidelity and social networks beats high fidelity. People don't even think they're spending money on content — they pay to improve their social value." ●

PART TWO: WINNERS AND LOSERS

Super-Fidelity

In any market segment, there's usually at least one high-fidelity player that every other player admires and

strives to imitate. That entity does things better than everyone else. People love the product or service. They want to own it, to make it part of their identity. They will tolerate terrible inconveniences — high prices, difficulty in obtaining it — to acquire it. Like some strange law of quantum physics, at the pinnacle of fidelity, convenience can almost disappear. Instead, pure desire takes over. Even lust.

Apple got there with the first iPhones. Years before that, one could've found Motorola at the pinnacle of fidelity with its RAZR — which cost consumers more than $400 at a time when many other cell phones came free with a service contract. Singapore Airlines' first-class cabin is the pinnacle of fidelity in air travel; Louis Vuitton, in handbags. Whole Foods in the 2000s became the high-fidelity choice of grocery stores.

Cirque du Soleil

Being the highest-fidelity company or having the highest-fidelity product or service is a great place to be. Cirque du Soleil, for example, has created an all-senses-engaged entertainment experience that simply can't be duplicated by any other means. It charges $100 or more for tickets and sells out nearly every show — no small feat in an age of 3-D movies, realistic computer games and myriad other forms of entertainment. The company brought in $700 million in revenue in 2007 and is worth around $2 billion. No "normal" circus company could approach that level of success.

Is super-fidelity sustainable? Sustainability requires constant investment and long-term thinking. It helps if the fidelity of a product results from a real, tangible competitive advantage. The more a product or service relies on aura alone, the more susceptible that product is to getting toppled from its perch. ●

Super-Convenience

High convenience is typically low margin but huge volume. It is often ubiquitous. Convenience is not about creating a beautiful experience, or about aura or identity. Sometimes it doesn't offer a good experience at all and doesn't do a thing to enhance one's identity. High convenience is not about love, but about need. At its best, it is about habit. And when a product or service becomes habit, it can be hard to dislodge.

By the 1970s, McDonald's became the pinnacle of convenience in terms of eating out. The restaurants are everywhere, they're cheap, fast, simple, familiar, well run, clean and they offer the easiest way to get a meal quickly away from home. Despite armies of fast-food competitors over the years, despite criticism, despite the fact that more people are likely to say they love their dentist than say they love McDonald's, McDonald's has not yet been pushed from its super-convenience position. For lack of a better way to put it, McDonald's is a habit.

When Ford's Model T went into production in 1908, it became the world's first high-convenience car. It wasn't flashy; it only came in black. But Ford's innovative mass-production techniques allowed it to make the cars cheaply and pump them out in high volume — which meant the Model T was easy to find and relatively affordable for middle-class consumers.

Southland Corp. made its 7-Eleven stores into the high-convenience way to pick up badly needed supplies, driving independent corner grocers out of business.

In 1940, Dupont introduced nylon stockings, which became far more convenient than silk stockings. They actually cost more to buy up-front, but far less in the long run (if you'll pardon the pun), because they lasted longer and were easier to care for. Nylons captured 30 percent of the hosiery market within two years after hitting store shelves. ●

The Worst Place to Be

The fidelity belly is the no-man's land of consumer products. Movie theaters, music CDs, Blu-ray video disks, electronic book readers, electronic cars and film cameras have all found themselves in that no-man's-land.

Certainly not every company can be the absolute leader on convenience or fidelity. There are different ways of doing well in terms of the fidelity/convenience trade-off. Samsung cell phones, Sharp TVs, Sonic burger joints and Marriott hotels are all examples of businesses that may not be either the most convenient or the highest-fidelity — but are good enough in terms of convenience or fidelity to do well.

But there is a threshold in the fidelity/convenience trade-off: Cross it, and irrelevance awaits, as consumers stop feeling like they either love or need a particular product or service. People use the product or service less frequently and look for alternatives. Deeper into the fidelity belly, consumers start to actively dislike a product or service, thinking it's a hassle or that it's disappointing compared with the available alternatives. This is how people felt about VHS tapes after experiencing DVDs.

The products and services that begin life inside the belly and manage to get out are otherwise known as

innovations and inventions. Such innovations have to find a way out of the belly to reach a mass market.

When trying to figure out whether an innovative company or product can climb out of the belly, management needs to ask the question, *Is our product on a clear path toward either convenience or fidelity?* The surest and shortest way out of the belly is a straight line along one axis or the other.

Because the tech effect constantly moves the borders outward on both convenience and fidelity, a product or service doesn't have to decline or become worse to fall into the belly — it only has to stand still or fail to keep pace with improving technology. ●

The Worst Thing to Try

Managers running a high-fidelity operation face pressure to boost growth, so they chase convenience.

Long one of the most exclusive luxury brands in the world, Tiffany, in the late 1990s, tried extending its brand downward. The company began selling silver bracelet charms for $110. In no time, Tiffany retail shops were jammed with an entirely new kind of customer: middle-class teenage girls. Tiffany's sales exploded, jumping 67 percent from 1997 to 2002. Stockholders loved it and pressured the company to keep up the strategy. But Tiffany executives began to worry about the long-term damage to the brand. Mark Aaron, Tiffany's vice president of investor relations, told the *Wall Street Journal* in 2007, "What if some of those teenagers fill up their jewelry boxes with Tiffany silver, and as they get older, they perceive Tiffany as where they got their teenage jewelry?"

As the fidelity/convenience trade-off shows, "mass luxury" is a fallacy. Mass is about convenience and luxury is about fidelity. They can't coexist. Luxury without exclusivity becomes common. "Mass luxury" is really just about raising the bar of daily existence, setting a new standard of quality and experience that much of the population expects. At that point it is, by definition, no longer a luxury.

People naturally look for ways to identify their socioeconomic place in the world. The very wealthy do it with luxury. When something that's luxurious and exclusive today becomes commonplace, the very wealthy redefine luxury, seeking products or services that are out of reach of the rest of the population.

Because of the tech effect, as the boundaries of fidelity and convenience constantly move outward, whatever is high fidelity today — or is the most luxurious today — becomes superseded tomorrow by something of greater fidelity. And today's high-fidelity product or service drops down a few notches and becomes more everyday. ●

PART THREE: THE TRADE-OFF IN PRACTICE

Innovation

Once in a while, a huge, sweeping innovation creates a strategic inflection point that entirely changes an industry. Digital cameras had that kind of impact on the consumer film industry. Personal computers did the same to the mainframe computer business. But such innovation is rare.

There is a more nuanced and common form of innovation that fits into the fidelity/convenience swap, and it's more like the invention of a feature that gives an edge to an age-old product. Consider the Coors Light "cold activated" label. It's pretty hard to differentiate mid-price beer. Coors thought it would try to add a little fidelity in 2008 by making a label that changes color when the beer inside gets cold. (Hard to know how big a role the added fidelity played in getting people to buy Coors Light instead of another beer, but Coors Light has become Coors' best-selling brand.)

Most companies are not the super-fidelity leader or the super-convenience powerhouse. Nor are most companies hopelessly stuck in the depths of the fidelity belly; rather, they land somewhere between convenience and fidelity, while leaning more heavily in one direction than the other. Competitors tend to cluster around each other in the same area on a fidelity/convenience chart. To gain an edge, these companies have to decide whether to move up a notch in terms of fidelity or down a notch in terms of convenience. Some find imaginative ways to add features or quality for the same price, or keep pace with existing features and quality and drop the price. Small moves can bring small victories. Truly creative ideas, on the other hand, can change the dynamics of a market. ●

Disasters

Most companies, at some point, make a product or offer a service that lands with a thud. Coca-Cola blundered into New Coke, Sony developed Betamax and Ford made the legendary Edsel automobile. No management model, elaborate algorithm or new way of thinking is going to eliminate poor decisions. But the fidelity swap can help businesses evaluate potential products or investments in the context of competition, changing technology and the choices customers will likely make. It can help a CEO, entrepreneur or managerial team

spot a calamity waiting to happen.

When applying the fidelity swap to well-known business disasters, a handful of points pop out. If you're considering whether to bet on a certain product, first decide which bucket that product belongs in. In other words, create a fidelity/convenience trade-off chart, and try to understand where the new product would fit in. Here are a few things to consider:

- **Don't forget the tech effect.** The outer borders of fidelity and convenience constantly move outward, driven by evolving technology.
- **Success is not about whether a product is cool or hip — it's about where the product falls amid fidelity/convenience trade-offs.** In the broader market, the key is whether it will beat competitors on convenience or fidelity.
- **Different sets of consumers make different fidelity/convenience trade-offs.** Technology that a younger generation finds convenient, an older generation might find inconvenient.
- **Starting small gives a product or service agility, so it can adjust in response to the tech effect and competitors.** Products and services that take years to develop are huge gambles because it's so difficult to guess how the tech effect will play out years from now.
- **New technologies almost always start out inside the fidelity belly.** The ones that make it out are the ones that clearly aim at either high fidelity or high convenience. Aiming at both is a bad idea. ●

Opportunity

When Fred Smith looks back on the 1971 founding of Federal Express, he wonders if he was a bit nuts. "In retrospect, it was ridiculous to try to put this system together, which required so much up-front money, and required changing a lot of government regulations — but I didn't know that at the time," Smith told an interviewer from the Academy of Achievement.

Smith graduated from Yale University in 1966 and joined the Marines, where he observed the often cacophonous way the military moved supplies. "That's when I sort of crystallized the idea for FedEx," Smith said.

Once back on the civilian side, he realized the glaring opportunity. At the time there was only one way to deliver a paper document to someone hundreds or thousands of miles away, and it was far out on the convenience end of the chart. That option was the U.S. Postal Service (USPS). It was cheap, ubiquitous and easy to use. But the postal service was also slow, bureaucratic and offered little in the way of personal service. If you mailed a legal brief on Monday, you had no idea whether it would get there Wednesday, Thursday or Friday.

FedEx's Opportunity

Smith saw the opening for the first high-fidelity mail service. He would guarantee overnight, door-to-door delivery — for a premium price. He wasn't out to compete against the USPS for everyday mail. Smith saw that the market for *precious* mail was essentially unserved. Emerging technology brought along a way to do it: Smith's service would rely on computers to track packages and manage a complex hub-and-spoke system of trucks and airplanes. Federal Express launched in 1971 as a package service, but the USPS monopoly on letters didn't end until the late 1970s. By the 1980s, overnight delivery filled in the empty half of the mail industry's fidelity-swap chart. In just a couple of decades, FedEx became a major company and kept growing. In 2007, revenue hit $35 billion. ●

Strategy

As the tech effect pushed the borders of fidelity and convenience in the production and delivery of news, newspapers didn't keep up. If you were to create a fidelity-swap chart for the professional news business circa 1988, you'd find that newspapers thrived at the time because they offered the most convenient news. For a dime or a quarter, a professionally edited package of news landed on a reader's doorstep in the morning.

By 2008, however, an odd thing happened: The tech effect cleaved a generation gap in the consumption of news. A study that year by the Carnegie Corp. found that just 8 percent of people under age 35 expected to rely on newspapers for news in the future. The average age of the American newspaper reader was 55.

Charting the Newspaper Business

So, while mass-market news in 1988 could be represented by a single fidelity/convenience chart, the market for news in 2008 would have to be broken down into two separate fidelity/convenience charts.

The first chart would be for consumers under the age of 40. In that group, Web sites serve as the super-convenient news vehicle. Where do newspapers land for the under-40 crowd? Squarely in the fidelity belly, overtaken by technology and considered to be a medium of so-

so fidelity and so-so convenience.

The second chart would show the news market for the older generation. For most of those consumers, attitudes toward professional news media haven't changed dramatically in 20 years. They still see newspapers as highly convenient news.

Bottom line, print newspapers have a shot at remaining a high-convenience news brand for people 40 and over. But newspapers have absolutely no chance of being anything but an also-ran for consumers under 40, which suggests how newspaper companies might invest.

The fidelity swap indicates that newspapers should get out of trying to win younger readers to the print product — because it will never work. On the flip side, newspapers continue to hold a strong position in convenience with older readers. It would make sense to cater to them with a print product, and even enhance and exploit that position. Give that audience content it needs, and don't worry if such content further alienates young readers. Print newspapers are destined to lose most of them anyway.

