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MARKETING SOCIETY

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Which has more moral mileage – the Ford Foundation or the Model T?

Jeremy Bullmore

The cash for peerages inquiry prompts me to wheel out yet again my brilliant single solution to three huge national problems: the honours system, the funding of political parties and the reform of the House of Lords.

Thriftily using Premium Bonds' existing technology (the Electronic Random Number generator) the government markets Nobility Bonds.

Bonds cost £100 each. Foreigners in particular are encouraged to buy. Every month, a given number of honours are allocated according to ERNIE's whim. There will quite a lot of MBEs and OBEs and CBEs, a tempting selection of Knighthoods, and rather fewer Peerages. As the equivalent of a double roll-over, there would be a single Dukedom (or indeed Duchessdom) to supercharge sales at Christmas time.

The advantages are immediately and compellingly obvious. Nobility Bonds neatly neuter all accusations of cronyism, elitism, corruption or nepotism. Anyone can become a Lord. The House of Lords becomes genuinely disinterested; its members owe nothing to anyone. Since the appointments are for life only, the government, responsible as ever, would be selling an infinitely renewable resource, obtained at zero cost, at astronomical margins. Honours have always been the ultimate example of added value; it's high time their power was harnessed for the national good.

The huge sums generated (much from abroad, thus greatly strengthening our balance of payments position) would in part go to fund our political parties. Private and corporate donations would be disallowed and state funding would be unnecessary.

Quite quickly, of course, the House of Lords would be brought into serious disrespect, thus making a major contribution to the elimination of snobbery and deference; though this would in no way discourage Russian billionaires and Californian cyber-czars from applying for Nobility Bonds in industrial quantities.

It's shameful that such an elegant and economical solution should continue to be ignored.

THE MEANING OF MOTIVES

It's all got me thinking again about motives. I've always been fascinated by motives. The cash for city academies question wouldn't be a scandal were it not for serious doubts about motives.

Would cause-related marketing lose its appeal if all donations had to be made anonymously? Yes: totally. Does that mean that cause-related marketing is so shamelessly self-interested that its donations should be refused? No, it does not.

When industrialists notorious for a lifetime's ruthlessness finally agree to have their portraits unveiled in the boardroom, they endow a Foundation with £75 million. In a fawning profile, they are asked what prompted them to do so. 'I realised I'd been lucky in life,' they invariably say. 'I felt it was time to put something back.'

Why is this nauseating sentiment never challenged? It's perfectly true that all their rapacious lives they've been taking things out. But at the same time, however inadvertently, they've presumably been putting things back as well: like paying taxes and giving other people employment and buying things. But it seems that even ruthless industrialists are programmed to believe that only true philanthropy deserves brownie points – and only the purest of philanthropy at that.

So – and this is where the real hypocrisy creeps in – they pretend to a purity of motive that's neither attainable nor necessary: 'I just felt it was time to put something back.'

Which, predictably, is greeted by knowing sneers: 'Well, we all know why he did that, don't we?' Snigger, snigger.

As it happens, we almost certainly don't. What's more, the benefactor himself almost certainly doesn't. It may be a bit of guilt, a bit of true generosity, a personal interest in the chosen cause, a tax break, a peace-offering to St Peter, an attempt to impress sweet Adeline, a place on a committee chaired by a minor royal, an up-yours to a successful rival – or even some half-acknowledged interest in public recognition. It may be all of those things and as many again: far too complicated and intertwined to be identified separately or allocated relative values. It certainly won't be an unadulterated desire to put something back. And, in any case, it doesn't matter.

It's often been said of Henry Ford that he made a greater contribution to human happiness by inventing the Model T than the Ford Foundation billions have ever done. Impossible to test, of course, but it sounds probable. And there would certainly have been a greater purity of purpose in the invention and marketing of the Model T. But the world is a better place for his having invented both and I defy anyone to allocate a higher moral content to one over the other. Nevertheless, we continue to pretend that philanthropy should be entirely uncontaminated by self-interest.

THE MOTIVE PURITY MONITOR

Neuroscience generally and magnetic resonance imaging specifically are coming along apace at the moment. Already, colourful pictures can be taken of our brains as we're subjected, in real time, to a range of different stimuli. I like to think that, very soon, the world's first Motive Purity Monitor will be up and running.

Anyone wishing to donate a sum of money to a worthy cause, or launch a Foundation, or accept an Honorary Patronage, will first be required to be scanned. The screen will immediately display a Purity of Motive Calibration: from zero (saintly) to 10 (villainous). The donations of those with a reading of two or over will be courteously rejected. And 9 out of 10 charities in the country will have closed down by Christmas.

The Motive Purity Monitor will, however, be of great value to Lord Stevenson, Chairman of the House of Lords Appointments Commission. When scrutinising the candidates for peerages submitted by political parties, a quick MPM scan will tell him all he needs to know.

As a consequence, there will be so few new entrants to the Upper House that the only answer may have to be the introduction of Nobility Bonds.

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Industry issues: time for advertisers and agencies to work together

John Clare
Dixons Store Group

Looking ahead, there is definitely no shortage of big issues coming our way. Firstly, there is the macro issue of the freedom to advertise itself. Increasingly, politicians are regarding advertising bans and restrictions as the way to show they are tackling some of the big social issues that are causing major concern. However, these problems are also usually very complex and difficult to solve. So the temptation, urged on by lobby groups, is to make some dramatic gesture. Cue advertising to be the public scapegoat.

RESPONSIBLE ADVERTISING

Of course, I believe in responsible advertising made accountable through tough self-regulation, and we have made big strides working with the IPA, the AA and others to extend this regime into broadcasting.

I'm also not saying that advertising might not play a role in getting to grips with such issues as child obesity or binge drinking. However, we have to convince the politicians in Westminster, and increasingly Brussels too, that advertising is only one element and should not be disproportionately treated just because it's an easy target and makes for good headlines.

Sadly, what is not always appreciated is that the consequence of this burning desire for communication bans and barriers between brands and their consumers is a less competitive, less efficient economy.

We've already shown, in the case of alcohol, that when we are constructively involved, we can work with the regulator to revise codes to reflect public sentiment.

In the current case of advertising food to children, it would be ostrich-like not to constructively support tougher self-regulated content codes. However, if combined with the dramatic volume and scheduling restrictions included in Ofcom's consultation, we might be facing a very unreasonable and totally disproportionate set of remedies.

Ofcom has said it is open to suggestions from the industry. This is a big issue that needs clients and agencies to work closely and energetically together. When we've hopefully reached an acceptable and fair resolution for food advertising to children, I can assure you this will not be the end. Lobby groups and politicians will be lining up their next target categories.

THE MEDIA ENVIRONMENT

We also need to face the issue of an increasingly competitive media environment. Of course we want healthy, profitable media owners. However, there are certain circumstances where markets can become competitively distorted in favour of the media owner, and that is bad for advertising.

One of the specific hot issues of the moment is ITV and the desire for Ofcom to relax or release them from Contracts Rights Renewal (CRR). The ISBA position on this is very clear.

At the time of the Carlton–Granada merger, CRR was established as the key remedy for allowing such a high share of the airtime market to be permitted. This was for the protection for both clients and their media agencies.

Since CRR links ITV's failure to drive its audiences with its ability to generate revenue, it is understandably seeking to overturn the agreement at the earliest possible point in its minimum three-year lifespan. ITV still continues to have over 40% of the market and clearly any proposal to modify CRR would have to rightly demonstrate and substantiate that the wider market would not be adversely affected.

We want a healthy ITV, and wish Charles Allen well with his strategy to make it so, both through increasing audiences and digital channels. However, we cannot say the same for his intense lobbying to get CRR removed or 'made looser'. As an industry – client and agency alike – we need continued protection from a dominance whose creation would not have been allowed in our own markets.

Similarly, turning to the issue of the funding of the BBC, I am again delighted that the IPA and ISBA have found common ground to protect our joint interests and indeed have made a joint submission to the Department for Culture, Media and Sport.

As in the case of ITV, it is not that advertisers and agencies are somehow anti-BBC. Far from it, in fact. I certainly believe that we need a strong BBC setting high broadcasting standards, as it has done for decades. However, we also need to work very hard to prevent an over- funded BBC, which can use its financial dominance to seriously damage the commercial sector. This would only lead to us losing the audiences we need and raising the cost to us of reaching them.

What do we mean by over-funded? I call the RPI +2.3% per annum requested by the BBC, supported by the rationale that this will be needed for digital switchover, over-funded.

As the IPA and ISBA have argued, these switchover costs should be separated out and not rolled in to an excessively inflationary general settlement. Also, given that the licence fee is charged per TV home and the number of homes is rising as family size diminishes and single occupancy is on the increase, this covertly enhances BBC income. We cannot argue for this to be scrapped but we can, and have, argued for its positive impact to be used to offset future settlements.

How long would any CEOs survive if they presented a budget to their board with a built-in annual increase in their cost base of RPI +2.3%?

TECHNOLOGICAL ADVANCES

We also need to work together in managing and exploiting the phenomenal changes we are currently experiencing in the commercial communication environment.

Every generation believes it is going through the most dramatic shift ever. However, both as a retailer of technology and as an advertiser, I am totally convinced that the combined affect of digital television, the internet, mobile video downloading and mobile TV – in other words the whole digital revolution – represents the most fundamental shift yet experienced in the marketing and advertising environment.

From the media perspective, we can see the fragmentation of audiences across multiple platforms and channels. Of course advertisers want access to segments but we want mass too.

So we need to understand how, in a world of different media consumption, we can get our messages to enough of our target customers enough times. That's why ISBA is a strong supporter of IPA Touchpoints, which aims to get a better, deeper understanding of all media consumption and how it relates to lifestyles.

THE WAY FORWARD

From the creative standpoint, the advertising industry needs to show us the way on new media. It must demonstrate that agencies can translate creative skills from traditional media to new digital opportunities.

We need quality input to counter creative fragmentation. Brand messaging over more platforms and channels calls for even more creative glue adapted for each channel. This glue comes from big creative ideas.

We are also looking to the industry to advise on how the new media, particularly the internet, is being used by customers and for creative ways to deliver our messages in that environment. It is a new world. The old solutions don't apply.

For example, many of our customers are using the internet as a range and price reference guide. In the past, this role was carried out by press advertising. New approaches are required to identify the relevant customer messages and manage their delivery – all in a world where space is limitless.

There's nothing like an external fear to bring old warring combatants together – and today we have those fears coming at us from many directions.

So, I hope the relationship between IPA and ISBA can continue to grow and prosper – indeed, I would suggest it is critical to the future of advertising that it does.

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Unmined potential: how coffee could save the diamond industry

Isaac Mostovicz
S. Muller & Sons.

As we stand today, diamond industry manufacturers – the global organisations that buy and polish rough diamonds – are more than $10 billion in debt, a figure that represents rather more than 60% of their annual sales.

Sadly, the pain felt by these organisations is far from isolated within the industry. At the May 2006 AGS (American Gem Society) Conclave in the US, many retailers privately admitted to chronic levels of overstocking, with up to three years' diamond supply on hand, albeit with much of it on 'sale or return' to the manufacturers. At De Beers' recent 'sight', the auction where the mining organisation sells diamonds to its preferred manufacturers, anticipated price rises were curbed and a proportion of stock returned unsold, despite previous commitments to buy. The arteries of the diamond industry are clearly clogged. But can a heart attack be avoided?

INDUSTRY DIAGNOSIS

Switching medical metaphors, this present pain is not just 'a touch of stress', but a chronic fatigue, reflecting a fundamental systemic weakness in the health of the industry. Research for my own PhD, based on applying consumer psychology to luxury marketing, portrays an industry incapable of innovating in ways that will actually appeal to the consumers of luxury.

Neither the emergence of new sources of supply, the growth in antimonopolistic pressure, nor De Beers' imaginative, 21st-century efforts to create marketing-based competition among its distribution channels have altered one fundamental fact: the diamond industry remains reliant upon a distribution 'push' approach to take its commodity to market.

In offering a product of zero intrinsic worth, but with an incredibly high perceived value, the industry has historically relied upon commoditisation, supply-chain control and emotionally-based demand manipulation to get as close to a vertically-integrated chain as possible. Its transition to a market-led approach is thus proving a painful one.

ENGAGING WITH MARKET FORCES

In the year 2000, threatened with a formal break-up of its business on the basis of an alleged monopoly, De Beers separated out, but did not legally split, its mining division (De Beers Consolidated Mines) and its marketing division (The Diamond Trading Company, commonly known as the DTC).

The DTC then created the 'Supplier of Choice' (SoC) programme, under which it would restrict direct sales to those organisations that met its stringent marketing criteria and committed to accept stock allocation, which could be varied at De Beers' discretion.

Would-be participants now effectively have to tender for the right to participate in the distribution scheme. If successful, they pay a substantial fee, based upon projected volume of sales, for the right to access stock. In return, they receive guaranteed stock of reliable quality at advantageous prices compared with those forced to buy in the 'aftermarket'.

The overarching marketing objective behind SoC was to increase aggregate demand and average margins, thereby closing the steadily growing price gap between diamonds and other luxury goods. This so-called 'luxury gap' has been climbing since the early 1980s, and accelerated from the early 1990s onwards as diamond prices fell behind GDP growth (See Figure 1).

The SoC initiative takes four approaches.

- Efficient distribution – only working with manufacturers whose financial soundness and flexibility meet DTC criteria.
- Effective branding – requiring manufacturers to institute branding strategies that would reach the end consumer and create brand-based competition in the marketplace.
- Increased advertising – requiring manufacturers collectively to match De Beers own levels of spending, thereby effectively doubling global advertising spend behind diamonds as a jewellery ingredient.
- Customer confidence – introducing a supply-chain self-certification standard (The Kimberley Process) to reassure consumers over the origins of diamond supply in the face of concerns over 'blood' or 'conflict' diamonds mined in areas or war and used to fund state repression or terrorist activity. This would be made visible through the laser-engraving of a symbol on Kimberley-compliant diamonds – the DTC 'forevermark®'.

REAL WORLD IMPACT

The DTC's strategies make sense. Under SoC, it intends to continue to use high-level advertising to protect the emotional integrity of the entire category. It will continue to reinforce the ethical integrity of its chain of custody and will also create and promote generic new diamond-wearing formats such as the three-stone 'trilogy' ring and the 'right-hand' ring.

However, in addition, it intends to catalyse brand-based competition within the diamond marketplace by creating a competitive intensity that should, on average, raise prices. From a producer's perspective, it's a smart approach.

The principal effect of this SoC investment has been to unleash a tidal wave of marketing activity. Literally hundreds of diamond brands have now flooded the market: brands based on innovations of cut (Prince-cut, Princess-cut, PrincessPlus-cut etc.), on fashion association (e.g. Vera Wang diamonds) and on colour (pinks, blues, yellows, browns, and so on).

Aside from creating new branded cuts and brands based on the reinterpretation of existing cuts (Hearts on Fire®, Hearts and Arrows, Love Diamond® etc.), manufacturers have also run promotions to promote particular categories of stock through retailers – including flawless diamonds, large diamonds and blue-white diamonds. Manufacturers have also tried 'specials' and 'collections', running limited editions based on bespoke quality criteria.

Finally, manufacturers have worked with their own retail channels to fund innovations of format – such as promoting ranges of day-wear jewellery – which make use of small diamond chips, or more natural ranges that can utilise off-colour diamonds.

However, all of the energy above has had no discernible impact on the luxury gap. In sales terms, between 2000 and 2004, global rough diamond sales fell from $5.6 billion to $5.4 billion. Although sales perked up in 2005 to $6.5 billion, underlying margins have barely moved. According to industry economic commentator, Chaim Even-Zohar, 'the consumer hasn't really paid more for a diamond than he paid a few years ago' (idexonline.com).

Despite around $200 million of annual marketing spend, directly matched by its manufacturers, the DTC has not been able to affect the real source of customer value – the customer experience. It is not to blame for this: the fact is that increasing the real intangible value of diamonds is simply not within its control. But it is within its influence.

DIAMONDS ARE NOT FOREVER

It is only fair to acknowledge up front that marketing of any sort is something of a cultural paradigm-shift for the diamond industry.

Traditionally, value has been added incrementally through the production cycle, and reflected consistently in increased prices at each production stage. Diamond value-chain participants have relied upon rigid price control and longstanding personal relationships to set and secure their margins.

Aggressive competition, either through price or other forms of brand-based differentiation, has been minimal. Moving from a monolithic market to one that embraces hundreds of branded variations is a seismic change. Pain for the industry was thus inevitable.

However, acknowledging that there is a lack of marketing and sales skills within the industry is not a sufficient explanation for what is occurring, or rather, failing to occur. It is quite possible, and increasingly compelling, to argue that pushing an ingredient brand strategy out through manufacturers simply *cannot* work for De Beers. The industry is bursting for a fundamental rethink.

THE STARBUCKS MOMENT

At this point in the industry's evolution, there are, in fact, intriguing parallels with another more or less valueless commodity – coffee. A coffee-style paradigm shift is not only necessary, but inevitable, in the diamond industry. The critical coffee industry lesson for De Beers is that the industry value shift must come at the retail end of the equation, not from producers or the manufacturers.

Coffee offers some intriguing parallels. Although never subject to a monopoly at the production end, coffee was historically traded in broad and simplistic categories; beans were defined in the simple quality categories – either arabica or robusta. A healthy and liquid global market (including sophisticated futures and options markets) existed to smooth out inconsistencies in supply and demand, but this was largely detached from consumer pressure. Processing of the raw material occurred in very narrowly-defined ways (freeze-drying, grinding, or packaging as whole beans) and a very small group of manufacturers (principally Kraft and Nestlé) took these raw ingredients to market under barely half a dozen brand names, exerting what economists call monopsony buying power in the process.

Into this superficially cosy, but actually highly fractious, status quo came Starbucks – or at least the retail movement which it embodies. The ripples of this effect are still spreading around the world.

In marketing terms, among many other things, Starbucks realised that:

- coffee is the not the product – the social encounters which surround it are the product

- controlling the branded retail environment is at least as important as manipulating the ingredient itself
- branding can differentiate the most humdrum commodities by the experience it creates around them
- giving consumers choice in the way they augment the core ingredient enables a retailer to charge significant premiums for that ingredient
- consumers can be educated to become connoisseurs, and connoisseurs will pay even more to exercise their expertise
- the role of staff is critical to the product experience – simple friendliness, engagement and politeness goes a long way when the status quo is taciturn compliance
- customers will wait an unheard of amount of time to engage in a fresh experience, and will actually value a component of self-service
- if you can create an enjoyable experience, customers will seek out ways to replicate that experience at home.

ONE INNOVATION SPAWNS A NEW INDUSTRY

Starbucks's impact is not confined to its own customer base: its impact on the value-chain for the coffee industry has been equally profound.

Direct relationships now exist between the retailers and their individual producers, and these producers now have long-term security of distribution and can accurately plan their production.

Experience-based innovation has also enabled a complex portfolio of ingredient brands to compete on the basis of their supply-chain history, whether as fairly-traded, by country of origin, by environmental context (shade grown) or on the basis of a special mix. Catalysed by real insight and delivered within a meaningful, controlled environment, these brands now have real consumer salience.

Equally, coffee lifestyle peripherals have become ubiquitous in middle class homes in the form of take-to-work cups, grinders, home coffee machines and syrups.

Finally, and most gratifyingly for the rest of the value-chain, prices of the underlying commodity have risen, the impact of its cultivation on the environment have been reduced, and the communities farming it have witnessed improved social benefits.

Even based on this one parallel, the potential opportunities for the diamond industry are inspiring.

LESSONS FOR THE DIAMOND INDUSTRY

The Starbucks lesson is real and transferable. If the diamond industry is to extricate itself from its current crisis, innovation must come from those who are closest to the customer.

The coffee industry is merely a helpful precedent to show that a retail experience can indeed be created around a single ingredient. The key lesson is that the customer experience must emphasise the underlying emotional benefit of the commodity – the experience of luxury, not the features of the product.

If the industry embraced this reality, all the prior commoditisation – the infamous 4Cs (Cut, Clarity, Colour and Carat weight) – that seemed so critical as a trust-building mechanism in the face of pricing uncertainty could be swept away, as it is largely irrelevant to the customer. It is the reverse process that is now necessary – to decommoditise.

Potential retail innovators, developing a well-crafted customer experience could create super-powerful global, franchisable brands around the world's most emotionally powerful ingredient.

Just like Starbucks, these retail brands could potentially transcend the limits of the category. The experience innovation opportunity need not even stop with diamonds; there is no reason, in principle, why a brand that starts out selling diamonds cannot end up also selling shoes, perfume or any other luxury experience.

WINNER AND LOSERS

Just as Starbucks did, I believe that encouraging value-innovators into the luxury experience marketplace can potentially spawn entirely new, diamond-dependent markets. At the same time, educating customers towards genuine diamond connoisseurship will increase the range of product permutations they seek out, creating further value opportunities for entrepreneurs and private capital investors.

A PRESCRIPTION FOR CHANGE

Reinventing the diamond industry by delivering new diamond experiences will depend upon several fundamental shifts in behaviour.

Enablers and Extractors

While SoC is already creating some attributes of a competitive marketplace, its execution and motivation perpetuates the industry logic of vertical integration. The historic ethos of market control, rather than market empowerment, thus remains intact.

Just as the oil industry now sees itself as a broad-based energy producer rather than solely as an oil extractor, so today's diamond-mining sector must come to see itself as a luxury enabler. Its role in the supply-chain is not to control distribution, nor even share its knowledge, but to grow its partners' capabilities so they can respond together to genuinely customer-focused innovation.

Providers and Producers

A natural consequence of the shift away from a 'mining' perspective is the realisation that diamond retail is not about packaging carbon crystals, but providing a service.

Service industries live not on their ability to sell a particular product, but on their ability to develop and nurture relationships. The existing retail value chain is not set up to deliver a valued service.

From the moment the 4Cs were introduced, the industry commoditised its product, thereby opening the luxury gap and consigning itself to a transactional marketing paradigm. The only way back demands a new, relationship marketing paradigm and a totally different sales approach. The consequence of the retail status quo is that most diamonds bought today are not actually suited to their wearers, and their purchase evokes minimal retailer loyalty.

Just as in the coffee example, retail-led innovation would inevitably spawn a plethora of new markets and genuinely valuable brands – everything from diamond-cleaning, storing and viewing products on the one hand to mine-of-origin-based diamond brands on the other.

Relationships and Revenues

At present, the entire industry is structured around a single lifetime transaction in which the real beneficiary is only partially involved – the purchase of an engagement ring.

As brilliant as it was to associate diamonds with engagement, this transaction-based approach is clearly running out of juice. The future of the industry depends upon retailers' ability to cultivate loyal relationships that drive repeat purchases. Diamonds will only close the luxury gap when they become the kernel of a luxury experience.

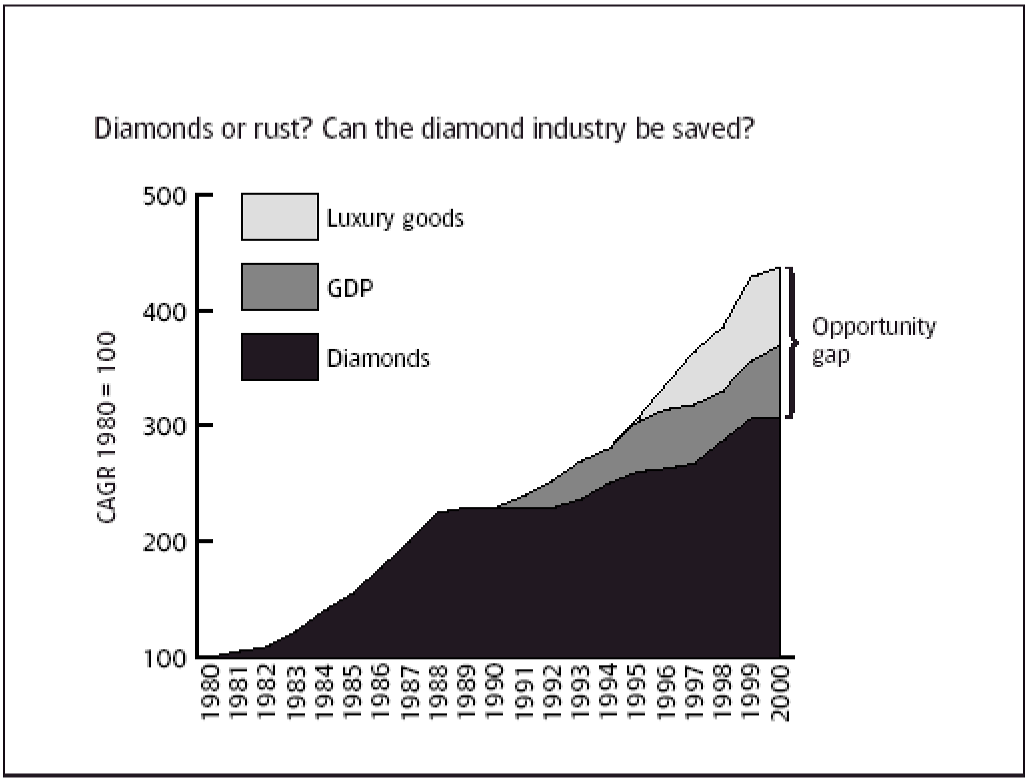
Most critically, embracing an experience ethos would move the industry beyond the gift-giving ghetto. If women (and men) actually started to buy diamonds for themselves, as they do with other luxury categories such as clothes, perfume, audio equipment and cars, the industry would be totally transformed. But kick-starting this transformation demands a totally different retail approach.

DE BEERS FOREVER?

My research indicates that the industry's future success does not depend upon encouraging more brands into the market, nor on increasing the weight of product advertising. These are necessary, of course, but not sufficient. Closing the luxury gap certainly does not depend upon better explaining a diamond's features. It depends, I believe, on catalysing a relationship marketing revolution, and investing in the tools, capabilities and networks to make it happen. The heart attack can be avoided. There is a better way.

NOTES & EXHIBITS

FIGURE 1: THE INCREASE IN PRICE OF DIAMONDS COMPARED TO OTHER LUXURY GOODS


Diamonds or rust? Can the diamond industry be saved?
Luxury goods
GDP
Diamonds
Opportunity gap
CAGR 1980 = 100
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Net benefit: how the internet is transforming our world

John Naughton
Open University

Think back just 13 years. The year is 1993. John Major is Prime Minister. The Tories are in government. Tony Blair still looks like Bambi. Bill Clinton has just become President of the United States. Nobody has heard of Monica Lewinsky. Germany is a prosperous country. Mercedes are the most reliable cars around. Only grown-ups have mobile phones. Nobody outside of academic and research labs has an email address. And a URL – now that is something really exotic! Amazon is a river in South America. A googol is the technical term for an enormous number. eBay and iPod are typos.

Why did I pick that year? Because 1993 was the year that the World Wide Web took off. It had actually been invented three years earlier by Tim Berners-Lee, but the spring of 1993 was when the first graphical browser was launched and the Web became something that ordinary human beings could understand and use.