Now, there's an obvious downside in the strategy of appealing only to people who are over 40 years old today: That market will inevitably shrink over time. Most newspapers have a Web site, but many of those Web sites are still a stepchild to the print product. The fidelity/convenience lens suggests that newspapers should invest in a Web site that's geared specifically to a younger generation — and is probably nothing at all like the print newspaper.

This split — print for old people; Web for young — would be a radical strategy at any newspaper company. But it's a strategy that newspaper executives might buy into if they look at how their products fit in the trade-off between fidelity and convenience for different audiences. ●

Personal Strategy

Jim Collins, author of *Good to Great*, said that there are two ways to get to the top. One is to climb an existing ladder, which can be a bit crowded. The other is to make your own ladder and put yourself at the top. It's a twist on the Hedgehog Concept — if you can't be the best in an existing category, figure out what you *can* be best at, and create a category that fits. This is what entrepreneurs do when they start their own companies rather than trying to become CEO of IBM or Boeing. It's what Collins did when he left his teaching job at Stanford Business School after co-authoring the national bestseller *Built to Last*, becoming essentially an independent professor of business. Since the profession didn't previously exist, Collins was instantly the best at it.

'Quiet Desperation'

More than 150 years ago, Henry David Thoreau, while working on *Walden* at Walden Pond in Massachusetts, wrote the immortal line "The mass of men lead lives of quiet desperation." But, it could be argued, that's because so many people toil in careers that land inside the fidelity belly.

When you have a clear sense of what distinguishes you from those around you, that sense of quiet desperation disappears.

In general, the most successful people snag a high-fidelity position on some fidelity/convenience trade-off. Maybe you become the best real estate agent in town, the best accountant in a firm or the best doctor specializing in a particularly tricky kind of surgery. The higher the fidelity, the more you'll be in demand and the more you can charge for your work — and the less you'll have to be convenient.

Not everyone, of course, is cut out to be the highest-fidelity in *any* bucket. Then the smart strategy is to aim for high convenience. If you can't be the best, most polished real estate agent in town, then be the most convenient. Make yourself available in an instant via text message. Do whatever will make your services easier for a home seller to obtain. Lower your fee — which would add to your convenience — to beat out your competitors. Do everything to be the most convenient.

People who enjoy the most success can be found toward the extremes of fidelity and convenience. People who land in the fidelity belly have the hardest time advancing in their careers. And, as with companies, individuals need to be aware of the tech effect. If you're the best or most convenient at a given occupation, technology will inevitably advance and provide the tools for someone to do it better or more conveniently. Like companies, people need to constantly invest, commit and renew to stay ahead of those around them. ●

RECOMMENDED READING LIST

If you liked *Trade-Off*, you'll also like:

1. ***Be Different or Be Dead* by Roy Osing.** Osing shares strategies he has personally developed and executed for immunizing an organization against performance decline and business failure.
2. ***Free: The Future of a Radical Price* by Chris Anderson.** The editor-in-chief of *Wired* magazine details the reasons that a zero price-point is the key to the economy of bits.
3. ***From Concept to Consumer* by Phil Baker.** Baker explains how a great idea accounts for only 5 percent of all the factors of success and why the majority of success is dependent upon a myriad of other factors.

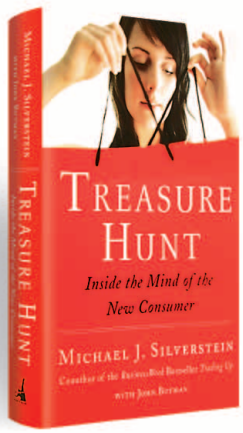
· Book 103 of 106 ·

Treasure Hunt

Michael J. Silverstein with John Butman

SOUNDVIEW Executive Book Summaries®

FILE: MARKETING



By Michael J. Silverstein with John Butman

CONTENTS

The Bifurcating Market
Page 2

The New Middle-Class Consumer
Page 3

Cheap is Good
Pages 3, 4

Spanning the Poles
Page 4

All Treasure, All the Time
Page 5

When the Value Calculus Shifts
Pages 5, 6

Nickels and Dimes
Page 6

Left in the Dust
Page 7

Taking Action
Pages 7, 8

Inside the Mind of the New Consumer

TREASURE HUNT

THE SUMMARY IN BRIEF

In his previous book, Trading Up: Why Consumers Want New Luxury Goods — and the Companies that Create Them, *Michael J. Silverstein defined an emerging "new luxury" category of goods and services. That segment's growth subsequently exploded from $400 billion in 2003 to $605 billion in 2005. Now, in* Treasure Hunt: Inside the Mind of the New Consumer, *Silverstein explains why there is even more volume and momentum in the fast-growing "treasure" segment.*

Through detailed, individual spending portraits of middle-class consumers, Silverstein explores the story of how people around the world are reshaping the consumer-goods market by trading down to low-price products and services, trading up to premium ones and avoiding the boredom and low value that increasingly characterize the middle.

The process resembles a treasure hunt for goods and services that may be cheap or dear, technically sophisticated or whimsical, basic or feature-laden but always functionally and emotionally significant. The consumers driving this change are mostly women, who have a sense of purpose and power when they buy and use goods and services.

This summary reveals how treasure hunting, and the trading up it enables, are causing the entire $3.7 trillion consumer-spending marketplace in the U.S. to bifurcate. It also provides capsule analyses of companies who are successfully leveraging this transformation for profit and those caught in the middle-market death squeeze.

In addition, you will also learn:

- ✓ ***How companies can obtain a more profound understanding of who middle-market customers really are.***
- ✓ ***How trading up and trading down are battling it out in every category.***
- ✓ ***How companies such as LG, Dollar General and Best Value Inn understand the middle-market consumer mentality.***
- ✓ ***How to target consumers' value calculus.***
- ✓ ***How to avoid the biggest traps in attempting to escape the middle.***
- ✓ ***How to recut market research data to create a model of success.***

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TREASURE HUNT

by Michael J. Silverstein, with John Butman

— THE *COMPLETE* SUMMARY

The Bifurcating Market

The Nelson family's decision to purchase four Daewoo TVs for Christmas is a parable for the shift taking place in the consumer goods market. Ben Nelson holds two jobs. His wife Alice is a part-time nurse. As Christmas approached, Alice and the children wanted a vacation for a gift. But Ben was sick of their old 27-inch TV. He worked a seventy-five hour week, and watching sports programs was one of his few luxuries. He persuaded his family that, instead of a short vacation, a flat screen TV would provide years of pleasure for everyone .

After shopping at Best Buy, Sears and Circuit City, the couple reached an unexpected conclusion: They would buy four TV sets — a 32-inch, wide-screen flat panel TV priced at $1999 for the family, and a 13-inch Daewoo for $57 so each child could have their own set. To afford the $2000 expenditure, however, the family had to limit discretionary spending for three months. By April the sets were paid for, and the family breathed easier.

The Dynamic Market Meets the Unpredictable Consumer

In the United States and around the world, consumer markets are bifurcating into two rapidly growing pools of spending. At the high end, consumers are trading up, willing to pay a premium for top quality, emotionally rich, high margin products and services. At the low end, consumers are relentlessly trading down to spend the least amount possible on basic, low-cost goods that still deliver quality, reliability and, increasingly, an element of style. In between these spending poles lies a vast expanse of mediocre, often low-margin goods that lack distinctive emotional appeal or better value than their cheaper competitors.

Companies that have profited for years by selling mid-priced products to middle-class consumers suddenly find themselves facing "death in the middle." Companies that succeed in this bifurcated market are those who understand the attitudes, behaviors and values of middle-market consumers who are driving this metamorphosis and constantly alter and reinvent their product to satisfy the ever changing "value calculus" of the consumer.

Today's consumers are highly skilled shopping experts. For them, consuming has become a treasure hunt — a constant search through the world's vast and ever-changing store of goods and services to find the perfect value every time. Such consumers spend their money with individuality — trading up in some categories, trading down in most and mixing upscale with downscale products — to create a customized lifestyle and standard of living suited to their own taste.

Why People Trade Down

Consumers trade down for four reasons:

- "I'm a smart shopper."
- "There's no material difference."
- "My Mom taught me."
- "I can go without."

The upshot of such trading up and trading down behaviors is that middle-market consumers are unpredictable and confound traditional demographic and psychographic stereotypes. This includes a $150,000 professional who buys $19 jeans at Target, flies Air Tran, and pays $100 for her dog to be groomed, as well as a $50,000 plumber who leases a $27,000 BMW and buys clothes at Kohls.

Trading-down companies have created 10 times plus the market value that trading up companies have created. Big winners include Target, Costco, Lowe's and Dollar General. ■

The authors: Michael J. Silverstein is a senior vice president of The Boston Consulting Group, where he served as leader of their global consumer practice.

John Butman is the author of more than a dozen books, including five on critical issues involving social and business change.

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The New Middle-Class Consumer

At first glance, the Montforts appear pretty average. Sarah, husband Rick, and their three daughters live in a home worth $425,000 in Arlington Heights, Illinois, on an annual income of $85,000. But there is a lot demographics don't reveal about how people like the Montforts really live.

Whereas those at the top of the income ladder are rarely forced to make substantial trade-offs, and people at the bottom have few options, those in the middle constantly face difficult choices. Much of Sarah's day is spent making purchasing decisions to help her family live a "good life." Even with a solid middle-class income, loving family and network of friends and neighbors, life is much more of a struggle — financially, practically, physically and emotionally — than Sarah imagined it would be.

The Power of the Middle Class

In the United States, the middle class is defined as the 48 million households that earn between $50,000 and $150,000 per year. These people control 75% of discretionary spending, which means they control the market. They may be financially stretched and emotionally stressed, but for the most part, people are not going into debt to trade up. Nor is debt driving people to trade down. They do both because they can and want to.

The market bifurcation not only transcends demographic and geographic boundaries, it involves people at every stage of life. Businesses must recognize that consumers are driven as much by their circumstances and life decisions as they are by income, profession or where they live.

The Value Calculus

The consumer value calculation currently involves a host of financial, practical and emotional factors. The purpose of making this calculation is not to just find the lowest price (if you are trading down) or highest quality (if you are trading up), it's to determine the right price for the right product at the right time and place. Consumers' value calculations are much less predictable today than even a decade ago, because they don't seem to line up with the consumer's income or demographics the way they used to.

Actionable Insights

Every middle-class consumer has a "want list" of things she wants to buy that is constantly revised. If you understand the want list of your consumers, you may discover that you are competing not only against other companies in your category, but also against completely different categories where consumers might spend discretionary dollars. For instance, if you make watches, your toughest competitor could be a handbag seller. If you sell flat-screen TVs, your toughest competitor might be a Caribbean cruise or a high-performance mountain bike. ■

Cheap is Good

Hilda Schmidt is a German housewife with a passion for bargains. Married with two children, Hilda struggles to make ends meet on husband Franck's 30,000 annual income. She feels it her duty, even her mission, to shop smartly. "I have to get good deals and buy things on sale — that's my job." Hilda's secret weapon is stockpiling. Whenever she finds a bargain, she buys it and tucks it away in her storage room. Like many Europeans, Hilda has taken the treasure hunt to an art form.

Aldi: a History of Low Price

Cheap used to mean bad. The cheap product was, by definition, of low quality. If you bought your clothes at K-Mart, it wasn't something you talked about. Today, everyone loves a bargain and they brag about the low prices they get. It's a victory to spend the smallest amount you can, no matter how wealthy you are.

Like millions of Germans, Hilda relies on Aldi, the $35 billion chain that has become the world's leading "hard discount" retailer for low-cost food and household commodities. According to GfK, a German market research group, Aldi is Germany's third most respected brand, just behind Siemens and BMW and ahead of Chrysler-Daimler. The retailer is even on the way to becoming hip.

Founded after WWII to cater to bombed out residents, Aldi's sole management focus was the lowest price. Gradually the strategy of necessity became the strategy of choice and came to be known as "hard discount." Hard discounters are distinct from everyday-low-price retailers like Wal-Mart in the United States and European hypermarkets like Carrefour. Hard discounters offer fewer categories of goods, the shopping environment is functional and there are few services. Above all, prices are unbelievably low — as much as 60 percent below leading brand names and 40 percent lower than supermarket private labels. Although hard discount is sweeping Europe, it has not become a national obsession in the United States.