The rest, as they say, is history. Today, nobody knows how big the web is. When it stopped publishing the number, Google was claiming to index 8 billion pages, but everyone knows that was just the tip of the iceberg. Some sensible people are claiming that the web is 400 times bigger than the number of pages indexed by Google. So a publication medium which contains over 3,000 billion pages has come into being in little over a decade, and it's growing by maybe 25,000 pages an hour. This is a revolutionary transformation of our environment by any standards.

Now think back to the year 1455 when a man living in Mainz, Germany, by the name of Johannes Gutenberg, published the Bible he had created using a fancy invention called moveable type. It was the world's first printed book. Printing was a revolutionary transformation of mankind's communications environment. Up to then, books were strictly a minority sport – the preserve of a tiny, rich and powerful elite, centred on the Church and the aristocracy. But in time, printing created the modern world. It undermined the authority of the Catholic church, enabled the Reformation and the Enlightenment, powered the rise of nationalism and of modern science, created new social classes and stimulated the creation of the educational system we still rely on today.

All of this flowed from Gutenberg's invention in 1455. But neither he nor his contemporaries could have had any idea what it would lead to. All of which leads me to formulate Naughton's First Law which says that we invariably over-estimate the short-term implications of new communications technologies, and we under-estimate their long-term impacts. The great Internet Bubble of 1995–2000 was a good example of this – a product of crazy over-estimates of short-term impacts leading to what one economist memorably christened 'irrational exuberance'.

Now is the time to turn to longer-term implications.

MEDIA ECOLOGY – MEDIA AS ENVIRONMENT

The conventional way of thinking about this is what John Seely Brown calls 'endism' – the perspective that sees new technologies as replacing, or even wiping out, older ones. Thus, at the moment we see a great deal of angst in the newspaper business about whether online news sites will wipe out newspapers. Maybe they will, but that has more to do with classified advertising than with news. The truth is that the interactions between old and new communications technologies are actually very complex.

For example, when the CD-ROM arrived, people predicted the demise of the printed book. It didn't happen. In fact, books are doing quite nicely. When TV arrived, people predicted the end of radio and indeed of movies. It didn't happen. Radio and movies are doing quite nicely, thank you. TV news was going to wipe out newspapers. It didn't happen.

But at the same time something did happen. Although the CD-ROM didn't wipe out the printed book, it did change forever the prospects for expensive reference works. Remember *Encyclopedia Brittannica*? And as for videotapes and DVD, the movie studios now make more revenue from them than they do from cinemas. And so on.

So where do we find an intellectual framework which captures the complexity of these interactions? The answer was suggested many years ago by the late Neil Postman, a Professor at New York University who was the most perceptive critic of media and communications technology since Marshall McLuhan. In a series of witty and thought-provoking books, Postman described how our societies are shaped by their prevailing modes of communication and fretted about the consequences. In seeking a language in which to talk about change, I've borrowed an idea from Postman – the notion of media ecology: the study of media as environment.

The term comes from the sciences, where an ecosystem is defined as a dynamic system in which living organisms interact with one another and with their environment. These interactions can be very complex and take many forms. Organisms prey on one another; compete for food and other nutrients; have parasitic or symbiotic relationships; wax and wane; prosper and decline. An ecosystem is never static. The system may be in equilibrium at any given moment but the balance is precarious. The slightest perturbation may disturb it, resulting in a new set of interactions and movement to another – temporary – point of equilibrium.

This seems to me to be a more insightful way of viewing our communications environment than the conventional 'market' metaphor commonly used in public discussion because it comes closer to capturing the complexity of what actually goes on in real life.

The 'organisms' in our media ecosystem include broadcast and narrowcast television, movies, radio, print and the internet (which itself encompasses the Web, email and peer-to-peer networking of various kinds). For most of our lives, the dominant organism in this system – the one that grabbed most of the resources, revenue and attention – was broadcast TV: a relatively small number of broadcasters, transmitting content to billions of essentially passive viewers and listeners.

TV VS NEWSPAPERS: A GOOD ILLUSTRATION OF ECOLOGICAL ADAPTATION

There came a point – sometime in the late 1950s – when more people in Britain got their news from television than from newspapers. This created a crisis for the papers. How should they respond to the threat? Well, basically they reacted in two different ways. The popular papers essentially became parasitic feeders on television and the cult of celebrity that it spawned. (They're now also parasitic feeders on Premiership football.) The broadsheets, for their part, decided that if they could no longer be the first with the news, then they would instead become providers of comment, analysis and, later, of features. In other words, television news did not wipe out British newspapers. However, it forced them to adapt and move to a different place in the ecosystem.

BROADCAST GIVES WAY TO NARROWCAST

Broadcast TV is in inexorable decline. Its audiences are fragmenting. Twenty years ago, a show like *The Two Ronnies* could attract audiences of up to 20 million in the UK. Now an audience of five million is considered a stupendous success by any television channel. In ten years' time, 200,000 viewers will be considered a miracle.

Broadcast TV is being eaten from within. The worm in the bud in this case is narrowcast digital television – in which specialist content is aimed at specialised, subscription-based audiences and distributed via digital channels. But waiting in the wings is something even more devastating – Internet Protocol TV (IPtv) – which is technospeak for television on demand, delivered to consumers via the internet. And it's coming fairly soon to a computer monitor near you.

The trouble for broadcast TV is that its business model is based on its ability to attract and hold mass audiences. Once audiences become fragmented, the commercial logic changes. Furthermore, new technologies like Personal Video Recorders (PVRs) – essentially recorders which use hard drives rather than tape and are much easier to programme – are enabling viewers to determine their own viewing schedules and – more significantly – to avoid advertisements. Think of Sky Plus. Think of TiVO. As the CEO of Yahoo said recently, the era of 'appointmentto-view' TV is coming to an end.

Note that when I say that broadcast TV is declining, I am *not* saying that it will disappear. That's what John Seely Brown calls 'endism' and it's not the way ecologists think. Broadcast will continue to exist, for the very good reason that some things are best covered using a few-to-many technology. Only a broadcast model can deal with something like a World Cup final or a major terrorist attack, for example – when the attention of the world is focused on a single event or a single place. But broadcast will lose its dominant position in the ecosystem, and that is the change I think will have really profound consequences for us all.

THE INTERNET AS THE DOMINANT ORGANISM IN OUR MEDIA ECOSYSTEM

The biggest mistake people in the media business make is to think that the Net and the Web are synonymous. They're not. Of course the Web is enormous, but it's just one kind of traffic that runs on the internet's tracks and signalling. Already the Web is being dwarfed by other kinds of traffic. According to data gathered by the Cambridge firm Cachelogic, peer-to-peer networking traffic now exceeds Web traffic by a factor of between two and ten, depending on the time of day. I've no doubt that in ten years' time, P2P traffic will be outrun by some other ingenious networking application, as yet undiscovered.

Signs of the Net's approaching centrality are everywhere. We see it, for example, in:

- the astonishing penetration of broadband access in developed countries
- the explosive growth of e-commerce
- the streaming of audio – and, increasingly, video across the Net
- the sudden interest of Rupert Murdoch and other broadcasters in acquiring broadband companies
- declining newspaper sales and the growth of online news and in the stupendous growth of internet telephony – spurred by the realisation that, sooner rather than later, all voice telephony will be done over the Net

- the advent of Radio Frequency Identity (RFID) technology, together with WiFi and mesh networking

- the fact that you can now buy episodes of popular US TV series on the Apple iTunes store, download them onto your computer – and watch them on your sparkling new Video iPod

- the BBC Radio's 'listen again' facility, whereby if you miss a programme you can always click on a link and have it streamed to your computer at a time that suits you.

'PUSH' MEDIA GIVES WAY TO 'PULL' MEDIA

In 1999, Andy Grove, who was then the CEO of Intel, made a famous prediction. In five years' time, he said, all companies will be Internet companies or they won't be companies at all. At the time, people laughed. Did he mean that every hamburger joint and hardware store would have to be online by 2004? What a ridiculous idea!

In fact it was an exceedingly insightful prediction. What Grove meant was that the internet would move from being something rather exotic to being a kind of utility, like electricity or the telephone. None of us could envisage being in business today without making use of both.

The point of all this is that while we grew up and came to maturity in a media ecosystem dominated by broadcast TV, our children and grandchildren will live in an environment dominated by the Net.

What Does This Mean?

In thinking about the future, the two most useful words are 'push' and 'pull' because they capture the essence of where we've been and where we're headed.

Broadcast TV is a *push* medium. A relatively select band of producers (broadcasters) decide what content is to be created, create it and then push it down analogue or digital channels at audiences that are assumed to consist of essentially passive recipients.

The couch potato was, par excellence, a creature of this world. He did, of course, have some freedom of action. He could choose to switch the TV off. But if he decided to leave it on, then essentially his freedom of action was confined to choosing from a menu of options decided for him by others: in other words a human surrogate for one of BF Skinner's pigeons – free to peck at whatever coloured lever took his fancy, but not free at all in comparison with his fellow pigeon perched outside on the roof.

The other essential feature of the world of *push* media was its fundamental asymmetry. All the creative energy was assumed to be located at one end (the producer/broadcaster). The viewer or listener was assumed to be incapable of, or uninterested in, creating content. Even if it turned out that he was capable of creative activity, there was no way in which anything he produced could have been published.

Looking back, the most astonishing thing about the broadcast dominated world was how successful it was for so long in keeping billions of people in thrall. Networks could pull in audiences in the tens of millions for successful and popular broadcasts – and pitch their advertising rates accordingly. Small wonder that the owner of a UK ITV franchise once described commercial television (in public) as 'a licence to print money'.

In fact, the dominance of the *push* model was an artefact of the state of technology. Analogue transmission technology severely limited the number of channels that could be broadcast through the ether, so consumer choice was restricted by the laws of analogue electronics. The advent of (analogue) cable and satellite transmission and, later, digital technology changed all that and began to hollow-out the push model from within.

CAN YOUR COMPANY KEEP A SECRET?

If one of your products has flaws, or if a service you provide is sub-standard, then the chances are that the news will appear somewhere on a Blog or a posting to a newsgroup or email list. For example, in the last few months, the giant Sony corporation has been crucified because of the discovery that it had been covertly installing software on customers' PCs that could compromise their security. It's not clear exactly when Sony had become aware of the problem but when the story finally broke - on a techie's blog - the company's successive inept attempts at denial and damage-limitation were relentlessly exposed and discredited by enraged consumers hunting in virtual packs. (See Figure 1)

The internet – and particularly the Web – is the exact opposite of this. The Web is a *pull* medium. Nothing comes to you unless you choose it and click on it to 'pull' it down onto your computer.

A RADICAL INCREASE IN CONSUMER SOVEREIGNTY

We saw this early on in e-commerce, because it became easy to compare online prices and locate the most competitive suppliers from the comfort of your own armchair. Just one illustration: over 80% of prospective customers nowadays turn up at Ford dealerships in the US armed not only with information about particular models, but also with detailed data on the prices that dealers elsewhere in the country are charging for those models.

We're now seeing this in other areas too – for example in the way prospective students click their way through the websites of competing universities while deciding which ones to apply to. But the internet doesn't just enable people to become more fickle and choosy consumers. It also makes them much better informed – or at least provides them with formidable resources with which to become more knowledgeable.

Search technology is the key to this. In an interesting recent book, *The Search*, John Battelle describes the dramatic effects that search engines like Google are having on the advertising and marketing industries.

'In the past few years', he writes, 'search has become a universally understood method of navigating our information universe: much as the Windows interface defined our interactions with the personal computer, 'search' defines our interactions with the internet. Put a search box in front of just about anybody, and he'll know what to do with it. And the aggregate of all those searches, it turns out, is knowable: it constitutes the database of our intentions'.

My conjecture therefore is that nobody who offers a public service will be immune from this aspect of a ubiquitous Net. And with every day that passes we see other examples. Take for instance the maddening hypocrisy of companies whose call centres give you a recorded message saying that they really value your call and then drag you through a Kafkaesque maze for 20 minutes before you even get a chance to talk to a human being. There's now a useful website on which users post the key codes needed to bypass the maze. For Citibank in the US, for example, the sequence you need is 0#0#0#0#0#0#! And the name of this site? Why, gethuman.com.

AN EXPLOSION OF CREATIVITY

Another implication is that the asymmetry of the old, push media world may be replaced by something much more balanced.

Remember that the underlying assumption of the old broadcast model was that audiences are passive and uncreative.

What we're now discovering is that this passivity and apparent lack of creativity may have been more due to the absence of tools and publication opportunities than to intrinsic defects in human nature.

Take blogging – the practice of keeping an online diary. There are millions and millions of the things. When I last checked (May 29), Technorati – a blog-tracking service – was claiming to be monitoring over 41.7 million, and the number of them is doubling every five and a half months. The current creation rate is 75,000 a day – that's about one a second. Many of them are, as you might expect, mere dross – vanity publishing with no discernible literary or intellectual merit. But something like 13 million blogs are still being updated three months after their initial creation, and many of them contain writing and thinking of a very high order.

In my own areas of professional interest, for example, blogs are always my most trusted online sources, because I know many of the people who write them and some of them are world experts in their fields. What is significant about the blogging phenomenon is its demonstration that the traffic in ideas and cultural products isn't a one-way street as it was in the old push-media ecology.

People have always been thoughtful and articulate and well informed, but up to now relatively few of them ever made it past the gatekeepers who controlled access to publication media. Blogging software and the internet gave them the platform they needed.

NO INDUSTRY CAN AFFORD TO IGNORE WHAT'S HAPPENING

If you want a case study of this, consider what happened to the music industry. In the early 1980s, recorded music went digital with the arrival of the compact disc. Recording studios pumped out music as streams of ones and zeroes; and at the consumer end, CD players translated those ones and zeroes back into sounds. The problem was: how to get those ones and zeroes – those digital bit-streams – from studio to player. The solution was to burn the bits onto plastic discs and distribute those to consumers.

That meant making the discs, burning the music onto them, printing labels, packing them into boxes (which always seemed to break), packing the boxes into bigger boxes, putting those on pallets, loading the pallets onto trucks, delivering them to warehouses, who then delivered them to retailers, who took the disks out of the boxes and put the boxes on display etc, etc. You see what a wasteful, inefficient, brain-dead way that was for distributing a product.

Nevertheless, the record industry built a very cosy business out of this. There was one small problem: the economics of producing and shipping discs meant that there was little commercial mileage in selling single tracks, so the industry focused on selling albums and increasingly ignored the consumer demand for tracks. And it might have continued doing this forever, but for one thing: the internet.

HOLIDAY SNAPS: FROM PRIVATE TO PUBLIC

The other remarkable explosion of creativity comes from digital photography. In the last few years an enormous number of digital cameras have been sold – and of course many mobile phones now come with an onboard camera. The trend is so pronounced that even the biggest names in photography – Kodak, Nikon, Konica Minolta -- are getting out of film.

So every day, millions of digital photographs are taken. Until the advent of a site called Flickr.com, an understandable response to this statement would have been “so what?” But Flickr allows people to upload their pictures and display them on the Web, each neatly resized and allocated its own unique URL. And it has grown like crazy – to the point where it was acquired by Yahoo in March 2005 for an undisclosed pile of serious money.

The number of photographs Flickr holds is already many millions. The most interesting aspect of it is that users are encouraged to attach tags to their pictures, and these tags can be used as the basis for searches of the entire database. The other day I searched for photographs tagged with 'Ireland' and came up with 122,000 images! (A month earlier, the same search had come up with 85,000.) They were mostly holiday and casual snapshots, but here and there were some truly beautiful pictures. What struck me most, though, was what they represented.

Ten years ago, those snapshots would have wound up in a shoebox and would certainly never have been seen in a public forum. But now they can be – and are being – published, shared with others, made available to the world. What I'm really saying is that the world has changed out of all recognition already.

In 1999, a disaffected music lover named Shawn Fanning sat down and wrote some software which enabled people to easily locate and share music tracks over the Net. He called it Napster. Within 18 months, Napster had 80 million subscribers, swapping millions of tracks every hour of every day. The music industry eventually got Napster shut down, but by then the genie was out of the bottle. And even today, millions of music tracks are being illicitly shared across the Net (remember that Cachelogic survey of Internet traffic), and the only hope for the music industry is to fall in with the legal downloading services offered by companies like Apple with its iTunes Store.

Since it opened the store, Apple has sold a million tracks a day, and recently celebrated the sale of its billionth song.

One of the defensive arguments used by the record companies to justify their existence – not to mention their stock options – was that only they could find and nurture talent. Without them, so they implied, the Rolling Stones and U2 would still be playing in pubs, clubs and student raves. The Arctic Monkeys have suddenly become the biggest band in Britain. And they did it by releasing their music – free – on their website and letting fans spread it by word of mouth. Eventually, a record label came begging to be allowed to take them on. It is bands like Arctic Monkeys, not record companies, that are the future of the music business. Nobody is indispensable any more.

The moral of the story is that you ignore changes in the communications ecology at your peril. Remember what Andy Grove said all those years ago. Companies that are not internet companies won't be companies at all.

NOTES & EXHIBITS

FIGURE 1


VAIO

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Growing up digitally: change drivers in marketing

Julian Saunders
The Joined Up Company.

'We have been talking about change for at least 10 years now, but my belief is that in the last two years marketers have really started to take notice. The imperative to change has become far more dramatic. Now you don't have to tell me anymore about the trends; I just need to watch what my kids do.'

So said Thom Braun of Unilever, highlighting the fact that the next generation is growing up 'digitally'. Major developments in the media landscape are changing the way we reach consumers, and children and young people are using new technology to create, edit and communicate their own media.

However, these changes are not restricted to youth. Mass audiences are not only difficult for marketers to reach, they are now busy producing their own output. The BBC, originally seen as the epitome of traditional broadcasting, has been an important agent of change in new media and is creating a forum for 'user created content'.

New media owners are emerging. We have a relatively recent global player in the form of Google, and Microsoft has declared its intention to be a 'media powerhouse'.

The current changes in marketing communications are apocalyptic stuff. We will have to wait and see how much of it is hype. But these changes are no longer just the stuff of interesting agency trends presentations.

The question this article sets out to answer is this: how are the big brands really changing (or not, as the case may be)? This is a debrief of interviews conducted exclusively for *Market Leader* among senior marketers, agency people, trainers and academics, all of whom have been generous with their insight and time (see the box on the next page).

From these interviews three major trends emerged:

- The drivers: the business fundamentals that are causing companies to change.
- The enablers: skills, practices and knowledge that make change possible.
- The importance of the 'big idea' and the fact of barriers such as structure, skills, risk and measurement.

THE DRIVERS

1. The Service Business Driver

Most businesses now can be described as service businesses.

Patrick Barwise, Professor of Management and Marketing at the London Business School, explained, 'They account for the majority of the economy and are growing. The best of these companies, like Tesco and Toyota, focus on excellent execution.'

For these companies, good communication is an extension of excellent service rather than simply just a 'marketing activity'. They are particularly alert to the opportunities of new media for three reasons: greater speed, greater accountability and lower costs. These can be represented as benefits to the consumer in terms of flexibility, quicker, better service and keen prices.

Organisations such as these also know that there is a gap between how good service is currently in the eyes of customers and how good it can be, and are working on closing this gap all the time.

These issues put integrated communications planning and delivery at the centre of what a service company has to do. It is essential that everything is coherent and consistent at the execution level. (See Table 1)

According to Barwise, achieving this aim is highly challenging: 'Successful service companies are obsessive about excellent execution, so they have to do the integrating themselves and it has never been so difficult.'

Charlie Dawson of The Foundation, which works with Volkswagen and Marks & Spencer, also reflected on this trend: 'For a service business today, it is essential to join up the promises that a brand makes in its marketing activities with the practicalities of service delivery. Marketing communication is really about every way a brand contacts its audience because that is how the business is either built or undermined.'

A key change driver is the day-to-day ambition of big service companies to provide better service, of which marketing activity forms an integral part, rather than acting as a separate function.

For Barwise, 'It represents a return of Kaisen – the Japanese concept of continuous improvement in lots of small ways that add up, over time, to a revolution.'

If this can be summed up by a brand, then Tesco encapsulates it with the promise 'Every little helps' – an idea that unites marketing communications and in-store delivery.

2. The Customer Satisfaction Driver

Growth comes from satisfied customers who tell their friends about the excellent service they have received.

The economics of winning a new customer versus keeping an existing one is generally well known. A healthy and mature service business should get most of its trade from existing customers; this keeps costs down. Added to this is the realisation that keeping customers happy is one of the best ways of winning new ones.

Steve Barton, CEO of Keevill Barton Kershaw, explained: 'Consumers have great choice in most markets, which partly explains why the recommendation of a friend or colleague is important. Too much choice can paralyse decision making so people increasingly turn to friends.' (See Figures 1 and 2.)

Brands are therefore concerned with whether they are getting good or bad word of mouth marketing from their customers. 'If you want to spot a brand that is set to grow through word of mouth, then the true measure of this is that an existing customer says 'yes' to the question 'Would you recommend this to your friends?', because it is a test of whether you would be prepared to put your reputation on the line,' says Steve Barton.

'The next generation of developments in digital media are making word of mouth even more dynamic. A site like MySpace.com has become huge by offering a place to network and chat for teens. Famously, the band Arctic Monkeys got to number one in the UK singles chart through the agency of MySpace,' says Gray Sycamore, Director of Digital at The Marketing Store.

He added, 'Services like RSS (Really Simple Syndication) will bring automatic updates to your desktop rather than you having to decide to visit a site. This triggers more and more spontaneous networking and word of mouth.'

A changing role for communications planners

The focus on keeping customers happy as a growth driver is changing the definition of what a communication planner should be doing.

HOW TO INVOLVE PEOPLE

In the Real World: The Value of the Human Touch

As media fragment and attention becomes harder to win, a human encounter of can have disproportionate effect. This can be particularly true of a technology brand that needs to demonstrate new products and applications.

The Apple store is a temple to the brand where people can go to play with products, see demonstrations, consult 'geniuses' and generally soak up the whole ambience. It helps turn users into enthusiasts and advocates: the Apple store has become a destination that loyalists also tell others about.

In the Digital World: Broadband and Mobiles

Most digital interactivity is a by-product of the rapid penetration of broadband and the mass penetration of mobiles. Broadband doubles the amount of time we spend online and causes us to do more on the internet. (See Figure 3, right). And everyone carries a mobile. Even if most of us have yet to take advantage of what a next generation mobile can do, we have certainly learnt to text as a way of responding to promotions.

In 2005, Walkers put codes on 600 million packets of crisps and gave away nearly 9000 iPods to those who texted in a lucky code.

Reality shows such as Pop Idol and Big Brother have taught the nation that the mobile is great way to get involved in big entertainment and that, in turn, has fed the marketing world. Mobile-led marketing campaigns are now bigger, more entertaining and more involving. There is great interest in the potential of mobiles because of their ubiquity. In the pipeline are – viewing video clips, capturing barcodes, making payments, mobblogging, listening to radio and more besides. The vision is mobility in all things, not just a device for calls, text messages and snaps. There are technical difficulties and cost issues to overcome, but the message on mobiles is watch this space.

McDonald's new promotion, Global Casting Call (Figure 4, left), encapsulates these themes: you can win the right to be famous for a bit more than 15 minutes and have your face featured on a McDonald's cup or bag. Hopefuls go to a website to enter their photo and a hundred words about something they love in any of16 languages. The brand is tapping in the emerging flickr/youtube/MySpace generation that sees the web as a place for their creative content. Global Casting Call links packaging and retail media, online and celebrity in a big idea for consumer engagement and interaction in digital and real world media.

For Jim Taylor, Planning Partner at Mediaedge CIA: 'It is no longer about coverage and frequency, the communications planner today really is a relationship planner in the broadest sense. If we were to call what we do “a relationship plan” rather than “a media plan” then we inevitably ask different questions such as “How can I win your attention? How and where should we interact? How can we keep the relationship fresh and so on?” We need not to just think about the scale and width of our activities but how deep they need to go with individual customers.'

THE ENABLERS: WHY IS CHANGE NOW POSSIBLE?

1. Interactivity is now Widespread

The power of true loyalty and word of mouth underpins two developments that appear to be in opposition, but are in fact part of the same trend. Brands are using more real world interactivity as well as more digital interactivity – see Figures 5 and 6.

The challenge is to pitch the interaction at the right level so as to win time and attention at one extreme (typically in a high-interest area), or simply to be in the right place at the right time and making things easy at the other (typically in a low-interest area).

2. Interactivity Enables 'People Power'

The citizen creative artist or citizen reporter is an unpredictable force, as all artists and journalists tend to be. A visit to youtube.com might make you ashamed to drive a gas guzzling; nature-crushing SUV for you will find SUV drivers' values derided in short video clips. For every fun loving spoof of Budweiser's 'Whassup' you will also find a subculture of *No Logo*-inspired, anti-capitalists eager to show that brands and business leaders have feet of clay.

Some big brands have decided that if you can't beat them you had better join them and get involved. It means having the confidence to go the whole hog and be prepared for adverse comment.

One of the most radical ideas comes from Microsoft. For the 'digerati', the brand is a big bad monopolist crushing opposition and driving all before it. Optimistic ads and emollient speeches from Bill Gates will not win them over.

So Microsoft has sponsored a series of online video blogs in the form of a technology review called 10 (see www.on10.net). The contributors are Microsoft staffers but are free to say what they like including being very rude about their employers.

3. Interactivity Enables 'Co-Creativity'

Beyond people re-making your ads (which might be homages or satires) is the opportunity to harness individual creativity to improve your product or service or even invent something completely new.

BRANDED CONTENT: A DIFFERENT SET OF SKILLS

Other brands are creating entertainments that inspire interaction and involvement so that we pass them on and post them.

The famous first mover in doing this was BMW with a series of short films featuring among others Madonna that became a viral success. Adidas are launching seven new styles of training shoe with seven short films, and BMW has just commissioned audio short stories available free at www.bmw-audiobooks.com, at Classic FM's site and on a CD for new customers – 95,000 hours have been downloaded to date.

Success in 'branded content' requires a completely different mentality and set of skills than those of the traditional marketer. It means working with impresarios on entertainments rather than honing a message into a poster or 30 seconds. And the outcome is uncertain. It relies on generating interest rather than buying eyeballs.

The big brands are investing because they can afford to risk a small proportion of their budgets for the potential of a high interest and engagement. "Branded content" (which mostly means lightly or unbranded content) is a hot topic and is now regularly considered as part of the mix.

Software brands routinely put out prototypes (or 'betas') and invite developers to iron out the bugs before going to market. Now other companies are offering rewards in return for ideas, thus tapping into the collective brain of the internet. Nokia set up 'The Concept Lounge' in Benelux and ended up receiving bright ideas from many countries. It delivers a happy combination of fresh thinking and consumer loyalty. We cannot help liking (and championing to others) the things we have had a hand in creating.

4. More Interaction Enables More Data Capture

It adds to the other ways that companies can analyse our needs from, for example, looking at what we put on our credit cards or spend at the supermarket.