The Dollar Store

Retailers who have found a treasure hunting format that combines hard discounts with a shopping experience more familiar to Americans include "dollar stores" such as Family Dollar, Dollar General and Dollar Tree. People have a funny affection for Dollar General

(continued on page 4)

Cheap is Good

(continued from page 3)

because of low prices and less hassle. Stores are located in suburban shopping malls, so they're easy to get to. Stores are also smaller, so the whole shopping experience doesn't take as much time.

There are three types of "dollar stores":

- Stores that adhere to merchandise at the $1 price point, such as 99 Cents Only and Dollar Tree.
- Overstock, discontinued, surplus and distressed merchandise retailers like Big Lots, Building #19 and Tuesday Morning.
- "Extreme value" stores like Dollar General and its big competitor, Family Dollar.

In 2004, 66 percent of households report having shopped at a dollar store, and higher-income households are the fastest-growing segment of customers. The success of Dollar General, and of the dollar store category in general, is having a major effect on the trillion-dollar trading down market.

Fighting Back

Grocers and big-box retailers are looking for ways to fight back. Wal-Mart has been testing concepts for its own in-store version of the dollar store. One is called the "Hey Buck" section where food and soft goods sell for an average of 98 cents per item. Target has tested a concept called "One Spot" with merchandise priced at $1. The low-cost revolution will continue. ■

Favorite Finds at Dollar Stores

Dollar General stores carry around 4000 SKUs and offer the reassurance of many brand names. The top 10 items purchased are:

- ✓ **Household cleaners**
- ✓ **Seasonal decorations and supplies**
- ✓ **Wrapping materials and gift bags**
- ✓ **Paper products**
- ✓ **Laundry supplies**
- ✓ **Housewares**
- ✓ **Storage containers**
- ✓ **Batteries**
- ✓ **Health and beauty supplies**
- ✓ **Dry groceries.**

Hard discounters like Aldi, the dollar stores and some big-box retailers also have aspects of treasure hunting. Kmart has the Blue-Light Special and Wal-Mart is known for its DVD bin, filled with hundreds of movies. At Dollar General there are also special buys and limited-quantity goods, displayed in unexpected places or tucked away among other items to increase the surprise of finding them.

Spanning the Poles

As a result of 9/11, Jim and Anne Freedman found themselves experiencing a leap from one pole (high) to the other (low) and are finding ways to span the two. After the anthrax scare, Jim was forced to sell his direct mail business. Prior to this, Jim's and his family enjoyed a seven-figure income and a life filled with nice things, including three residences.

Now their only income is through Anne's job as a kindergarten teacher. They sold their primary home and parted with many precious possessions. For them, the value calculus has been refined. They trade down much more than they used to and trade up with more caution and deliberation. Their lives are filled with trade-offs, large and small. They play at both poles with great agility.

The Hotel Industry: Moving in Both Directions

When hotels experienced a precipitous drop in business after 9/11, a truth about the industry was revealed: Despite the glamour of high-end hotels and destinations, riches are also found at the bottom of the market. Although some hotel companies abandoned expansion or improvement plans or unloaded properties after 2001, others followed a trading-up or trading-down strategy, adding rooms and building brands that would appeal to specific segments of the market. Some went high. Some went low. A few found success at both ends of the market.

Best Value Inns (BVI), the fastest growing hotel company in the U.S. during 2003 and 2004, operates exclusively at the low end of the market. BVI has become the preferred choice for business and leisure travelers who are seeking a clean room, free cable TV, swimming pool, minifridge and free morning coffee, and can only afford around $65 a night. A stay at a BVI is a smart use of money. The attraction for franchisees is that BVI charges only 25 percent or 30 percent of the fees of other national chains.

Marriott: Masters of Bifurcation

Marriott seems to have mastered the difficult trick of succeeding at both of poles of the market. Long known as a middle-market hotelier, they purchased the premium Ritz-Carlton hotels. They have also aggressively expanded in the trading-down market with Courtyard by Marriott properties for business travelers and low-price Fairfield Inns for leisure travelers. Marriott's biggest growth in rooms and revenue has come from its trading-down brands.

All hotel owners are looking for ways to differentiate and respond to the bifurcation of the market. The worst place to be is in the middle where average returns are below the cost of capital. The best place to be is at the bottom of the market. ■

(continued on page 5)

LG's Transformation

LG, the $50 billion South Korean worldwide manufacturer of electronics, chemicals and industrial products, has accomplished what few companies in the world have done: transformed itself from a supplier of low-cost, poor-quality goods to a leading producer of home electronics and appliances that serve both trading-down and trading-up consumers.

Twenty years ago, LG (then known as Goldstar) was the world leader in cable-ready 13-inch low-quality TV sets at rock-bottom prices. Today, their appliance division is possibly the fastest-growing and most profitable in the industry. They offer a $550 top-freezer refrigerator that competes with Frigidaire and Kenmore on the low end and a $3,100 model that competes with Sub-Zero at the high end. For LG, spanning the poles is about participating across the whole range of price segments in its market.

All Treasure, All the Time

Backpacking through Europe during college, Stephanie Granby developed a thing for scarves. At the annual Hermes sale in Paris, she bought a silk scarf for $120. During her twenties, she couldn't afford to pay full retail for more scarves and even though she's now 30 and earns $100,000, her value calculus still does not allow for profligate spending on fashion. But her lack of money in her early years hasn't prevented her from adding to her collection by waiting for sales, searching vintage clothing shops and attending yard sales.

Then along came eBay, which changed her life. Since 1999 she has bought fifteen scarves on the site, ranging from $50 to $400. "I always get a deal on eBay." Every night after work, Stephanie checks eBay to see what's new. If something strikes her fancy, she bids on it. Every morning at 5:30 a.m. she goes online to see where the bidding stands. eBay has become her major spending outlet.

eBay: The World's Biggest Treasure Hunt

The ancient allure of the bazaar and visceral excitement of shopping are the basis for success of all kinds of retail formats around the world. People are drawn to Trader Joe's, the specialty grocery market, because they're never sure exactly what they're going to find. The excitement of going on the prowl is also what's behind every yard sale and flea market, including the biggest and most extravagantly profitable embodiment of the concept, eBay. As more than 135 million registered users in 32 markets have learned, eBay offers the thrill of discovery every day.

After just seven years of operation, eBay had created a market value of $42 billion — greater than the entire value of the department store industry of the United States which has been operating for a century. What eBay offers is a fantastic business model: an online community that brings 336,000 registered stores worldwide, many small or geographically isolated, into one global marketplace.

For sellers, eBay satisfies the desire to be entrepreneurial and make money. For buyers, eBay enables them to put their hands on the steering wheel of their own consumption. The great majority of items sold on eBay are inexpensive — excluding autos and real estate. The estimated average selling price is $36, so the population for buyers represents all income levels. Most users come from middle-income households who shop there for treasure.

The One and Only Tchibo

No retailer, including Wal-Mart, K-Mart and Dollar General, can hold a candle to Europe's best-loved and most unique treasure-hunt retailer. Originally a mail order purveyor of high-quality coffee, Tchibo now offers a variety of home related non-food items.

The distinction is that these items are not offered in categories or departments, but in themes, which change every week — such as Italian cuisine, beautiful garden, enjoy nature and surprise your partner. All are branded with Tchibo's label, while none are available in exactly the same form at another retailer. Many people visit Tchibo because they need coffee but, while there, can't help peek at what's new. The theme of the week is always displayed in the window.

Tchibo and eBay appeal to the treasure hunter in markedly different ways. Tchibo consistently anticipates and creates themes that strike a chord with consumers, and is able to create an atmosphere that puts the shopper in a treasure-hunting state of mind. It's a unique combination of trading-up, trading-down, and treasure hunting.

eBay is a more outlandish concept, built on the assumption that everybody in the world is a buyer and seller of something and that almost everybody is willing to purchase goods over the Internet, mostly sight unseen. ■

When the Value Calculus Shifts

The dominant factor in the value calculus of Lauren James, a thirty-two year old single woman living alone, is fear of the future. A charming, attractive, seemingly confident person who seems like a classic trading-up consumer, she earns $80,000 per year and contributes

(continued on page 6)

When the Value Calculus Shifts

(continued from page 5)

the maximum to her 401(K) and Roth IRA. Yet, she worries she will grow old alone, lose her earning ability and end up on the street. She has "the bag lady fear."

Lauren is a rocketer in terms of her personal care spending but is not out of control. She spends much of her money on goods and services to improve her appearance.

Rocketers like Lauren distort spending, buying much more in one area, and scrimping and saving in others. For Lauren, shopping and spending to make herself and her life with friends as rich and distinctive as possible is an art form. You'll never find her in Aldi or Dollar General. "They remove the thrill and joy."

Masako Tanaka, a single "office lady" in Tokyo, has a brighter version of Lauren's value calculus. Although she does have worries, Masako and her peers are optimistic about finding husbands, and are not haunted by gloomy views of the future. Since office ladies earn good salaries and live at home with their parents, they are amazing traders-up.

They will distort their incomes with great ferocity toward high-fashion items such as designer handbags, sunglasses, watches and other personal adornments, ignoring categories like electronics or cars. For them, the physical and emotional experience of shopping is as important a factor in the value calculus as the product itself.

A New Value Calculus at Bath & Body Works

The ability to understand value factors such as fear or hope that cannot be quantified or plugged into a spreadsheet is driving the success of Neil Fiske, CEO of Bath & Body Works (BBW). For over a decade, BBW has been successful selling mid-price body and personal care products for women who want bright colors and intense fragrances.

BBW is positioned as a masstige brand, based on products that are a step above the drug store and a step below the department store. For millions of women, BBW products fit neatly into their personal value calculus, delivering a combination of wholesomeness, effectiveness and personal indulgence at a price high enough to be exciting yet low enough to be affordable. ■

Nickels and Dimes

Arnold and Molly Piso, twenty-somethings in Chicago, are tight with a dollar. Arnold doesn't feel he needs a cell phone because he doesn't make many calls. Nor does he drink soda. If he's thirsty, there's usually a water-cooler nearby. Since the couple live in an apartment and can take mass transit, they don't need a car, which saves $6,000 a year on payments, insurance and gas.

It's not that the Pisos are poor. He earns $50,000 and has investments worth $200,000. She earns $25,000. They have no debt. The Pisos are proof that not all Americans are dizzy with consumption and brand names or plunging themselves into debt. Yet, Arnold will splurge on a great deal or wise investment, such as a leather sectional couch or a trip to Europe. He believes their strict budgeting system allows for more freedom.

The Beauty of Retail Banking

A secret of the financial services world is that retail banking is a hugely profitable business. The danger for financial services companies, however, is that retail banking is located squarely in the middle of the market. Since wealth consumers often manage their money through private bankers and low income families may not want to deal with banks at all, retail banks get their customers primarily from the middle class.

The Fleet Juggernaut

In 2002, Fleet Financial underwent a change in management to revitalize a business grown stale. After Fleet merged with Bank Boston in 1999, it became more involved with non-retail activities. When their corporate loans went sour, Fleet looked to its retail network to fill the earnings gap by holding down interest payments, jacking up fees and trimming services. Customer satisfaction plummeted.

Meantime, Commerce Bank, a local competitor, had risen rapidly. Their branches, which sit in landscaped plots in easily accessible, high-traffic locations and feature a large lighted sign reading "OPEN SEVEN DAYS," resemble a McDonald's more than a typical New England Main Street Fleet branch.

Commerce branches also feature public restrooms and a novelty: free change-sorting service. There are no monthly fees or per check fees, and ATM transactions are free. All employees must graduate from Commerce University, modeled after "Disney University and McDonald's "Hamburger University." Commerce's fast-food approach to banking has produced strong results.

Fleet finally noticed something was amiss in its retail banking operations and started listening to middle-market customers. Fleet's strategy included free financial checkups, improved product offerings and enhanced online banking. The program worked. Operating profits doubled and Fleet's retail operation had the power of a growth trajectory. ■

Left in the Dust

Peter Kim, a 32-year-old waiter, who emigrated from Korea as a child, feels he has been left behind. Although he has a degree in Asian studies and economics, Peter enjoys being a waiter. He earns $50,000 a year, but he has not saved, preferring to spend on traveling and eating out.

As distorted as his value calculus may seem, Peter didn't question it until he approached 30. He began shopping at Costco and has become careful about spending on clothes. He shops at trendy trading-up stores such as Diesel, Club Monaco and Banana Republic, but only during a sale or closeout. He is considering a career change into graphics design. Peter's solution is to move and gain new skills — to reinvent himself.

Retailers Who Wait Can Also Get Left in the Dust

As Wal-Mart and other winners have led a retailing revolution — achieving 20 to 40 percent annual growth and shareholder return two to four times the market average — the traditional grocery chain has lost 30 share points and the traditional department store as many as 50 share points. Zayre, Ames, Bradlees, Caldor and Venture Stores have all been left in the dust.

Turmoil in the Grocery Industry

The conventional grocery industry has been most transformed. Wal-Mart is responsible for much of this shift. Their super center delivers higher store traffic, drives merchandise sales and increases per-customer visits. Earning gross margins 50 percent higher per square foot than competitors can translate into four times the profits per store.

The cash can be taken to the bank or reinvested in the business, which ultimately brings still greater profit.

H.E. Butt: Prospering Where Others Don't

A few smaller chains like H.E. Butt (H-E-B), a 100 year old San Antonio-based chain with 300 stores in Texas and northern Mexico, have found a way to compete and prosper. One of its boldest moves was introducing the Central Market brand, a trading-up grocery. These pavilions celebrating food offer innovations such as:

- An executive chef
- Online recipes
- Cooking schools
- A $13.99 take-out dinner for two.

H-E-B stores understand the middle-market consumer well, including working women. Since many H-E-B consumers are also Spanish-speaking Mexican-Americans, the chain recognizes their differing desires by offering a wide variety of items, including 100 different kind of potatoes.

Avoiding the Seemingly Unavoidable

The single most important early-warning signal that you may be in danger of getting left behind as a retailer is a drop in share of "primary shop."

When a consumer ranks you as their first choice for purchasing goods in a particular category, you enjoy the bulk of sales and margin that customer has to offer.

This is critical because retail is a very leveraged business — space occupancy, staffing and inventory are essentially fixed costs — and a loss of as little as 10 percent of volume can cut profitability in half.

The following are characteristics of dinosaurs that can be found in any industry:

- An inability to see shifts in the market, including trading up/trading down and death in the middle.
- An unwillingness to confront competitive initiatives that have "germs" of ideas that can be adopted, brought front and center and executed by the established competitor.
- A desire to protect today's market definition and market share and not attack boundaries that provide expansion.
- Increasing complexity costs, resulting in inflexibility and slow decision making.
- A tendency toward internal conflict and organizational stratification.
- A leadership that emphasizes capital investments as a solution to all problems.
- Centralized control with limited coordination among divisions and a weakened sense of market trends and consumer needs.

The Consumer, as Always, Is Key

Understanding how consumer needs are changing is an art form, not a science. It requires conducting research at the store level and developing expertise in listening to consumers and interpreting what they have to say. To avoid being left behind, retailers need to do a major renewal effort regularly.

Like Peter Kim, they must recognize the importance of learning new skills, trying out different concepts and periodically reinvent themselves. ■

Taking Action

Leslie Wexner, founder of Limited Brands, has an extraordinary ability to understand the consumer and consumer-goods market, and put his understanding into action. His record of retail success includes The Limited, Express, Limited Too, Victoria's Secret and the

(continued on page 8)

Taking Action

(continued from page 6)

reinvented version of Abercrombie and Bath & Body Works. "People are looking for emotional highs," Wexner claims. "Winning companies invent new products that capture the consumer's imagination."

Whatever you observe that strikes you as interesting, different or unusual or appealing may contain the germ of a new business idea.

- Pierre Omidyar, founder of the eBay auction site, was intrigued by how people form communities on the Web.
- Howard Schultz, founder of Starbucks, was fascinated by the way people drink coffee in Italy.
- The Albrecht brothers, founders of Aldi, understood that customers take pride in pinching a penny so hard it hurts.

Many Ways to Act

A legion of companies has yet to acknowledge the reality of the bifurcating market and continue slogging along in the middle. Companies that succeed in this restless consumer market are those who face the reality of the bifurcation and look for opportunity within it.

To succeed, they develop a new business model, as LG did. They invent a new way of going to market, as eBay has. They reduce the cost of operations, as Aldi does relentlessly. They accept the fact that their futures hang on their ability to do one of two things: deliver basic, trading-down goods at unbeatable prices or create trading-up goods with genuine differences that can command a premium.

Many Models of Success

The bifurcation strategy can be executed, and companies and categories can be transformed. In banking, the middle-market is rich, needy and seriously underserved by other financial services providers.

How about that most basic of consumer commodities, toilet paper? Georgia Pacific (GP), the world's leading maker of toilet tissue, decided it was not a commodity and need not be stuck in the middle. By segmenting its product line, GP has been able to span the poles.

Small private companies are also building their businesses based on observations of consumers and interpretations of the treasure hunt idea. For example, Baltica, a Lithuanian maker of hand-cut architectural and custom hardware, appeals to the treasure hunter looking for a special, unexpected piece that fits her unique value calculus.

Recut the Data

Data is only as good as the analysis of it, and we know that companies tend to fall into analysis ruts — they keep looking at the same data, in the same way, making the same analysis, and responding to it in the same ways they always have.

Every data analysis is vulnerable and subject to reanalysis and reinterpretation through different lenses and with different models. The trick is to know when to recut the data. The trading-up/trading-down phenomenon demands that the data be recut frequently.

How Home Depot Recut Its Data

When Bob Nardelli became CEO of Home Depot in 2000, he saw that the company's understanding of the home consumer was dated and superficial. He set out to recut the data and redefine the customer's value calculus.

For example, data showed that a growing percentage of Home Depot's customers were aging and time-pressed, therefore not interested in "do-it-yourself" home repair or improvement. So Nardelli developed an installation services business, a "do-it-for-me" operation now growing at a double-digit rate.

Nardelli's efforts from recutting the data are visible in the numbers. Sales increased from $45.7 billion in 2000 to $73.1 billion in 2004, while earnings increased by 64 percent.

Three things to look for when recutting the data:

- The threat you face from competitors at the low end.
- Data about your own company and its products that reveal your weaknesses.
- White space — potential usage or occasions where consumers are not using your product.

Don't Wait

Taking action means innovating, not just more of the same, or considering acquisitions or increasing your advertising spending. Think about innovation as a series of waves of reinvention and change, each lasting three to five years and no longer. ■

Soundview Recommended Reading List

If you liked *Treasure Hunt*, you'll also like:

1. ***Marketing to Women*** **by Martha Barletta.** Barletta explains how women make buying decisions and how to create a targeted marketing plan.
2. ***Trading Up*** **by Michael Silverstein and Neil Fiske.** Consultants Silverstein and Fiske explore the upscale consumer habits of the middle class and how to find opportunities in this phenomenon.
3. ***Let Them Eat Cake*** **by Pamela N. Danziger.** Consumer marketing expert Danziger presents a guide to understanding the emotional component of marketing luxuries to the middle class.
4. ***EVEolution: The Eight Truths of Marketing to Women*** **by Faith Popcorn and Lys Marigold.** This tool shows why and how you should sell to women, who make 80 percent of all purchasing decisions.
5. ***Mass Affluence*** **by Brian Johnson and Paul Nunes.** Nunes and Johnson explore the effects of increasing consumer affluence on marketing and present seven rules of marketing to the "moneyed masses."

For additional information on the Traps Facing Companies Stuck in the Middle, go to: http://my.summary.com

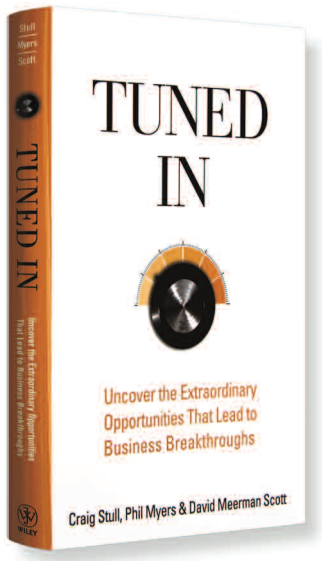
· Book 104 of 106 ·

Tuned In

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Tuned In

Uncover the Extraordinary Opportunities That Lead to Business Breakthroughs



by Craig Stull, Phil Myers and David Meerman Scott

THE SUMMARY IN BRIEF

Hit products and services like the iPod, Starbucks and FedEx were seemingly embraced by the market overnight. But it wasn't luck, creativity or marketing that led to their success. Any organization can create hits that resonate if they stop guessing what people need and start building deep connections to what their buyers value most.

With a strategy for achieving market resonance that has been developed over 15 years, the authors show readers how to find unsolved problems in the marketplace and create breakthrough experiences that people want to buy.

This summary shows you how to find overlooked marketplace problems that, when solved, bring in customers who willingly buy your products and services without being coerced.

Any organization — companies large and small, nonprofits, government agencies, entrepreneurs, and independent professionals, even churches and authors — can benefit by getting tuned in, because they'll create the products and services that people want to buy.

The experts from Pragmatic Marketing Inc. explore what it takes to transform your organization by cultivating a tuned in culture and how to become and remain a market leader.

IN THIS SUMMARY, YOU WILL LEARN:

- How to create products and services that resonate with customers and noncustomers.
- How to apply a six-step method for creating a *resonator*: a product or service that so perfectly solves problems for buyers that it sells itself.
- How other companies have tuned in to their markets and created resonators.
- How to apply the Tuned In Process to find unsolved problems in your marketplace.

CONTENTS

Tuned Out ... and Just Guessing Page 2
Get Tuned In Page 3
Find Unresolved Problems Page 4
Understand Buyer Personas Page 5
Create Breakthrough Experiences Page 6
Establish Authentic Connections Page 6
Cultivate a Tuned In Culture Page 7

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THE COMPLETE SUMMARY: **TUNED IN**

by Craig Stull, Phil Myers and David Meerman Scott

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Phil Myers is the president of Pragmatic Marketing Inc. He leads a global operation serving 35,000 customers at 2,700 technology firms.

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Tuned In: Uncover the Extraordinary Opportunities that Lead to Business Breakthroughs by Craig Stull, Phil Myers and David Scott. Copyright © 2008 Pragmatic Marketing, Inc. Summarized by permission of the Publisher, John Wiley & Sons, Inc. 224 pages, $27.95, ISBN 978-0-470-26036-4.

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For additional information on the authors, go to http://my.summary.com.

Why Didn't We Think of That?

The Tuned In Process is a six-step method for creating a *resonator*: a product or service that so perfectly solves problems for buyers that it sells itself. Starbucks, *American Idol* and Google are resonators. Real success in the marketplace is not based on creativity or clever marketing. Anyone can create products and services that resonate. All you need to do is stop *guessing* what people need and start spending your time building real and deep connections to what your buyers value most.

Getting tuned in is not difficult. But creating a resonator does require a new way of thinking about how you build products and services and how you introduce them to the marketplace.

Common Mistakes of the Tuned Out

Most organizations are *tuned out*. In fact, all kinds of organizations make the same common mistakes again and again.

Here are a few common mistakes that cause products and services to fail:

- **Guessing:** Assuming *company insiders* know more than buyers about what they want to buy.
- **Assuming:** Basing products and services on what *current customers* request rather than on an understanding of unsolved problems that other people will pay money to fix.
- **Telling:** Trying to *create a need* in the market by relying on expensive advertising or an army of salespeople.

The Tuned In Process

The process for replicating success starts with getting tuned in to potential customers. Understanding your market and your buyers through in-depth interviewing is by far the most effective way to discover *unresolved market problems* that people will pay money to solve. Meeting with potential buyers on their own turf (in their homes or workplaces or even on the street) is the starting point for identifying a resonator, that breakthrough product or service that buyers immediately understand has value to them, even if they have never heard of your company or its products before. The iPod is a resonator. When it launched, FedEx was a huge resonator, and it still is.

The tuned in company constantly listens to, observes and understands the problems that buyers are willing to pay money to solve instead of holding endless meetings of company insiders all trying to guess what people want. The tuned in organization is always looking for more opportunities to create resonators.