More database marketing is going online. In 2005, postal-mail volumes declined by 5% and many of us signed up to email alerts. (And quite a few of us signed up for too many and have stopped looking at them.)

Tesco, via clubcard, has become the most active user of customer data that is intelligently targeted at existing customers. Tesco acquired its own data analysis company, dunnhumby, so important is data to its customer communications.

How good you are at using the database is a test of how close you really are to customers, and closeness to customers is a test of how strong your brand is.

Janet Grimes, founding partner of the Joined Up Training Company, explains how customer information can be used intelligently:

'The credit card company that keeps trying to sell me a loan even though I always pay off the balance each month certainly doesn't understand me. Quite the opposite. They are being dumb, not smart and customer focused. By complete contrast, a colourful brochure or magazine from someone who knows what I have bought from them can be a treat and a reward. A timely promotional offer on (say) rum because I have bought barbeque coals is smart use of data and is the kind of little treat that keeps me loyal to the shop.'

The stakes and costs are high in database marketing today. Consumers have great choice so timeliness and relevance is at a premium. They are also more intolerant; bad direct mail is 'junk' or 'spam' and undermines reputations, especially of financial services companies.

The upside of good use of data is a direct relationship with customers, which puts the brand in a stronger position than those who don't. Most manufacturer brands are therefore disintermediated and it is the clever users of data who reap the rewards and profits.

WHY 'BIG IDEAS' ARE ESSENTIAL IN THIS NEW ENVIRONMENT

Big ideas are not a new theme, especially for ad agencies. However, the changed media and competitive context has altered the character of big ideas.

The definition of a 'big idea' is difficult, and there is no real consensus or shared understanding. One way to clarify this is to state what functions a big idea performs.

- It solves a brand problem or brand challenge and is therefore rooted in an accurate definition of what the brand does.
- It sits between 'the brand vision' and 'the communications plan' and is the creative glue that links the two.
- It gives a brand new meaning and inspires expression and delivery in an organised and coherent way.

1. Big Ideas are Essential for Organising Communications

Campaigns are now made using specialists from different companies who have different areas of expertise.

Marketers have more media to choose from and, in general, use more types of media in combination (evident in recent IPA Effectiveness Award winners).

The consequence of this is that the big idea needs to be simple and broad enough to be capable of reinterpretation by different specialist in different media for different purposes.

An example of this is the launch of the Toyota Corolla on a big idea of 'pride', which encompassed ads, events, sponsorship, direct mail and promotions (See Figure 7). It was not so much the distinctiveness of the idea that mattered but the conviction with which all disciplines got behind it.

2. Big Ideas are Essential to Identify Values

A discernable trend is for ideas that express 'a higher purpose in our lives' – a phrase used by Rod Connors while he was at Nike. Examples such as Dirt is Good (Persil), The Campaign for Real Beauty (Dove) or Run London (Nike's mission to get Londoners fit) are inspiring case histories, which have been a catalyst for change within the wider marketing community.

These big ideas are more like the mantras of political parties. As parties talk about values and big ideas in order to contain different elements within 'the big tent' or 'broad church', so brands need to inspire distinctive and powerful work from the different specialists that now serve them.

But the reasons for brands behaving more like political parties go deeper. A brand that expresses strong beliefs invites its audiences to share those beliefs. They don't just buy the brand; they see it as an extension of their own views and values.

Brands that achieve this happy state have less need to incentivise their audiences. People who identify with a brand may even be moved to tell their friends about it. And, as we have seen, there are few more effective ways of winning new customers than positive word of mouth. (See Figure 8)

Of course a brand's 'higher purpose' does not all have to be high-minded. Some are very down-to-earth, such as 'Every little helps' from Tesco, or Sainsbury's new campaign, 'Try something new today'. Yet these brands are still expressing a 'higher purpose' and a point of view on life, and so are seeking an identification of shared values with their audience. It also explains why some big brands are now going public on their corporate social responsibilities such as Marks & Spencers with 'look behind the label' (fairtrade) and Tesco with a set of detailed commitments to be more environmentally friendly.

3. Big Ideas are Essential to Make Execution Easier

Obsessive attention to the details of execution is the mark of a great service brand, as Patrick Barwise has pointed out. At a simple level it is a demonstration that the brand has got its act together, which is important in building confidence.

O_2 has been transformed by a big idea that enables both flexible and coherent execution. Each piece of communication sells an offer but also has a consistent identity – the bubbly underwater world of O_2 – which leaves positive and subconscious associations in our minds, even if we are not actively interested in the offer.

O_2has recognised that most communications are passively processed (and are therefore different types of big ideas from 'higher purpose ideas' that aim for more interaction and engagement).

4. How to Brief for Big Ideas

The easiest way to get a big idea is to brief all the agencies to develop one and then accept that that it can come from anyone. Media neutral briefing is a growing but far from universal practice:

'A lot of briefs still start with “this is the ad, find a way of bringing it to life", but now we are seeing more and more briefs that ask for an idea first. It is a good development but there is still little consensus about what exactly is meant by that,' states Graham Kemp, Chairman of the MCCA.

Charlie Hiscocks travels the world for SAB Miller and has developed a system called BIBA (Big Idea, Brilliant Activations). He explains, 'The first step is to ask for an idea with illustration of how that idea can be expressed including the poster that sums it all up. The next step is activation briefs with defined audiences and objectives. It is an iterative process. The test of the bigness of an idea is that it can be used in brilliant activation. How it is activated can cause the big idea to become more sharply crystallised and better expressed.'

Patrick Collister, author of a new joint industry guide, notes, 'When you say big idea it sets off different things in people's heads – one person's big idea can be another's smart media idea. So if you are going to ask for a big idea, it is very useful to have a shared session with all your agencies to understand what you mean by the term.'

5. Big Ideas Require Sophisticated Skills and Taking Risks

Finding a big idea and then executing it in painstaking detail in can be a daunting task.

Says Thom Braun: 'You are 28 years old. You have been told that you need more than a TV ad. It has got to be 360 or 3D. You have the task of coordinating a cast of different specialists and you have got to justify all your bright new ideas after the event. It is not easy and you can't expect it to happen unless you build confidence and skills through training.'

The skills required can be more akin to being an executive producer on a big film production – a blend of creative judgement, passion for the big idea, great team leadership combined with a keen eye for commercial results. Not many people have a natural talent for this.

The film analogy is instructive. Film productions all start out with high hopes and the best of intentions but few are big hits. It is risky stuff, especially if you work for a risk adverse organisation that is not too tolerant of failure.

HOW SHOULD YOU EVALUATE?

A classic way of reducing risk for marketers is through research.

Sheila Byfield of Mindshare says there has been a boom in media research at two levels.

'There is more widespread use of innovative observational research that analyses how we are influenced to make decisions. This is genuinely media neutral and enables clients to build different models for the effective use of communications.

The other level is evaluation where there is investment in single-source studies, new technologies that measure the buzz behind a brand on the web, as well as media neutral currencies.

But, with the best will in the world, it is difficult to untangle all the individual elements of a campaign. Research methods based on what people claim influenced them may not be the same as what actually happened inside their brains. Neuroscience offers the prospect of more advances in this area but it is not at an advanced stage.'

However, Jim Taylor, points to the potential of data analysis. 'The beauty of good data is the ability to draw a relationship between activity and sales in real time rather than having to use intermediate measures. It holds out the prospect that Tesco can help you with your communications planning.'

There is also a budget problem. Moving to a new media-neutral tracking system, commissioning a big single source study, or investing in data gathering and analysis, can be a big investment and research budgets have their limits.

But evaluation is arguably the most critical area in the changing communications world. Proof of effectiveness is a big issue, which, if addressed, will win attention in the board-room and accelerate change.

SUMMARY: SO WHAT IS REALLY CHANGING?

At one level, marketing communications is undergoing a many-faceted revolution in the detail of how campaigns are structured.

Service companies are looking to improve in many little ways, every day. New media are a focus of investment; interactive marketing expenditure showed a cumulative growth of 70 percent between 2001 and 2004 (London Business School MET study). Interactive media can deliver big consumer benefits quicker and cheaper, as well as creating timely advertising, consumer information, data capture and CRM.

At another level, marketing communications is undergoing an ideas-led revolution. A greater diversity of activities requires greater simplicity and coherence.

So, strong, well-expressed ideas provide both the creative glue for marketing activities as well as positive associations for brands. Big ideas also have meaning for the individual and exist in the collective mind of the web.

It is also a revolution driven by generational change. One-to-many communication has been supplemented with many-to-many communication and the power of networks to influence opinion and choice. Word of mouth, which has always mattered down at the pub and at the school gate, can now cross continents in minutes.

Web services that enable many to many communications have burst onto the scene with amazing speed. So much so, that Rupert Murdoch is buying them up.

Well, some things don't change.

NOTES & EXHIBITS

TABLE 1

The panel

STEVE BARTON	CEO	Keevill Barton Kershaw
PATRICK BARWISE	Professor of Management and Marketing	London Business School
THOM BRAUN	VP Marketing Capability	Unilever Foods
SHEILA BYFIELD	Worldwide Director of Consumer Insight	Mindshare
PATRICK COLLISTER	Author of a new joint industry guide on Evaluating Agency Ideas (IPA,ISBA,MCCA,PRCA)	
CHARLIE DAWSON	Founding Partner	The Foundation
JANET GRIMES	Founding Partner	The Joined Up Training Company
CHARLIE HISCOCKS	Director of Brand Communications	SAB Miller
GRAHAM KEMP	Chairman	MCCA
DANIEL ROSEN	Head of Mobile Marketing	AKQA
GRAY SYCAMORE	Director of Digital (Europe)	The Marketing Store
JIM TAYLOR	Planning Partner	mediaedge:cia