The most successful organizations get tuned in to their markets. Leaders at these companies largely ignore the competition. Instead, they focus their energies on the problems that buyers are willing to spend money to solve. The concept applies to any business, product or service. ●

Tuned Out ... and Just Guessing

In the late 1960s, Woodstream Corp., parent company of the Animal Trap Company of America, announced that it had built a better mousetrap. With great fanfare, the company launched the new product into the marketplace,

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claiming that it was even better than their own classic Victor-brand spring-based wooden mousetrap. At the time, the Victor model had sold more than 1 billion units in nearly 80 years since its introduction in 1890. Alas, the world did not beat a path to the company's door. The new, "better" mousetrap was a flop, and the company had to revert back to its "old-fashioned" wooden model.

A company spokesperson said, "We should have spent more time researching housewives and less time researching mice." Today, the product that people want to buy — the Victor mousetrap — is still the most recognized brand name in rodent control.

Executives, product development people and marketers all want to believe that they've got all the answers. They're like the guys at Woodstream Corp. who thought that they could make a better mousetrap because they were the experts. Going by intuition, buying your way in with expensive advertising or begging your way in by hoping for media coverage simply does not work as often or as well as being tuned in.

If We're Not Tuned In, What Are We?

After analyzing hundreds of companies to understand the process of becoming (and staying) tuned in, experts have determined that most have a single dominant focus that drives their approach to business. Think of it as a "company personality" that determines how an organization structures itself and behaves in the market. The most successful organizations are tuned in. Whenever leaders create products and services — for potential new customers or entirely new markets — they seek to solve buyer problems first.

Debunking the Myths

There are three common organizational cultures. When an organization allows one of these three cultures to dominate, the resulting approach to business is very different from the one outlined in the Tuned In Process:

- **Innovation is everything.** Only when an innovation solves people's problems does it become a potent force.
- **Revenue cures all.** The revenue-driven organization worries about individual sales opportunities one at a time, rather than what resonates with a large marketplace.
- **Customers know best.** Because the customer-driven organization relies on existing customer requests for endless extensions to existing product lines, the company can't develop breakthrough products and services that resonate with non-customers.

While most companies exhibit at least a small amount of each of these driving behaviors, one usually dominates. And the choice directly correlates to their success (or failure).

Stop Guessing

The best predictor of business success is a focus on the Tuned In Process — an outside-in, market-driven approach. It isn't always easy to be tuned in.

Your business must be continuously problem solving for your market.

Once we accept that definition for our business, it becomes evident that to survive we must understand the problems our prospective clients experience. These problems are what should drive companies. ●

Get Tuned In

Intrigued by a membership-based car-sharing concept they encountered while on vacation in Berlin, Robin Chase and Antje Danielson returned home to the Boston area and interviewed city residents about their driving habits. They asked these residents about car ownership and their use of rental cars. And they *tuned in* to the urban lifestyle and how it dictated car use — daily, during weekends and on holidays. What was the market problem identified by Chase and Danielson? Urban drivers who did not want the hassles of owning a car didn't find it convenient to use existing rental car companies. But they still needed a set of wheels for an hour or two every now and then.

Armed with a wealth of new knowledge, Chase and Danielson launched Zipcar in 2000. They built their new rental car company around an innovative membership system that resonated with the market. Zipcar members log on to their accounts online to reserve cars and authorize use automatically using wireless technology. Members pay a monthly fee, plus a usage charge each time they use a car for a run to Home Depot or Costco.

How Zipcar Created a Resonator

The process of getting tuned in relies on six steps, each providing a foundation for the next and building toward launching a resonator, the perfect solution to a market problem.

Zipcar is a wonderful example of a tuned in organization. The leaders of Zipcar identified an unsolved problem in the marketplace, a problem that people were willing to spend money to solve. They built a successful product experience around this problem, and they communicated to prospective customers, using language that resonates with them.

Here are the six principles:

Step 1: **Find Unresolved Problems** to know what market and which product or service to focus on. Robin

Chase, co-founder of Zipcar, says that the idea for Zipcar "was exactly what the Internet was made for and what wireless technology was made for. I did a lot of online research about other rental car companies, and I also did a lot of research into car ownership in Boston to understand who owned cars and who didn't."

Step 2: **Understand Buyer Personas** to identify who will buy your offering. Zipcar appeals to a number of buyer personas: city dwellers and students who occasionally need to use a car for a few hours; mayors, city councilors and police who deal with parking constraints in major cities; and university administrators, landlords and business managers who want to set up a car-share service.

Step 3: **Quantify the Impact** to know if you have a potential winner. For Zipcar, it was fairly easy to get additional basic information about populations in cities such as Boston, Vancouver, London and Chicago from census data.

Step 4: **Create Breakthrough Experiences** to build a competitive advantage. Building a true competitive advantage that allows you to succeed even in a crowded, established market (like the rental car business) requires you to create a breakthrough experience by leveraging your company's *distinctive competence*: that special way you solve customer problems that the competition is unable or unwilling to solve.

Step 5: **Articulate Powerful Ideas** to establish the memorable concepts that speak to the problems buyers have. The Zipcar experience resonates with buyers. One city government official writes, "With every Zipcar replacing over 20 privately owned vehicles, we're changing the urban landscape."

Step 6: **Establish Authentic Connections** to tell your buyers that you've solved their problems so they buy from you. Zipcar's Robin Chase says, "We purposefully chose cars that were not in rental car fleets of the big car rental companies — no Ford Taurus, for example — because we needed to be hip and cool."

Your organization's distinctive competence should help you make decisions about how to focus on creating your own resonator. ●

How to Set Up Buyer Interviews

Setting up buyer interviews is simple. Contact representatives of your target market by phone, e-mail or in person. You can find people who are part of your buyer personas by using lists of people who have visited your company at a trade show or from names of people that you purchase from industry magazines or from inquiries to your Web site.

Say that you have nothing to sell but are simply asking for 30 minutes of their time to better understand how they live.

Step 1: Find Unresolved Problems

How do we know what market and products to focus on? While it is possible to "luck into" success, the best way is to be *tuned in* to your market, creating a breakthrough product experience that addresses an unresolved market problem, one that people are willing to spend money to solve.

To be really skilled at finding unresolved problems, you should consider two kinds of needs within your buyers — expressed and unexpressed problems, sometimes called "stated needs" and "silent needs." If you can uncover silent needs through skilled interviewing, they can end up being the golden nugget of information that results in creating a resonator.

Customers and Non-Customers

There is a fundamental flaw with relying exclusively on your existing customers for input, because your existing customers have different market problems than do non-customers (buyers who don't yet do business with you). **Buyers** are the entire universe of people whom you might do business with. Buyers include three major subgroups:

- **Customers.** Your organization is already solving problems for your customers, so by all means, build great customer support and terrific customer communications. However, don't rely exclusively on customers to help you identify unresolved problems.
- **Evaluators.** People who are actively reviewing products and services like the ones you sell and are in some way already in your sales cycle are your evaluators, and you should leave them alone and not interview them as part of the Tuned In Process (you don't want to jeopardize a possible sale).
- **Potential Customers.** People who are not yet your customers — but who have market problems that your products and services can (or could) solve — are your potential customers, and they are the most important category of people to spend time with.

Meeting With Buyers

By far, the best way to collect unresolved market problems is to visit buyers face-to-face in a non-selling situation. Meeting people on their own turf, in a place where it is

conducive to talking about your market category, is best.

As a secondary source of information about unresolved problems, you can meet people at conferences and other events and read the publications and blogs that they read. But don't let these methods become a substitute for doing face-to-face interviews. ●

Step 2: Understand Buyer Personas

Tuned in organizations understand that the best way to develop products and services that resonate is to identify the unresolved problems for a particular group of people, called *buyer personas*. Buyer personas are a tool you can use to develop empathy with and a deep understanding of the real people for whom you solve problems, instead of using a nameless, faceless "prospect."

By breaking down buyers into distinct groups, understanding what problems they have and how to solve them, and then cataloging everything you know about each buyer persona, you make it far easier to create breakthrough experiences, articulate powerful ideas about what your company can do and establish connections with your customers. This approach is utterly different from what most organizations do: either not segmenting the market at all (creating non-specific offerings and marketing them to everyone) or segmenting based on their own egotistical view of the world.

Write It Down

For each buyer persona profile you create, you should develop a written document with as much information as you can gather about this group of people. What are your buyer personas' problems? Are they willing to pay money to solve these problems? What is the ideal product or service that can help them? How can we reach them? What media do they rely on for answers to problems?

Simply put, you want to know, in detail, the things that are important for each buyer persona. The best way to learn about buyers and develop persona profiles is to interview people.

Then, name your buyer personas. No buyer persona is ever complete. Your goal is to commit to an ongoing process where you continue to learn more and gain deeper insight into your buyer personas. ●

Step 3: Quantify the Impact

How do you know if you have a potential winner? There are three important criteria for you to consider as you measure the potential market for your product:

- Is the problem *urgent*?
- Is it *pervasive* in the market?
- Are buyers *willing to pay* to have this problem solved, and if so, how much?

Quantifying this information is a critical and often overlooked step that you should perform before developing any products or services. Having the discipline to answer these three questions will keep you from having to guess about whether a product can become a success.

Three Filters

You need to run your ideas for a product or service through the "urgent," "pervasive" and "willing-to-pay" filters. The answer to all three questions must be "yes" before you begin to create a product or service. If you encounter any negative answers, you should consider dropping the idea and moving on to something else.

Quantifying the impact of the problem will provide the data you need to build a business case. A simple one- or two-page tuned in business proposal encapsulates the essence of the product or service that you want to build and will help you make "go/no-go" and "buy vs. build" decisions.

Tuned In Impact-Continuum

The Tuned In Impact-Continuum provides a simple method for buyers to plot existing and potential new offerings against each other to determine relative value from low impact to high impact.

On the far left of the continuum are products and services that have very little or no impact on your buyers' lives or jobs. On the far right are products and services that represent a breakthrough. These products have a real and meaningful impact on buyers — like a medicine advance that could save your life. Of course most products lie somewhere in between, so you'll want to speak to a large enough sampling of buyers to accurately place your new product or service idea on the continuum.

Measure What Matters

When creating a tuned in product experience, recognize that you should only measure what matters. Measurement will serve as the dashboard for how you run the organization and will help to answer questionssuch as: Should you spend money to create a new product or service? Should you expand your marketing programs to reach a new buyer persona? Should you develop a new channel to reach the European market?

Tuned in leaders keep track of the meaningful information they need to drive the business forward, not a bunch of trumped-up data used to justify employees' tuned out work. ●

Step 4: Create Breakthrough Experiences

As you develop product and service experiences, remember that word *experience*. There is much more to their products or services than most companies realize. The most successful organizations understand that customers buy a total experience, and so they do their best to create one that resonates. There are five common parts of the buyer experience that people care about:

- **The discovery experience.** Buyers need information to make rational and informed decisions about how to solve their problems.
- **The buying experience.** It doesn't matter if you're selling a $5 deli sandwich or a $30,000 boat, making the buying experience as simple and pleasurable as possible will lead to more sales.
- **The packaging experience.** A very popular corporate gift in Japan is beautifully packaged fruit. The fantastic packaging allows the fruit boxes to sell for more than 10 times the price of the fruit itself. Other buyer personas appreciate a minimalist approach to packaging and prefer to buy fruit in bulk to save money.
- **The "using" experience.** Simple improvements can make huge differences to people.
- **The service experience.** Many products and services need to come with some form of after-sale customer care.

Your breakthrough experience is likely to include each of these five areas, but you may end up focusing on several. Your choice of how to focus will be based on your distinctive competence.

Your Distinctive Competence

Don't confuse distinctive competence with "core competency." Your core competency is simply what your organization is good at. Distinctive competence is what you excel at that your competitors do not.

Your organization's distinctive competence could be virtually anything that helps you create breakthrough experiences. Your distinctive competence should dictate how you build products and services. The product development department must build your distinctive competence into the product design. For example, if Volvo were to build a new sports car, the design team and R&D people would need to go about their work with the stated understanding that they were building "the safe sports car."

Your distinctive competence drives your marketing communications initiatives because you use it to create connections with your buyers based on the products and services that your organization uniquely provides.

Step 5: Articulate Powerful Ideas

The most powerful ideas are those that draw on your company's distinctive competence and map perfectly onto the unresolved problems of your buyer personas. For example, in just one phrase, "Tell me how you live," a leading architect captures the needs of someone who is in the market to build a custom home. But the phrase also reflects the architect's distinctive competence: designing houses perfectly suited to an individual family's lifestyles. Finally, this phrase also sets the architect apart from his more famous, "award-winning" competitor, who is now boxed into a position of only caring about awards, not his clients' lifestyles. Powerful stuff.

While the process of identifying the powerful ideas that will resonate with buyers is straightforward, it does require that you meet with them to learn about their problems. This process takes time. Meet with as many buyers as it takes to get answers that converge around both a common problem and a way to articulate the ideal solution that your company will deliver.

A Four-Step Model

Then you need to turn these concepts into a powerful idea. Rather than trying to develop a powerful idea through inside-out thinking via a committee, use a four-step method:

1. **Affinity mapping.** If your offering saves your buyers money, document the small problems you can solve that will save buyers money. The more buyers you interview, the longer the list will be. Notice the commonalities among them. Sort them into categories of similar problems. Name the groups that you've identified. What you're looking for now is convergence around an idea (or ideas) you can use.
2. **The elevator speech.** Once you have mapped and named the groups, distill the essence of the message about these groups of problems into a sentence or two of about 25 words. Many people refer to these statements as an "elevator speech," the answer you'd give if you were asked about what your company's product or service does, but you only had seconds inside an elevator to do it.
3. **The acid test.** Locate some people who represent the buyer persona you are selling to and run your elevator speech by them. Your elevator speech should become an important component within all your marketing materials, including your Web site, brochures and press releases.

4. Refine the elevator speech into a powerful idea. Distill it into a hard-hitting and memorable concept. Lexus automobiles: "The relentless pursuit of perfection." Miller Lite: "Tastes great, less filling." Bounty paper towels: "The quicker picker-upper." Burger King: "Have it your way." All these ideas are much more than catchphrases: They're rooted in a set of problems that these products solve for buyers. ●

Step 6: Establish Authentic Connections

The next step of the Tuned In Process — establishing authentic connections — takes place when your organization communicates with your buyers to show them that you have a product or service worth considering. While establishing connections with your buyers is a form of marketing communications, it is *not* the same command-and-control, message-driven, one-way advertising approach that most organizations are used to.

For decades, tuned out companies have focused on two ways of getting noticed: Buy your way in with expensive advertising or beg your way in by courting the media.

Tuned In Companies

Successful companies focus on buyers and the best ways to reach them, and they develop compelling content and programs accordingly. If you've conducted interviews with buyers, then you should already have developed buyer persona profiles and know the problems that your product or service solves for each buyer. You should also have identified the powerful ideas that articulate these solutions to your buyers.

Now you need to identify the media that your buyers turn to for answers. When they visit Google and other search engines, what words and phrases do they enter? Which blogs, chat rooms, forums and online news sites do they read? Are they open to viewing audio or video content? Do they attend events or conferences? You need to answer these questions before you continue.

You Must Unlearn What You Have Learned

To be successful, you need to unlearn the marketing habit of constantly pitching your product. Instead, create information that helps your buyer personas to answer their questions and solve their problems. Your materials (the company Web site, brochures, literature, programs and other marketing materials) should all be created from your buyers' perspective. Forget about your products and services, and instead work from your buyers' point of view, drawing from the powerful ideas you've already articulated.

Tuned in companies reach people who are eager to buy their products and services without being coerced.

Five Bad Habits to Unlearn

Here are five bad habits you must unlearn and what you should do instead:

- You must unlearn the habit of interrupting people with "messages." Instead, publish online content they want to consume.
- You must unlearn the use of meaningless gobbledygook phrases (such as those used in a typical mission statement). Instead, focus on the problems and needs of your buyer personas.
- You must unlearn spin. Instead, understand that people crave authenticity and transparency.
- You must unlearn egotism and the desire to force buyers to adapt to your terms, Instead, create online content that puts the buyer first.
- You must unlearn the assumption that you have to buy access. Instead, create content that goes viral and let millions of people tell your story for you for free.

Tuned in companies think like a publisher and create compelling online content in the form of online news releases, blogs, podcasts, YouTube videos and other online media to reach their buyers directly. Each of these forms of media also has an opportunity to go viral, which means others could join up to spread the word about your company. ●

Cultivate a Tuned In Culture

Getting tuned in seems easy at first, until you realize that you need to change your habits. Here are some important first steps that will help you get started. As you begin to live the tuned in culture, these things will become natural for you.

Top 10 Actions to Create a Tuned In Culture

1. Get out of your comfortable office and talk with buyers about their unresolved problems.

2. Identify your buyer personas. In order to make them real for you and your colleagues, name each buyer persona, build a profile for each and cut a representative photo from a magazine to represent each.

3. Define your distinctive competence. Make certain everyone on your team understands what it is.

4. Don't go to an internal meeting if you're only going to give your own opinion. Instead, be the person

who goes to the meeting armed with data.

5. Always ask where "facts" come from, to disqualify mere opinions from your decision-making process.

6. Map your products and services on the Tuned In Impact-Continuum. Build a plan to increase the impact.

7. Tell customers which of their problems the product or service will solve, not what your product or service does.

8. Count the number of times you say "our" and "we" on your Web site. Write for your buyers by using "you" and "your" instead.

9. Remove corporate gobbledygook such as mission statements from your external communications.

10. Become a thought leader in your market and industry.

You Can Do It Too

In 1993, before the introduction of the iPod, Apple (under then Chairman John Scully) released the Newton MessagePad, a product that many within the company thought would reinvent personal computing, to great fanfare. Of course, we now know that the Newton was a dismal failure. In April 2007, *Computerworld* nominated the Apple Newton one of the 21 biggest technology flops of all time. The product was not built to solve problems, and therefore it did not resonate with buyers.

Just a few short years later, Apple introduced the iPod, a tuned in product if ever there was one. The company has been tremendously successful since then. For Apple, the value of getting tuned in was a 22-fold increase in company stock price!

If a large company the size of Apple can execute a complete turnaround and get tuned in, so can your organization. It doesn't matter if you're part of a big company or a small one. You could work for a nonprofit or a government agency or as an independent consultant. *The Tuned In Process applies to you.* ●

Unleash Your Resonator

Executives and staff at many companies already think they are tuned in. Yet, when analysts go into these organizations and actually measure the things that people do all day, they inevitably witness problems and missed opportunities that originate from *inside-out thinking* (think Apple Newton) rather than *outside-in thinking* (think iPod). In other words, companies are ineffective because their field groups and customer-facing organizations spend more time postulating and pontificating around scenarios that support their offerings than listening and learning about problems their customers actually have (and are willing to spend money to solve).

Real Measurements for Tuned In Organizations

There are some real measurements that may be used to assess how tuned in your organization is right now. Objectively answer the following questions. If you answer "yes" to all of them, congratulations, because you're already tuned in!

• Does someone other than sales staff routinely visit buyers and potential customers?

• When you have a meeting with a buyer, do you spend most of the time listening instead of talking?

• Are your products and services created to solve problems in the market?

• Are your communications based on the specific and quantified problems of a well-defined market and buyer?

• Does your Web site focus on market problems faced by your buyer personas and solutions to those problems (instead of egotistical nonsense about your products and the "mission" and "vision" of your company)?

Tuned in companies answer these questions in the affirmative.

A Better Place

You don't need to be the CEO to get tuned in. As you begin to trust the market to deliver the signals to you, as you learn to discover the deep and real connections that your market values most, as you focus on your buyers and their problems, you'll become tuned in. And as the market sends out messages, you'll pick them up to create your very own resonator. Your business, and you yourself, will be in a better place.

The Tuned In Process produces success. It has been the basis for transforming thousands of companies and the individuals who work for them. What those who use the Tuned In Process usually find out is that it's not about being smarter, better funded or endowed with an abundance of unique assets ... it's about systematically following a proven path to success. ●

RECOMMENDED READING LIST

If you liked *Tuned In*, you'll also like:

1. ***How Customers Think*** **by Gerald Zaltman.** Learn how the subconscious and conscious minds of the consumer work and how to use that information.
2. ***Change Function*** **by Pip Coburn.** Those fearful of technology need a compelling reason to change. Learn how to provide that reason.
3. ***Free Prize Inside!*** **by Seth Godin.** Godin explains that if you make your product, service, school, church or career worth talking about, the word will spread. Make customers feel like there is something small yet precious waiting for them inside your offering.

· Book 105 of 106 ·

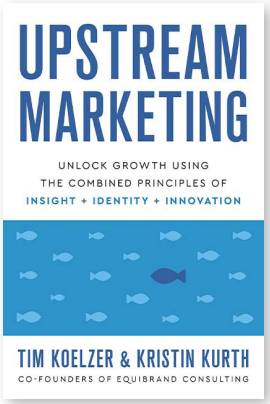
Upstream Marketing

Tim Koelzer and Kristin Kurth

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Upstream Marketing

Unlock Growth Using the Combined Principles of Insight, Identity, and Innovation



by **Tim Koelzer and Kristin Kurth**

Contents

Introduction
Page 2

Principle 1: Insight
Page 2

Principle 2: Identity
Page 3

Principle 3: Innovation
Page 3

Upstream Marketing 7-Step Approach
Page 4

THE SUMMARY IN BRIEF

Upstream Marketing is a book centered on the best practices, research, case studies, and analysis informed by more than twenty years of experience from its authors in helping transform client brands and businesses through their work at EquiBrand Consulting, a top management consultancy. It represents a deep dive into the fundamentals of upstream marketing, or the process of identifying and fulfilling customer needs through insight, identity, and innovation.

This summary of *Upstream Marketing* introduces the concept of upstream marketing, defines it, and establishes a new framework to drive growth, drawing on core principles of insight, identity, and innovation. Whether you are an executive at an established company, a small business owner, on the board of a nonprofit organization, a student of marketing, or just interested in understanding the concept of upstream marketing, you can benefit from *Upstream Marketing*.

IN THIS SUMMARY, YOU WILL LEARN:

- How 7 leading companies innovate, find insights, and establish their identity—and how it has led to their success.
- How to identify and fulfil customer needs through the strategic implementation of insight, identity, and innovation.
- The 7-step marketing framework that's made hundreds of companies successful.
- How upstream marketing, applied correctly, can impact the health, growth, an success of any organization.

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Introduction

Most organizations search for growth in all the wrong places. They believe an ad campaign, refreshed website, digital marketing funnel, more content, social media, sales promotion, or similar effort is going to drive sustainable growth.

Many CEOs, business leaders, and marketing managers see their playing field as largely fixed and overemphasize downstream marketing, failing to embrace the power of upstream marketing to build strong brands and transform their business. In some cases, they've surrendered the foundational principles of marketing to the digital era, including an over reliance on marketing push tactics.

The purpose of this summary is to change the perspective and provide the principles, tools, and techniques to redefine the playing field and unlock growth.

Research and experience indicates that the root cause of moderate or stalled growth is an overreliance on downstream marketing. Going upstream offers the opportunity for sustainable brand and business growth. Effective execution, though, involves doing many things well. It requires that the entire organization understand, adopt, and adhere to three universal principles and six best practices.

Principle 1: Insight

Ask a half-dozen marketers to define the term 'marketing' and you'll likely get a dozen or more answers. Most will agree marketing is a broad topic, involves both art and science, and covers a wide range of activities in growing a business.

While there are literally hundreds of definitions of marketing, here's a simple one that fits our purposes: Marketing is meeting wants and needs profitably.

Of course, to meet needs, you have to understand them first, and that is the role of insight. As we see in the next couple of sections, insight promotes clarity. The more clearly you define your organization's purpose and understand your customers, the better success you'll have.

Asking the right questions in the right sequence results in better, faster, and cheaper answers. The next two sections show you how.

Maniacally Focus on the End Customer

Perform an online search for 'top global brands' or 'most innovative companies' and you'll see a variety of annual published rankings. The same companies are often at the top, including a subset of the profile companies. Yet, in a principles-based approach to growth, insight, identity, and innovation are equally important. Where, then is the published list of insight leaders? It doesn't exist, at least not on paper.

Insight is an often overlooked principle, mainly because it lacks tangibility. It's relatively easy to quantify innovation and brand identity strength. New product revenues, market share, stock price, and statistical surveys can be evaluated.