FIGURE 1

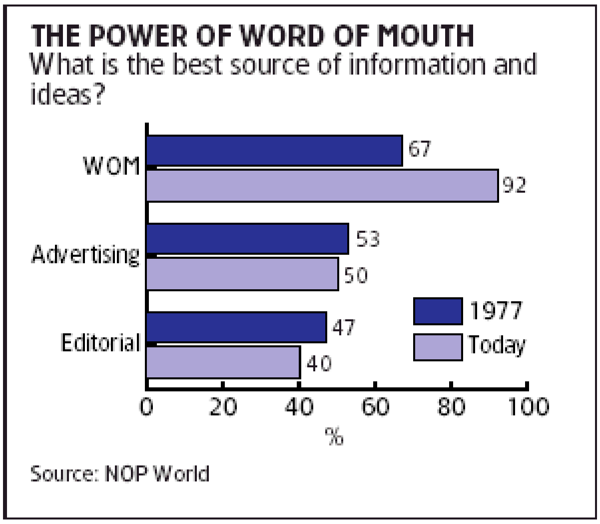


FIGURE 2

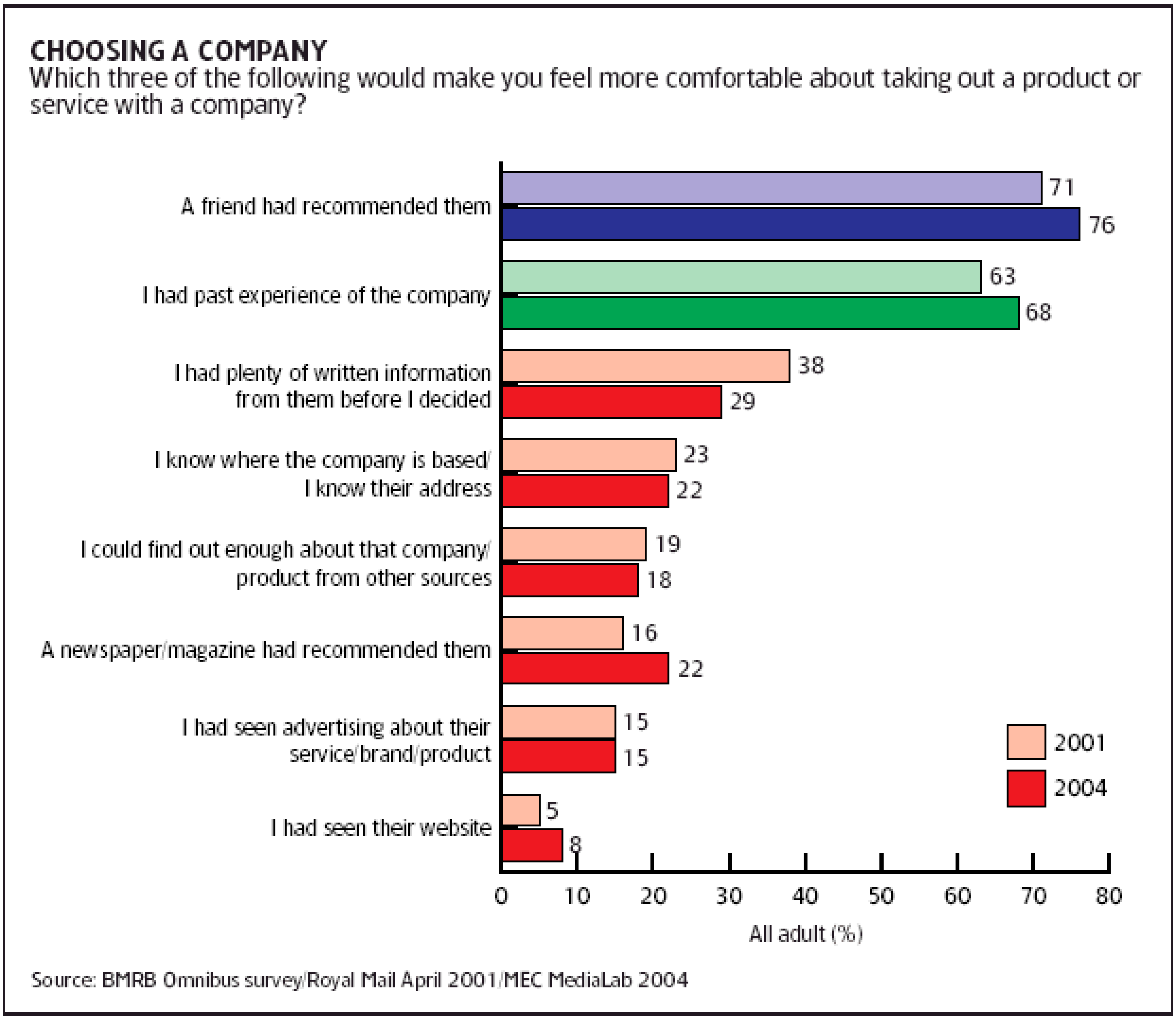


FIGURE 3

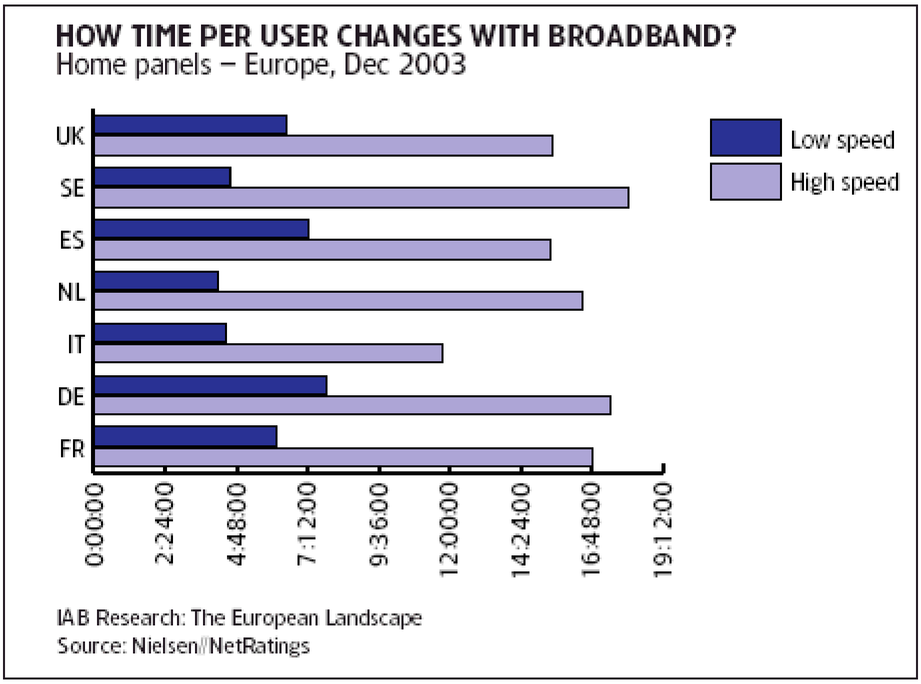


FIGURE 4

FIGURE 5: CONSUMER CREATED CONTENT, THE INSPIRING NOKIA CONCEPT LOUNGE WEBSITE. ALTHOUGH CREATED FOR THE BENELUX AREA IT HAS RECEIVED DESIGNS FROM AROUND THE WORLD.

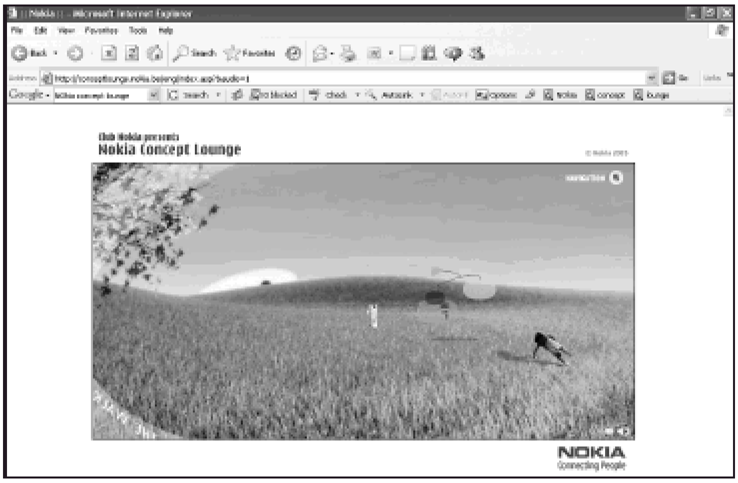
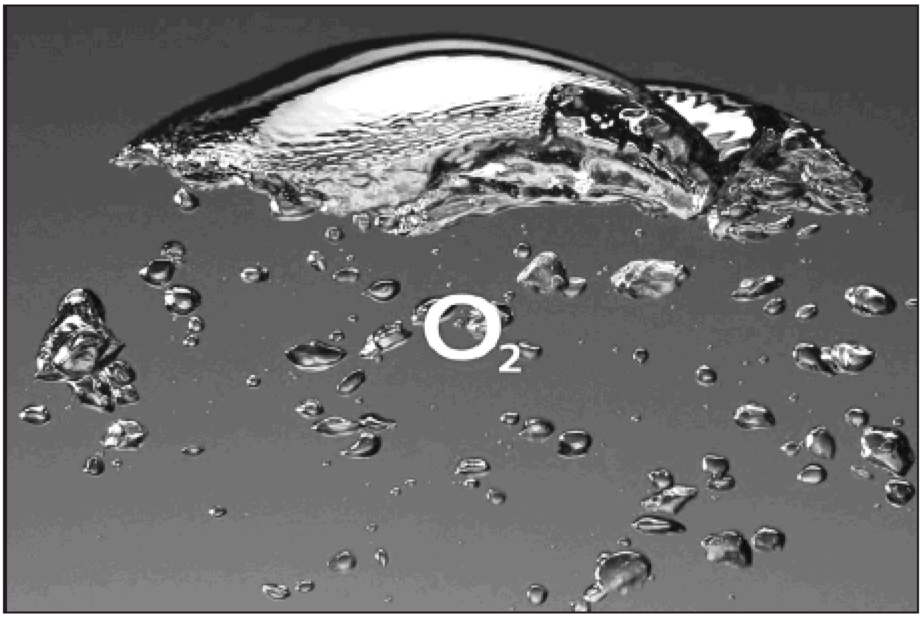


FIGURE 6: INTERACTIVE MARKETING, XBOX MARKETING IN A NIGHTCLUB TOILET.

FIGURE 7: AN IMAGE FROM THE TOYOTA COROLLA 'PRIDE' CAMPAIGN.

FIGURE 8: O_2 BRANDING.



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Branding in the internet bazaar - struggling for control in an uncontrollable world

Martin Runnacles
Presky Maves

In 1999 the Cluetrain Manifesto stated, 'Five thousand years ago, the marketplace was the hub of civilisation, a place to which traders returned from remote lands with exotic spices, silks, monkeys, parrots, jewels – and fabulous stories. In many ways, the internet more resembles an ancient bazaar than it fits the business models companies try to impose upon it.'

As the manifesto predicted, the marketplace of today has become a conversation. It's all about stories. And it's all about stories that are being told by people, not companies. In fact, many of them are stories being told by people about companies. And very often those stories aren't flattering. The internet is the weapon of choice, the world is their oyster.

BRAND OWNERS – STRUGGLING FOR CONTROL IN AN UNCONTROLLABLE WORLD

Companies have traditionally believed that they are able to control their brands: that they own them and have a right to protect them. But for Andy Nairn, Planning Director at Miles Calcraft Briginshaw Duffy, 'Branding is a controlling paradigm in an uncontrollable world. We now exist in a constantly evolving experiment.'

We're at a watershed. Brands have always existed in people's minds. That's a fundamental principle of perception. But the structured world of the past gave manufacturers the illusion that they controlled the brand's imagery and its meanings. Brand building (and thereby brand control) was simply a matter of channelling images and messages through conventional advertising created and owned by the manufacturer.

Yet, increasingly, brands will be built by word of mouth as consumers pick up snippets of information from a myriad of sources. The web provides instant global access to word of mouth. This is the world of 'mosaic marketing' where consumers are calling the shots.

THE RISE OF THE 'STEALTH SURFER'

Why go to shops peopled by poorly trained, uninterested staff? People who don't understand what the customer wants, and even when they do, discover they don't have it in stock anyway.

The 'stealth surfers' of today use fast broadband connections that allow them to multi-task and deal quickly and efficiently with any number of disintermediated suppliers. These suppliers in turn have extremely effective websites, the best prices, large, well-stocked warehouses, good availability and strong relationships with good delivery services.

These people are saying, 'I'm making the decisions, I'm making the price comparisons and someone else is doing the work'. Or, as Tesco says of its online service Tesco.com, 'You shop, we drop.'

UNCONTROLLABLE SOURCES OF INFLUENCE

The worrying thing about this for brand owners is that their customers are increasingly less influenced by media advertising and far more by other people's recommendations – particularly customer opinion or press reports on the web. Ads simply don't have enough information in them for the classic stealth customer. He or she is very well informed before swooping to make a purchase of what they want at the very best possible price.

AOL's Brand New World research on people's opinions of brands as a result of using the internet is sobering. Brand owners who think they provide the collateral for the reputation of their product or service are in for a shock.

In the Brand New World research 56% of respondents said that as a result of using the internet they looked more favourably on certain brands, 53% said they came across new brands that they hadn't been aware of previously, while nearly 80% said that they would think twice about buying a product or brand if they saw a negative review about it on the internet.

BRAND EDITORS: eBay, GOOGLE AND 'ME' BRANDS

But where exactly should we be looking on the internet? Enter the internet authorities: web editors that play an important role in influencing choice – a long way away from the brand owner's control.

I'm not thinking of the post-Microsoft digital era of eBay and Google, but more of the 'personal' brands that do not have the gloss of corporate brands (and I include Google within that definition of corporate brands).

I'll call them 'things', because I'm not sure we really know what they are yet. Nor can we predict which will stay and grow in influence, and which will vanish. But these are the kinds of influencers of opinion popping up on the web that add further static to the conventional conversation between brand owners and people.

Things like student Alex Tew's 'Million Dollar Homepage', which has been dismissed as nothing more than a 'link farm' by some, while being feted as a work of pure genius by others. The simple notion of selling the million pixels on a computer screen for a dollar each captured the imagination of advertisers and ensured that Alex could comfortably pay his way through college.

Things like Craig's List, the first free classified ad website, which spawned the thousands of imitators that are cropping up all over the web, causing News International CEO Rupert Murdoch, to declaim that this type of advertising is now lost to newspapers for ever.

Things like Blackspot, the world's first globally promoted 'anti-brand'. It may sell sneakers, but Blackspot is the antithesis of Nike. Not by chance is its best-known line called 'Unswoosher'.

Things like blogs. Many have pointed to the outpouring of creativity that blogging has unleashed. No longer is journalism the preserve of professionals, despite the fact that many blogs are indeed very professional creations.

'AGENT' BRANDS AND COMMUNITIES

Prompted by journalist Alan Mitchell's book *Right Side Up*, Nick Kendall, Global Strategy Director at Bartle Bogle Hegarty, has described the emergence of 'agent brands'.

For example, in the US collectives have been created where people gather together to buy drugs from pharmaceutical companies. They use the internet and handle the distribution themselves – true disintermediation!

MySpace.com, the value of which has been recognised by News International, is similarly an 'agent' community. Originally created to help promote new bands, it is a social networking site that provides the opportunity for young people to say what they like using their medium of choice: the internet.

As an aside, Rupert Murdoch paid $580m for this website, which despite being only two years old, has 70 million registered users.

eBay is a commercial agent brand that has started to use conventional advertising to create a stimulus for participants. As Nick Kendall has described, 'The job of the advertising is increasingly to facilitate use, not to tell them what they should think about the brand.'

eBay (Inc.) describes its purpose in the following way: 'We are pioneering new communities around the world built on commerce, sustained by trust, and inspired by opportunity.' And don't forget that eBay (Inc.) owns eBay, PayPal and Skype. Quite an armoury to wield in the digital market space. David Lubars, Creative Director at eBay's US agency BBDO explains, 'They are a very complicated client. They don't make or sell anything. Other people use them. They are like an enabler, a host. What they do is like air or gas.'

ADAPTING OLD MEDIA TO NEW NEEDS

There are those that have suggested that the very expression 'newspaper' is now a non sequitur since if you really want news you certainly don't go to a paper, since by definition it will be out of date.

Chris Ingram, Chief Executive of brand strategists The Ingram Partnership, points to the power of media brands when he says they have 'stronger relationships with their customers than other brands because they're built on the personality of the title'.

Chris has identified that the brand opportunity for newspaper owners in the digital age is to recognise that, since they are unique in delivering a completely new product to their customers every day that is full of good, well-presented information, they are very well positioned to become the providers of quality 'content' for the insatiable demands of the web.

He says there's an opportunity for a 'multi-platform publisher of “must have” content giving the best possible customer experience'.

The *Guardian* has seen the possibilities. Podcasts featuring comedian Ricky Gervais were available from the *Guardian* website for only a few months, but have built up such a following that more than 3 million downloads were made, making it the biggest pod-casting site in the world. The content of these podcasts was unique and couldn't be received through any medium other than the Guardian Unlimited site.

It is perhaps not surprising to discover that as newspapers try to carve out a niche for themselves in the digital age, a 'transfer market' has been created for columnists. After all, these are the people who give vent to the 'opinion' of the paper, the people who comment on the news stories and give the added value that mere factual reporting of an event can't match – dare I say, the 'brand values' of the publication.