Not so with insight. But just because you can't quantify it doesn't mean it's not important. Work from leading upstream marketers indicates it is the underlying, driving component to their success. Along with defining the organization's purpose and high-level growth strategy, insight is the first step. An outside-in perspective is required to counteract the bias of internal focus.

Insight is the ability to understand something in a very clear way by gaining an almost intuitive understanding of the situation. It goes beyond knowledge and understanding to uncover the why and strategic implications.

Define Your Purpose— To Whom? For What?

Starbucks nurtures the human spirit, one cup at a time. Google makes information universally accessible. Southwest connects people to what's important in their lives. Amazon strives to be the most customer-centric company in the world. Nike seeks to unite the world through sport. Apple simplifies technology. Disney makes people happy through magical family entertainment.

These companies are all well known for their strong brands and innovative products. What drives their performance, though, is an aspirational purpose and a commitment to customer-centricity. They begin with why— using internal clarity to define their organization's aspirations— then leverage deep customer insight to chart new growth strategies.

The idea of beginning with why is described in Simon Sinek's famous TED talk and in his book Start with Why: How Great Leaders Inspire Everyone to Take Action. Says Sinek, "People don't buy what you do; they buy why you do it. And what you do simply proves what you believe." He continues, "Very few people or companies can clearly articulate why they do what they do. By why I mean your purpose, cause, or belief— Why does your company exist? Why do you get out of bed every morning? And why should anyone care?"

Beginning with why inspires employees and helps solidify emotional connections with consumers and other stakeholders. The power of why is amplified when it links with to-whom and for-what insight.

Principle 2: Identity

What comes to mind when you think of the world's most successful and iconic companies?

The best companies create strong, winning identities, both with employees and customers. That identity then shapes how the company operates and distinguishes its brand from competitors. Product patents, technical know-how, and barriers to entry can be fleeting. A brand is one of the few things a company can own forever.

First, intentionally define what you want to become, including a deep and shared understanding of the customer and your organization's purpose. Next, develop value propositions that embody that identity. Finally, build a strong brand that communicates that identity and value proposition internally and externally.

Design and Align Value Propositions

You may find customers are willing to pay more than you initially thought for a combination of unique value elements. Use strategic pricing to deliver enhanced value through a good, better, best pricing model, for example.

Programs like subscription services, extended warranties, and money-back guarantees can provide value perceptions that outweigh the cost of service. Ultimately, a cost-benefit analysis needs to be performed, though by elevating value perceptions, you can often obtain better pricing and higher margins.

Developing value propositions and making customers aware of them are related but separate concepts. It's possible to have a strong offering that is poorly communicated and nobody knows about. In this case, a value proposition is like a light under a bushel—it cannot offer benefits if no one is aware it's there.

Build and Extend the Brand

The strongest, most enduring brands result from the disciplined alignment of brand strategies and plans with customer requirements. Like value propositions, branding can occur at multiple levels— corporate, division, product, and so forth. In this way, a company like Walt Disney may have thousands of branded assets, each representing individual value propositions.

There are numerous ways to define a brand, but start by asking yourself some of these questions to see where you stand in relation to developing an effective brand strategy:

Is brand strategy a senior-level, boardroom topic at your organization?

Have you clearly established a relevant and differentiated brand positioning?

Are you making it easy for customers to buy from you, including aligning brand touchpoints with the customer decision process?

Do the various brands and products fit together in a way that makes it clear to customers what you offer?

Principle 3: Innovation

With innovation, focus shifts to driving growth through a continuous stream of new business models, value propositions, products, and services.

Innovation is a broad topic that can take many forms. We define it this way: Innovation is creating and capturing value in a new way. Creating and capturing value links to value propositions. In a new way involves expanding beyond existing offerings to fucs on new ways to grow.

Research and experience indicate that successful innovation requires two things: strategy and analytics provide focus and promote efficiency while dynamic practices help you respond to new opportunities flexibly. The tricky part is that stability and flexibility need to occur at the same time.

Create, Test, and Learn (Strategy and Process)

A deep dive into high-innovation companies reveals that each has its own innovation strategy and process, which makes sense considering they operate in different industries. But across them all, they share the following five end-insight sub-principles:

- Focus innovation on strategic opportunity areas
- Generate ideas through creative problem solving
- Develop and optimize concepts iteratively
- Determine "What would have to be true?" for success
- Use a portfolio and pipeline approach to manage innovation

Is there an innovation strategy that aligns with your corporate strategy and promotes a continuous stream of new products? Look for a confirmed list of strategic opportunity areas to focus on in your organization. If there isn't one, it's time to create one. Is there internal commitment to experimentation and concept iteration as ways to achieve growth? If not, it may be time to revamp your company's culture and attitudes towards strategic and focused innovation.

Aim 'Em, Don't Tame 'Em (Creativity and Culture)

While best practice innovators focus on business results, they also emphasize creativity and culture that is anything but paint by numbers. They are driven by facts, figures, and process discipline, but also embrace creativity, develop culture, and challenge conventional thinking.

Of course, the best innovation strategy and process in the world won't make a difference if the culture isn't there to drive it. The culture needs to recognize and support the paradoxical nature of growth and innovation— the need to aim 'em, don't tame 'em— which exists on multiple levels.

At the highest level, strategy, analytics, and process discipline need to balance with creativity and flexibility. The company should be strategically aimed, but not so tamed that it loses its agility.

Innovative cultures are paradoxical. The lines between the points of aiming creatives without taming their creative impulses are thin, and managing those nuances can be the difference between innovation success and failure.

Upstream Marketing 7-Step Approach

The seven-step approach to jump start upstream marketing is broken into two phases. Phase one, the first three steps, defines where to play, including direction setting, segmentation, and strategic opportunity selection. The second phase defines how to win, including deep dives, ideation, concept development, and launch & learn. "What would have to be true?" is asked throughout, consistent with the create-test-and-learn approach. Companies may have multiple upstream marketing cycles going on at the same time, with the approach modified across a portfolio of opportunities.

Here's how the 7-step approach looks at a glance.

Phase 1

- Set Strategic Direction
- Create the Customer Framework
- Select Opportunity Areas

Phase 2

- Do the Deep Dive
- Conduct Focused Ideation
- Optimize Concepts
- Finalize, Launch, and Learn

As the process unfolds, you may find some things require specific attention. The Level 3 customer framework may need to be hypothesized first, then quantified later. Similarly, brand strategy concepts can be drafted now and refined over time.



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· Book 106 of 106 ·

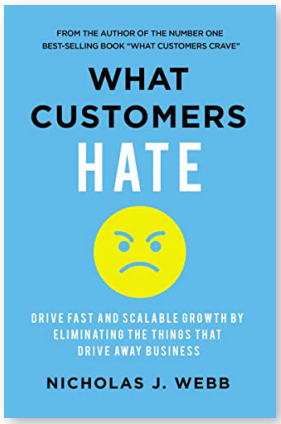
What Customers Hate

Nicholas J. Webb

soundview
Executive Book Summaries®

What Customers Hate

Drive Fast and Scalable Growth by Eliminating the Things that Drive Away Business



by **Nicholas J. Webb**

Contents

Your Customers Hate You
Page 2

The Net Experience Formula
Page 2

Touchpoint #1
Page 2

Touchpoint #2
Page 3

Touchpoint #3
Page 4

Touchpoint #4
Page 5

Touchpoint #5
Page 6

THE SUMMARY IN BRIEF

It's undeniably true that you must give your customers what they crave. That will never change. If you fail to do that, your business will die. But finding out what customers love is only half the battle. In today's hypercompetitive and fast-paced marketplace, your customers are very sensitive to what they *hate* about your brand, company, or service. These feelings of hate can have just as much influence on their buying decisions as what they love.

In a time of massive and continuous disruption, too many organizations are trying to optimize obsolete systems, policies, and training programs. What they really need to do is press the reset button and look at the world with fresh eyes. If disruption is the problem, then the solution is relentless innovation. The best organizations in the world take their hate insights and turn them into friction-free, relevant, and valuable experiences for their customers. In ***What Customers Hate: Drive Fast and Scalable Growth by Eliminating the Things that Drive Away Business***, author Nicholas J. Webb shares how innovative companies and their disruptive leaders reap the rewards of customer promotion, customer satisfaction, significantly lower marketing costs, and scalable growth and profitability.

IN THIS SUMMARY, YOU WILL LEARN:

- That your customers hate you so you better get used to it.
- The Net Experience Formula.
- The five touchpoints that create love or hate for your customer.
- The four customer personas that impact client experience.

Your Customers Hate You. Get Used to It!

Being loved by your customers should be your goal, and every business must be focused on providing value and a superior customer experience. But the recognition of the flip side of the coin–the fact that consumers hate many businesses–should alert you to the very important fact that *reducing what your customers hate is just as important as increasing what they love.*

No company is perfect. Neither are its customers. We live in a world in which we strive for perfection, but it's never attained. We're always one step behind what we hope to achieve.

In every transaction, there's always some friction. People make mistakes, machines break down, the weather prevents shipments from arriving on time–there are many reasons why even well-functioning systems can be flawed.

The Number One Law of Customer Experience is this: *Your customers are always settling for second best.* Don't be offended, because "first best" is perfection in the ideal marketplace. No customer can have perfection. Because they can't have perfection, they look around for the next best thing.

Having been denied the ideal solution, in the process of settling for what they can get, the customer will look at a company or product from two distinct perspectives:

1. **How much do I love this company?** As the seller of a product, your goal is to maximize these good feelings.
2. **How little do I hate this company?** As a seller of a product, your goal is to minimize these bad feelings.

These questions, and their answers, have equal weight. Your potential customer will be swayed by the sum of the two. Company leaders who accept this reality are one step ahead of the deniers–but they're not yet out of the woods.

The problem is that leaders are tempted to look at the problem of customer hate very narrowly. But the truth is, there are many ways in which a customer can hate you.

The customer experience can be mapped out along a series of five "touchpoints," which will be discussed later. At every touchpoint, you have the opportunity to amaze and delight your customer and make them fall in love with you. You also have an equal opportunity to turn them off, discourage them, and even make them hate you. Every touchpoint can become either a lovepoint or a hatepoint. The choice is yours.

Net Customer Experience (NCX)

A customer's journey with your brand is characterized by a series of steps, with five stations or touchpoints. At these touchpoints, the customer and the company have one or more interactions. These interactions may be brief or prolonged. Each one is important. At every touchpoint, the company has the opportunity to create either a feeling of love by the customer for the brand or a feeling of hate.

The sum total of the customer experience over the five touchpoints–which may extend in time to cover many years–is the Net Customer Experience (NCX). This is the measurement of what the customer hated and loved across the five touchpoints, given a range of love/hate personas.

Hatepoints are measured across four negative experiences: not good, bad, hated, really hated. Lovepoints are measured across four positive experiences: unliked, liked, loved, really loved.

NCX represents the net total of what the experience was like for customers by subtracting the hatepoints from the lovepoints to produce a score.

Touchpoint #1: The Pre-Touches

In this stage, the prospect (not yet a customer) develops an awareness of your brand. While it can happen non-digitally, these days it's more likely to happen on a connected device, through the internet.

It can happen at any moment in the prospect's life. Brand awareness can be formed at a very early age, and consumer product companies like it that way. Disney is very good at this. The company wants every child in America to know the song "Let it Go" from the movie *Frozen* and as every parent wearing earplugs can attest, they've damn well succeeded.

Even today, pre-touches can be analog. If you have an actual physical location, what does it look like to potential customers driving by? How about when they park their car, walk up, and open the door? Are they greeted with smiles or indifference?

The digital pre-touch is where your potential customers

Eliminating hate significantly increases revenue, drives customer promotion, boosts brand value, and paves the way for scaling growth and profitability.

check you out online. They google you, and look for reviews on Yelp, Amazon, or other sites. They'll visit your website to look around and get acquainted. They're educating themselves about your online reputation before they actually engage with you. There are likely to be many pre-touches over a period of time.

The pre-touch stage is where the customer experience begins. Put more simply, it's where the prospect determines if they could love you.

Remember, they are looking for a high degree of relevance, value, and clarity wrapped up in a friction-free experience. Underestimating the value of this touchpoint is asking for failure. Its importance will only grow over the years.

Marketers like to compare the sales process to a funnel or pipeline. Pre-touches happen at or before the very large opening of the sales funnel that serves as an entry point for anyone who could possibly be a customer. There are many things that can go wrong during pre-touch moments.

- The prospect hears something bad about the brand through social media, news, or a friend.
- A potential customer researches online and finds negative reviews from customers or employees; customers follow the crowd and they hate companies that other people hate.
- Customers need to find you quickly and easily, and they hate it when they can't; not finding you or your company is friction, and customers dislike friction.
- Websites should be structured in such a way that it is delivering real and meaningful value to your site visitor. The customer has a need or a problem. They want information that will tell them that you understand their problem and can provide a solution.

Touchpoint #2: The First Touches

First touches set the theme for how your customer will forever perceive your product, brand, or service. If you have a bad first touch, it's really hard to fix. Conversely, if your first touch rocks, then you can easily build on that and build up your lovepoints.

Customers checked you out in the pre-touch stage, but there was little or no interaction. At the first-touch stage, for the first time, they actually engage with you.

As with all touchpoints, the key is to build an exceptional experience across all your customer types. Identify those types, understand what they want, then deliver it to them–exceptionally.

The first touchpoint is too often riddled with customer hatepoints, including:

- The car dealership that attacks you with a pushy salesperson that makes you recoil and leave.
- The medical clinic that makes you fill out thirty-page forms and wait for an hour to see a doctor.
- How about the hotel that has one person checking in guests, and there are thirty people in line?

There are literally hundreds of examples of how a bad first touchpoint can destroy an enterprise. So why do we do it?

Executives and leaders are so busy spending money on customer acquisition and looking at new ways to cross market to existing customers that they're clueless as to how bad they are at the first touchpoint.

Eliminating hate significantly increases revenue, drives customer promotion, boosts brand value, and paves the way for scaling growth and profitability. The first step toward reducing hatepoints is to *know* your customer.

While it's true that customer demographic data is expanding exponentially, the most important thing about your customer is *not* their age or ethnicity. No, it's their expectations for their interaction with your company and its systems and people.

Human beings make buying decisions based not only on a rational assessment of the market but also on the emotional connection and how they are treated by businesses they patronize.

The best way to fail in the hypercompetitive marketplace is to attempt to deliver a one-size-fits-all customer experience. Done correctly, incredible and relevant customer experiences can be delivered that appeal to different customer types across all five touchpoints.

The Four Customer Personas

1. The Driver: These are goal-oriented decision makers. They enter your business armed with the knowledge of what they want. If they see what they want, they'll buy it on the spot. They want as frictionless an experience as possible.

How to make the Driver hate you: Chat with them. Waste their time. Be unclear. Condescend to them. Sell them something they don't want. Add hidden charges at checkout.

How to make the Driver love you: Smile. Be forthright and confident about what you're offering. Be prompt and courteous but not "chummy." Stick to the business at hand.

2. The Analytical: This customer wants detailed information about the product or service. They need facts and figures, and they love to ask questions. They do their homework, and pore over every possibility before making a purchase.

How to make the Analytical hate you: Provide cursory answers. Appear to be impatient. Don't have a thorough understanding of your product. Make relevant info hard to find on your site.

How to make the Analytical love you: Know your product and be on your toes. Be the subject matter expert. Don't take it personally if they fact-check you. Above all, be patient.

3. The Amiable: The polar opposite of the Driver, this customer wants to be your friend. It's very important that you understand them and why they want the product or service. They have a strong need to belong and relate to a group. They make the very best brand ambassadors.

How to make the Amiable hate you: Be brusque. Recoil when they touch your arm. Act like time is short and you can't be bothered with info about their recurring medical condition, the lousy weather, or traffic jams. Provide skimpy information on your website. Don't have any photos of happy customers or five-star reviews.

How to make the Amiable love you: Make the entire shopping experience aesthetically pleasing and relaxed. Treat them as if they were visiting your home. Make them feel welcome and special. Provide plenty of testimonials. Amiables want to know they are in good company.

4. The Collaborator: Collaborators need to make decisions that are supported by the consensus. They might bring friends or family members into your store to help them make a selection. They rarely make a decision on the first visit and may take repeated touches.

How to make the Collaborator hate you: Try to pressure them to make a quick decision. Fail to provide the documentation they ask for. Ignore or be rude to the friend or colleague the Collaborator has brought along for support.

How to make the Collaborator love you: Be patient. Arm them with a generous amount of documentation they can show to their group. When they leave and come back a few days later, remember them and offer to work with them to answer any questions the group (or spouse) may have.

The first touchpoints are critical, because this is when the prospect has the opportunity to base their judgment of the company on an actual interaction. It's imperative that your people are trained to recognize and interact with the four main types of customers.

Each persona includes adults of all ages, ethnicities, and gender identification. Your customer-facing people need to quickly identify which persona has approached them and instantly adapt to their personality.

Touchpoint #3: The Core Touch

The core touch is the moment when the customer decides to purchase your product or service and is prepared to hand over her money or sign a contract. It extends to the delivery of the product.

The Dreaded Checkout Line

For owners of brick-and-mortar stores, the core touchpoint provides many opportunities to score both lovepoints and reduce hatepoints. While e-commerce has severely disrupted the in-store shopping experience, many consumers still enjoy it.

However, the majority of consumers say waiting in the checkout line is their least favorite part of in-store shopping. Here are some of the common hatepoints, and how they can be corrected.

To dig for incremental, microscopic amounts of new profit is a bad optic.

- Waiting in line behind a slow-moving shopper.
- Being greeted by a cashier who's changing the register tape or some other bit of housekeeping or is just low-energy and slow in their movements.
- You're in a store and have a question, and you look around for a sales associate, and you see…nobody.
- Being forced to play "check out line roulette" and choosing the line that moves slowly.

The solution to 90 percent of the hatepoints in your physical store can be turned into lovepoints by *having a well-trained and robust human staff.* Human beings are social creatures, and we enjoy interacting with each other if the interactions are positive. It's not easy, because human employees cost money.

Currently, with 2.2 million people on its payroll, Walmart is the third-largest employer in the world, trailing only the US Department of Defense and the People's Liberation Army of China. Finding a way to save money on labor, or to eliminate jobs altogether, may be a huge boon to the retailer– but it has to remember that Walmart customers don't want to enter a vast box and not see any employees.

The Story of the Hotel's Unhappy Customers

Here's an example of the superpower of a hate-centric approach toward customer insights. A luxury hotel group conducted surveys that indicated their customers were unhappy with the pricing.

After lowering prices and finding them unhappy still, we decided to conduct a hate analysis to find out what customers were *specifically* hating. To our surprise, we found that the customers weren't concerned about the price in general. It was the *friction* involved in how the bill was presented.

When you checked into this hotel, the clerk would provide the room night and then a list of surprise charges like valet, a resort fee, and even a cleaning fee. Best guess is they did this to advertise a lower rate, but still get the revenues they wanted.

But this was a hotel that catered to wealthy people, and if there's one thing that wealthy people hate, it's being "nickel and dimed." The last thing they want is to be bothered with the details of the bill.

The hotel took the advice to offer one flat price. They raised the advertised prices and made the check-in and billing process much simpler. Sure enough, there were no more complaints about the price.

To dig for incremental, microscopic amounts of new profit is a bad optic. The real problem is we're really good at adding sources of new potential profit, like resort and valet fees. But we're really bad at seeing the impact of irritated customers who leave for disruptive innovators who deliver far better conspicuous value.

Intrusive Data Mining

Companies use a wide variety of collection methods and sources to capture and process customer data, with interest in types of data ranging from demographic data to behavioral data.

Customer data can be collected in three ways: by directly asking customers, by indirectly tracking customers, and by appending other sources of customer data to that of the company. Most of this activity takes place behind the scenes, out of sight of the customer. Be careful that your customer does not view this as obtrusive, or you'll be rewarded with more hatepoints!

Here in the core touch moments, the sale is made. Money changes hands. The mission of the company has been fulfilled. A lot can go wrong, which will produce a customer who may have bought your product or service but who is unhappy with the experience.

Remember, just because your customer has made a purchase does not mean that he or she is 100 percent in love with your company, brand, or service. Pay special attention to "fine print" issues that can ignite hate and be sure that your salespeople are well trained and focused on customer happiness.

Touchpoint #4: The Last Touches

There are some cynical companies that believe once they've gotten your money, the game's over. Companies that seek to minimize hatepoints and build lovepoints across the entire customer journey see it quite differently. They know there are two powerful reasons why providing an excellent customer experience at every touchpoint, including after the customer has paid, is beneficial for the company and its bottom line.

1. You need brand ambassadors: You can spend millions on marketing and advertising and get good results. You can also spend very little on making your customers deliriously happy, and get results that are equally good or even better.

Brand ambassadors are former and current customers who are happy with the company to the extent that they will go beyond being passively pleased to being actively vocal about their feelings. Before, during, and after the sale, be sure your customer has plenty of lovepoints to share.

2. You need repeat customers: While conversion rates are volatile and vary by industry, most experts estimate that the average conversion rate for new customers is somewhere between 1 and 3 percent.

On the other hand, a repeat customer has a conversion rate that's as high as 70 percent. This can increase up to 90 percent if your customer has bought from you not just once, but twice. Companies profit from repeat business so they must ensure they give customers no reason to hate them and every reason to love them.

The last-touch moments determine if you get to keep your customer. The core touchpoint is the bread and butter of customer experience. This is where you leave the customer with a shockingly good experience or value. Make the last touch moment amazing, and your customer will lavish you with lovepoints.

Touchpoint #5: The In-Touch

During the in-touch stage, while the immediate sale may have been concluded and the product or service delivered, your customer hasn't fallen off the face of the earth. On the contrary, he or she may be active in the marketplace for years and even decades to come, as will your company (we hope!).

The Big Circle

In a sense, an established customer to whom you sold something in the past has come full circle, and has returned to the vast pool of prospective customers who hover just beyond the entrance to your sales funnel. There the customer lingers, ready to enter the sales funnel again when they have a need or desire that your company can fulfill.

There are two very important differences between a cold prospect with whom you have done business and a former customer who may return.

1. The relationship: Your former customer has the positive memory of the transaction, and doesn't need to be educated about what you can do for them.

2. Their data: You have a record of their interactions with you. With a former customer, this is what you're starting with, and it's a huge advantage over what you need to do to reel in a cold prospect.

Repeat Customer

Changing brands involves some risk and adjustment, and most consumers have better things to do than constantly approach each routine purchase as if it were totally new. In the case of repeat customers, you *never* want to subject them to a hard sell. The minimum you must do is ensure they feel good about choosing your brand, always deliver quality, and beware of competitors who would poach your loyal customers.

Customer relationship management software packages are often used to stay in touch for the purpose of getting customers to buy something else. But that isn't what customers love; it is often what they hate. Instead, deliver ongoing constant value. Let your customers know about special offers only if you know it's something they need to have.

The post-COVID economy is a time of hyper-competition and hyper consumerization. Customers demand complete freedom from friction. They want price transparency. They want every transaction to be seamless.

Right now, the overwhelming majority of your customers are receiving what's called the baseline level of current expectation. In other words, you're giving them what you think they want.

The problem is, in a time of massive change, the bar continues to rise, and customers are wanting far more than they used to. They want to be surprised with exquisite experiences and value. Organizations operating in the danger zone of the baseline of current expectation are likely going

to fail–maybe tomorrow, maybe next year, but ultimately the danger zone is real.

The question "What do our customers hate?" is just as important as "What do our customers love?" This is the thesis of this entire program. So much information can be gleaned when you look at the flip side of the coin. If you find out what a customer hates, then they've just told you what they want in a clear and crisp way.

Customer experience is holistic. It begins with having an amazing work environment based on a culture of happiness. It's about asking ourselves some tough questions. And the toughest question is, "What do you hate about me?"



Nick Webb is one of the top Customer Experience and Customer Service experts in the world. He has been awarded the "Global Gurus Top 30" designation for Customer Service, for seven years in a row. Nick is the CEO of myLearnLogic.com, a Customer Experience Training and Advisory Firm that works with some of the top brands to help them build world-class customer experiences. Nick is the author of multiple number one best-selling books, in the area of Business Innovation, Customer Experience and Leadership. Nick is also one of the top Keynote Speakers in the area Business Growth, Innovation, Future Trends and Customer Experience.

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