DRAMATICALLY BETTER PRODUCTS ARE NEEDED

Disintermediation and price wars are leading us back in time to a point where the notion of branding is returning to a simple presentation of the competitive advantage your product or service has. But this works only with truly differentiated products.

The finest example at the moment must surely be the iPod. This is the product that created and thereby defined the category, with a fine pedigree, unutterably cool styling, near perfect ergonomics and an appeal that transcends age, sex, nationality, creed or colour (save for the difficult decision of whether to buy it in black or white).

This is the product that spawned line extension into Nano and product development into iPod Video, before some imitators had even got their first efforts to market. This is the product that even has its own infrastructure in iTunes.

Finally, this is the product that is sold at a significant premium to its competition. It also remains true to Apple's concept of empowerment for the people.

Not everyone has Steve Jobs' genius for product innovation, but my point is that good old-fashioned product differentiation remains a way to keep your head above water.

COMPANIES MUST BECOME MORE ACCOUNTABLE

We're now living in the age of 'citizen media'. Of course, some blogs are being written by professional journalists, since it frees them from the obligation to toe the political line of their normal media outlets. And some companies (notably Microsoft) are encouraging staff to develop their own blogs to open a window into the corporation to engage in those all-important conversations with their customers. What these blogs do is allow customers to test whether the company is listening or not.

Of all the 'things' that are happening, it's clear that blogs have had the biggest impact. The blog search site Technorati (just think about the implications of that phrase) estimates that there are more than 30 million blogs operating on the web and that their number is increasing at the rate of 75,000 a day.

One of the many challenges for the new creative minds employed by brand owners to promote their brands is how to get on the agenda of these intermediate influencers or how to keep the bad news off their agendas.

But, of course, the easiest way of keeping bad news quiet is not to create it in the first place. The ultimate morality of the internet may be that it becomes a far more powerful agent for holding companies accountable than the law or the actions of shareholders.

WHAT KINDS OF AGENCIES ARE NEEDED IN THE INTERNET BAZAAR?

As the web surfaced as a viable commercial sales and communication medium in the 1990s, we saw the very means by which brands spoke to their customers being shaken to the core.

Advertising agencies and their clients tried to ignore the new age of communication because they just didn't understand what was happening. Initially agencies saw the internet as just another medium upon which they could stick advertising. People drew up rate cards and suddenly we were confronted with the banner ad phenomenon, closely followed by pop-up pester power.

This was a fundamental misunderstanding. Marshall McLuhan would have recognised that the internet as medium was the message, not merely a moving billboard.

Advertising agencies also failed to act from a structural point of view. Many continued to be built around a frankly archaic notion of a creative 'team' playing around with bits of paper, preparing 'layouts' that were (after several weeks or even months) turned into advertisements.

Clients wanted immediacy and were increasingly finding they could turn to a new media agency to provide it, where the creative director was a computer programmer with a penchant for writing in the new Esperanto that he called – HTML.

Of course the power of the agency groups meant they could get some of that new expertise by buying up new media companies, but in truth it's a mindset issue. Buying their way into new media meant that agencies could offer their clients an 'integrated' service.

In principle this is fine; in practice it's flawed, because what the client is actually being offered is an agglomeration of companies, rather than an integration of services. The client that needs advertising, direct marketing, digital and data management ends up receiving invoices from four separate companies, each with full-service facilities.

Clients want core functions, such as strategy and planning, and account handling, at the centre of an organisation, and then to select media and creative resources to suit the specific need of the client.

We've heard the expression 'media neutral' for some time now. I think it's time we heard the expression 'service neutral'.

IN CONCLUSION

So, let me pull together the strands of the argument.

The brand owner must become a partner and confidante of the consumer because the company is no longer in control. The task of channelling the information and imagery to the prospective purchaser is getting more difficult with many more intervening sources of influence for good or bad.

The images created in their minds that form the mosaic of meaning called the brand will come from a far wider and more disparate set of sources. Very few of these alternative sources will have the manufacturer's best interests at heart.

This has profound implications for the way companies conduct their business; not just the products they make but how they behave morally and ethically in a world where they will be held much more accountable.

This has equally profound implications for creative brand management. The existing patchwork of companies and individuals falling over themselves in their struggle to provide one of a dozen different requirements is clearly not up to the task. New structures are needed.

Finally, with all this talk of change, we should consider what has stayed the same. Has people's behaviour changed? Unquestionably, yes. But have their instincts changed? No.

Bill Bernbach once remarked, 'It took millions of years for man's instincts to develop. It will take millions more for them to even vary. It is fashionable to talk about changing man. A communication must be concerned with unchanging man, with his obsessive drive to survive, to be admired, to succeed, to love, to take care of his own.'

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Summer 2006, Issue 33

Consumer advisory panels - the next big thing in word-of-mouth marketing?

Paul Marsden
Enterprise LSE

How do you unlock sales revenue by harnessing word of mouth? Forget the usual suspects – buzz, viral and stealth marketing. These may be great PR stunts to get people talking about how outrageous your marketing is, but are unlikely to have a sustained impact on sales. If you want to create an army of loyal word of mouth advocates that drive growth, take the lead from consumer goods giant Procter & Gamble, and set up your own online consumer advisory panel.

Consumer advisory panels harness 'involvement' to create loyalty and advocacy among panel members – consumers who buy more and recommend more (two variables unequivocally linked to sales growth: Reichheld 2003; Marsden 2005).

The idea behind consumer advisory panels is simple. Instead of marketing *at* consumers, market *with* them by involving them in what you do, and giving them a say in how you do it. By connecting, collaborating and co-creating with your market through a consumer advisory panel, you can turn fickle consumers in loyal customers only too willing to recommend.

A SCALABLE SOLUTION TO WORD-OF-MOUTH MARKETING

Consumer advisory panels are not new, and have long been used to help marketers make smart decisions in line with market demands. What is new about these panels is that they are moving online and becoming bigger, much bigger. Procter & Gamble, who are leading the field, has upwards of 750,000 members in its two online US consumer advisory panels 'Tremor' (for teens) and 'Vocalpoint' (for 'moms'). Panel participants, recruited by banner ads and word of mouth are regularly invited to participate in online VIP votes on P&G and 'partner' brands, allowing them to call the shots on anything from pack design, logos, new flavours, strap-lines, ads or promotional material (see the box on the next page). This '1-click involvement' is simple, smart and scalable – and creates a loyalty effect and advocacy effect that, in controlled tests, has been found to boost sales by 10–30%.

WHY CONSUMER ADVISORY PANELS DRIVE SALES: THE HAWTHORNE EFFECT

But why should setting up an online consumer advisory panel boost sales? The answer is because it is a scalable solution to harnessing a very powerful psychological phenomenon known as the Hawthorne Effect.

The Hawthorne Effect is named after the Hawthorne production plant of Western Electric, just outside Chicago, where it was first discovered, quite by accident back in the 1920s. Researchers from MIT and Harvard found that by inviting employees to give their views on new working conditions in the factory before they were rolled out, employees would systematically be favourable to them. What's more, when employees trialled these new working conditions their productivity increased.

For example, when employees were engaged in research testing brighter lighting in the factory, feedback was positive, and productivity increased when they trialled working with the brighter lighting. However, when other employees were involved in testing subtler lighting conditions, they liked that too – and productivity increased. Confused, the investigators re-ran the research, progressively dimming the lighting, but participants remained loyal to whatever it was they were asked about, and productivity kept increasing until the light was no brighter than moonlight!

P&G'S TREMOR & VOCALPOINT

Creating Loyal Advocates Through Consumer Advisory Panels

- Helping develop Vanilla Coke's 'Nothing Else Like It' billboard campaign and come up with intriguing messages to appear on promotional heat-sensitive cans
- Voting on launching Snoop Dogg's new line of shoes
- Advising on the trailer for the movie *Biker Boyz*
- Choosing which Herbal Essences commercial to air for promoting Fruit Fusions Tropical Showers range
- Recommending which fashion model to use in a Pantene commercial
- Selecting backing music for a Pringles advertisement
- Picking models for a body-spray calendar
- Helping design the new Crest Spinbrush
- Voting on a T-shirt design for Vans 'Warped Tour' concert
- Naming the DreamWorks SKG movie *Eurotrip*
- Choosing the logo for the teen movie *Win a Date with Tad Hamilton!*

A second series of tests at the Hawthorne plant confirmed the peculiar phenomenon – engaging employees in research to test shorter working hours produced advocacy and increased productivity. But then so did research involving employees in research testing longer working hours.

The researchers finally realised that what was happening had absolutely nothing to do with what was being researched, and everything to do with involving people in the name of research. They called this effect the Hawthorne Effect: the effect of engaging people in marketing research on creating loyalty and advocacy. What was happening was that the participants felt flattered and privileged to be involved in research on a new initiative – and this biased their view towards whatever it was they were testing.

For nearly a century, the Hawthorne Effect has been something of a bane to market researchers; it systematically occurs and biases market research findings towards whatever is being tested. In focus groups, the Hawthorne Effect can be extremely strong – after 90 minutes of involvement in a new product concept, participants often leave the group as passionate advocates of the concept they have been discussing.

But for marketers, the Hawthorne Effect represents a real opportunity. Engage target consumers in research dialogue and you create an instant market of loyal advocates hungry to buy your product. Do this online, through simple online voting, and you can reach tens of thousands of consumers, instantly creating a sizable market that is ready to buy and recommend. This is precisely what P&G's consumer advisory panels, Tremor and Vocalpoint, do: create ready-made markets that not only buy the products, but act as a volunteer salesforce.

A NEW WAY OF SELLING TO CONSUMERS

P&G is not alone in using the Hawthorne Effect with consumer advisory panels designed to drive sales by creating loyalty and advocacy. Other brands investing in this new way of selling to consumers include Converse, Cadillac, Mercedes, Sixt Car Rentals, BMW, Boeing, Crayola, Google, Napster, Macromedia, Microsoft, Audi, Nike, New Line Cinemas, MTV and Sears.

USING CONSUMER ADVISORY PANELS TO DRIVE SALES

- Converse, Cadillac, Mercedes and Sixt Car Rentals all use research to create word-of-mouth advocates by giving target buyers and brand fans a say in their advertising campaigns.

- BMW, Audi and Boeing create loyal word-of-mouth advocates through their virtual innovation labs, which give car enthusiasts and aviation fans a say in new product development.

- Crayola drives demand with VIP Votes that let consumers decide on the names of new crayon colours.

- Google, Microsoft, Napster and Macromedia all use research to create loyal advocates through beta-testing research programmes.

- The Tate Gallery in London builds loyalty and advocacy by inviting visitors to call the shots on how exhibits are labelled.

- New Line Cinema stimulates box office sales with word of mouth by giving fans a say in movie production decisions (e.g. *The Lord of the Rings*).

- Brewtopia, the Australian beer company, and Kaiser beer in Brazil drive sales by inviting consumers to vote on product packaging and marketing.

- Staples, the office supplies retailer, and home furnishings giant IKEA drive demand by engaging customers with research on innovation ideas.

- Sears department stores create word-of-mouth advocates for their Portrait Photo Studios by inviting opinion-leading mothers to shape their marketing. (See Figure 1)

CONCLUSION: THE FUTURE AS CO-CREATION?

Online consumer advisory panels are a new way of selling to consumers that use the Hawthorne Effect to create loyalty (purchase frequency) and advocacy (referral value) among panellists. But they represent a win-win for both business and consumers. By allowing consumers to call the shots on marketing and innovation, consumers are empowered and get what they want – not what the business thinks they want. And by treating consumers as partners rather than targets, and engaging markets in dialogue rather than interruptive monologue, consumer advisory panels walk the marketing talk – putting the consumer, not the marketer, at the heart of marketing.

Indeed, consumer advisory boards represent a radical departure from the old 'command and control' model of marketing, and embrace the new 'connect and collaborate' *zeitgeist*, where marketing is done with consumers rather than at them. By connecting, collaborating and co-creating with markets through consumer advisory boards, marketing is learning to respect the very people it depends upon for its survival: consumers.

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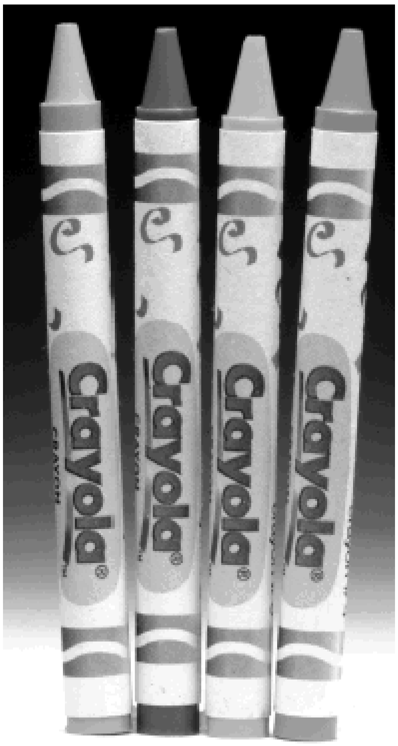
NOTES & EXHIBITS

FIGURE 1



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The future of market research lies in open source thinking

Graeme Trayner

As with all parts of the marketing and communications sector, the market research industry has spent the past decade considering how to respond to technological change. However, too much of this debate has focused on the impact of technology on the process of research, rather than on how it is leading to a new relationship between people and organisations.

New information and communications technologies are allowing people to become creators as well as consumers, and providing them with the platform for direct conversations with businesses. As an industry that has traditionally acted as a mediator between businesses and people, this represents a major challenge to what we do – and requires us to adapt our way of working to reflect this new environment.

THE CREATIVE AND EMPOWERED CONSUMER

The impact of new technology has been to democratise creativity. Authorship and publication used to be the preserve of the State and the rich. Now, the advent of digitisation and devices that emphasise access and convenience – the PC, the MP3 player and camera mobile phone – means authorship is open to all those that seek it.

This chance to demonstrate individual creativity is beginning to resonate with people. The emergence of 2.5 million blogs in the UK shows the popularity of using new technology to express views, experiences and beliefs. We should view this democratisation hand-in-hand with people's increasing savviness when it comes to marketing and communication. Through exposure to constant media and messaging, people have become adept at deconstructing communication and the motives behind that communication.

This powerful combination of the rise in self-authorship and increasing media savviness can be seen with the growth of 'citizen journalism' – where people are acting as active reporters rather than just passive viewers or readers. After the 7/7 bombings, the BBC received 1,000 images and mobile clips from the public – some of which became the defining images of the day. The response to the Buncefield oil depot explosion was even greater – the BBC received 6,500 contributions, many containing images and clips from mobiles. We are only at the start of this trend – Ashley Highfield, the BBC's Director of New Media, predicts that we will become a 'nation of journalists and cameramen'.(1)

Most worryingly for brands, the emergence of new technology allows individuals to take direct action against companies. Take the case of Matthew Peterson – who, frustrated after his new Apple iPod Nano broke, set up www.flawedmusicplayer.com. This site rapidly attracted a swarm of other angry Nano owners – at one point, Peterson was getting 30 complaints an hour. Peterson's story and campaign were quickly picked up by the mainstream media around the world. Faced with this PR nightmare, Apple was forced to admit a flaw in certain Nanos, and offer a free exchange to aggrieved customers.

NO LIMITS ON INNOVATION

Beyond a platform for asymmetric action against brands, new technology brings people and perspectives together. Business thinkers CK Prahalad and Venkat Ramaswamy have written about how the internet has allowed for the creation of virtual 'thematic communities'[(2)], that bring together consumers worldwide with a specific interest or passion, whether that is for Manolo Blahniks, Tivo or red wine.

As Prahalad and Ramaswamy show, 'thematic communities' can provide the starting point for action on the part of brand aficionados. LEGO fans have taken the toy's Mindstorms programme – which enables you to use PC software to create robots – and have posted new and improved versions online. After initial uncertainty over this, LEGO now cleverly allows these 'amateur programmers' to access the original code and to modify and advance it for others.

Indeed, the reality for companies is that limits cannot be set on people-led innovation. Consumer imagination has revolutionised the entertainment industry through user-led innovations such as youtube.com and Kazaa, and are leaving 'big media' behind. As MIT Professor Eric Von Hippel argues, 'If customers really want something, they won't wait for you anymore.'[(3)]

SMART ORGANISATIONS

Clever businesses and brands have picked up on the changing relationship between people and organisations, and are co-opting people's creativity. In particular, trends consultancy TrendWatching.com has shown how innovative firms are seeking to involve people as advertisers, innovators, designers and strategists:

- Tapping into consumer passion, Boeing has set up the 'Boeing World Design Team', a global initiative that is asking for participation and feedback while the plane manufacturer develops its new airlines. As part of the programme, Boeing includes surveys on design features and exclusive previews on work so far. Around 12,000 flyers and aviation enthusiasts have joined up.

- Intelligent brands are also realising that their evangelists represent the perfect group for advice on innovation – carmakers, including Audi and BMW, have led the way in creating toolkits for brand advocates to submit their ideas on how aspects of their makes can be improved.

- Seeking to involve people as designers and not just consumers, IKEA has run a competition in Sweden in which it asked people to submit their ideas for new home entertainment storage products. Over 5,000 ideas were submitted, with 14 winners taking part in a workshop with IKEA's 'professional designers' to turn their ideas into actual products for sale.

- Turning the conventional model of advertising on its head, brands such as Converse and Mercedes have asked brand aficionados in the US to submit their own ideas for TV ads, with the best ones being turned into real spots.

Beyond brand-sponsored initiatives, new technology is being used by consumers to create spaces for themselves to voluntarily advise brands. The internet has provided the means for 65,000 Tivo subscribers in the US to join a self-organised Tivo Community Forum. The site allows for an exchange of ideas on how the service can be improved, and discussion on how to persuade friends and family to take out the service.

WE'RE STUCK

Aside from these pockets of exciting innovation, the issue for the research and marketing industries is that treating people as passive consumers is hard-wired into what we do and how we operate. Market research is still too wedded to out-moded notions of command and control, and too often we like to see ourselves as a noble elite of research Brahmins who are there to help the unwitting consumer understand what he or she needs. Rather than seeing people as potential partners in creativity, we treat them as passive 'respondents'.

If you contrast market research with new communities of co-creation, it is clear that our approaches and techniques are looking dated, old fashioned and pretty uncompelling. If you can show how to innovate a product and get recognition from others in a thematic community, how can traditional research compete? Research is designed to be a mediator between organisations and people, but how can it be made relevant when consumer-activists can set up blogs and websites to send a message direct to a brand? Why should people bother spending their time responding to someone else's prescribed ideas, when they can create their own?

THE CATHEDRAL AND THE BAZAAR

The challenge then for researchers and marketers is to co-opt the creativity of consumers. We need to look at technology again and learn from the 'open source' movement in computer programming. In contrast to a programme where the designers hold tightly onto control of the source code, open source programmes are open to everyone to test, scrutinise and add to. The thinking is that by ceding control, programmers get better results – 'given enough eyeballs, all bugs are shallow' is the mantra of the movement, referring to how the more people look at something, the more likely you'll spot issues and problems early on. Openness is seen as leading to greater and quicker innovation.

In a famous polemic on the open source movement, IT thinker Eric Raymond compares the difference between open source, and closed source development, to the contrast between a cathedral and a bazaar. According to Raymond, whereas the building of a cathedral relies on central command and control, a bazaar operates on the basis of a myriad of conversations, discussions and dealings. The wider power of this thinking is that it can be applied across many spheres, aside from the narrow confines of software programming. Open source is about having the potential and right to create, and to be recognised for that creativity. From an organisation's perspective, it is about giving up an element of control in order to achieve better results than those that the organisation could achieve on its own.

This is done through combining the expertise or structure of a sponsoring organisation with the passion and creativity of engaged 'amateurs'. The success of this can be seen across a range of areas: in astronomy, where hundreds of thousands of amateurs support professionals in their work; or Wikipedia, an online encyclopaedia that has been built through voluntary contributions and now rivals traditional paper-based editions; or OhMyNews, a South Korean newspaper that has 26,000 citizen reporters who contribute 80% of the content.

THE OPEN SOURCE MANIFESTO

The clear challenge then for the market research industry is to learn from open source thinking, and to adapt its techniques and approaches to reflect that people wish to create as well as consume.

What then are the elements and aspects of open source research?

1 Connect with People as 'Lay' Strategists

In order to reflect the latent creativity of people, research should seek to connect with people as active creators not passive 'respondents'. Qualitative group discussions and workshops should be viewed as opportunities to empower people to come up with their own ideas, instead of exclusively asking people to respond to concepts dreamt up by the client or agency.

The emphasis of market research should shift from being a platform for testing to a forum for creativity. Building on the success of existing work in this area, we should seek to facilitate forums where people can develop new products, design campaigns and provide inspiration for innovation.

2 Bring About Ongoing Conversations

We should also look to get more out of the people who volunteer to take part in research. Research is too often a one-off event where people kindly offer their views and opinions – but then we fail to build an ongoing conversation with them.

Ongoing dialogue with people shows a greater respect for their contribution to research – especially if later sessions revolve around talking about what's been done as the result of the first phase of work. Opportunities to continue the conversation could be something as simple as a follow on telephone interview a week after a group discussion. Or it could be reconvening a workshop once a new product or service is nearly finalised.

Of course, ongoing panels exist at present. However, they tend to be based on a one-way approach to research. Brand researchers should aim to learn from aspects of deliberative research, such as Citizens' Juries. When Government departments conduct Citizens' Juries, they often ask a small number of the participants to form a working group after the event. The group then meets regularly after the Jury, in order to 'audit' what has been done with the original work, and to provide new thinking.

3 Involve People in Analysis and Reporting

We should also seek to involve participants in qualitative analysis and reporting. Analysis still represents the 'black box' of research. However, opening up analysis to participants would allow us to acknowledge people's creativity.

We need to seek out opportunities to gain feedback from participants on our initial thinking and recommendations. We should seek to conduct more re-convened workshops where we run our initial ideas past participants.

Beyond this, we should look at setting up online forums where participants read the draft debrief and submit comments. After seeing the initial analysis, there is scope to facilitate discussion about recommendations. Learning from online communities such as eBay and Slashdot, we should look at how technology can be used to rate the popularity and resonance of findings and conclusions.

4 Demonstrate Recognition and Make it Visible

Throughout the research process, we need to think more carefully about ensuring people feel a sense of recognition and status from taking part. Part of the success of co-creative communities is that they offer people a visible opportunity to be creative, and for their efforts to be recognised by others.

Aside from offering incentives, we need to acknowledge the commitment people make in taking part in research. Why is it not standard practice that we send participants a management summary of the findings, and notes on what will happen as a result?

Showing recognition is about making research as visible as possible. Of course, issues around confidentiality mean that, at times, we have to be discreet. But what makes initiatives such as Boeing World Design a success is their visibility – it is not hidden away, it is an active form of communication.

5 Connecting with Thematic Communities

In this new open source environment, we should also seek to listen and connect to 'thematic communities'. As part of our research efforts, virtual communities of brand evangelicals or detractors are likely to prove a fruitful audience of research.

Reflecting the online nature of these communities, internet-based qualitative techniques are likely to provide the right platform for research. Importantly though, we should not seek to build artificial thematic communities as if they are a new kind of panel. Their power and authenticity lies in their self-organisation.

6 Going Beyond the Evangelicals and Detractors

Lastly, the research industry has a role to play in ensuring that co-creative communities set up by brands are not just the domain of an aficionado or detractor.

Though some of our practices are out of sync with this new environment, our approach to sampling and recruitment can improve how open source initiatives work.

The downside of many current initiatives is that they only attract people with an existing level of interest or engagement. If you only had a passing interest in what car you wanted to drive, why would you volunteer to help innovate a specific model?

The researcher's role should be to help organisations ensure their co-creative exercises reach out beyond those who would naturally volunteer. In light of the importance of the mainstream middle – the corporate equivalent of 'floating voters' – our expertise at identifying and involving this segment become more, and not less, important.

EMBRACING CHANGE

Savvy consumers are assuming the tools of creativity and communication, and are using them to seek and demand direct dialogue with those who wish to serve them. In response, smart organisations are seeking out platforms to connect directly with creative consumers; undercutting the research industry's traditional role as a mediator between organisations and people.

The challenge for the research industry is to adapt to the new needs and interests of creative consumers. Rather than seeing people as passive 'lab rats' waiting to be prodded and probed, we need to connect with them as active creators. In doing so, we should always remember the principle of the open source movement – that the collective imagination can and should be harnessed for the wider good.

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Use a dashboard when driving your marketing

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Despite all evidence to the contrary, the belief that a single number can be used to assess marketing performance is persistent. Some say that top management can only handle a single number, or silver metric, so we must choose the least bad one. Others believe that ROI is so standard as not be to worth challenging. Others again claim modernity for customer concepts such as customer equity, customer lifetime value and Peppers and Rogers' new 'Return on Customer'. Yes, they are new and, yes, they have value, but these measures are not the silver metrics their promoters claim them to be.

It is hoped that a silver metric will justify marketing expenditure in much the same way that shareholder value measures the firm's performance as a whole. Marketing is seen as a slippery area with constantly moving goal posts. However badly a performance is judged by others, any CMO can find some metrics to show it was really a great success. 'Let's find one measure of success and stick with it' is the cry, and it is attractive.

This article takes a closer look at four silver metrics – three financial and one non-financial, and shows why they should not be used for marketing performance assessment. The metrics considered are listed below.

- *Return on Investment* (ROI), or ROMI (Return on Marketing Investment) or ROME (Return on Marketing Expenditure), targets sub-optimal profits and cash flow and does not allow for changes in brand equity.

- *Discounted Cash Flow* (DCF) is a single technique with many names, for example, 'Customer Equity', 'Net Present Value', 'Brand Valuation' and 'Customer Lifetime Value'. These all discount future cash flows, and maybe risk, back to a single present-day cash value. This technique can be useful in strategy and planning but the question here is whether a DCF metric is valid for performance assessment.

- *Return on Customer* (ROC) is 'a firm's current-period [net] cash flow from its customers plus any changes in the underlying customer equity, divided by the total customer equity at the beginning of the period'. This attractive idea links the short-term change in cash flow with a long-term indicator, i.e. the DCF of profits from customers. Unfortunately it does not do what it says on the tin.

- *Net Advocates:* Frederick Reichheld, Director Emeritus and Fellow at Bain & Company, has advanced the theory that the number of net promoters, i.e. the number of people who recommend your company minus the number of detractors, is the one number you need to grow. Does this concept stand up to analysis?

Once one accepts that no silver metric will do the job, the question becomes how many metrics are needed and which they should be. This article concludes with suggestions for selection and presentation on a market dashboard.

Return on Investment (ROI)

Return on investment (ROI) is an appropriate measure for capital decisions where each investment is made once and results in cash flow in subsequent years. ROI is a fraction, namely the net return divided by ('on') the investment. There are at least six reasons why ROI should not be used for evaluating marketing performance.

1. Marketing expenditure is a continuing expenditure, not a one-off 'investment' in the original sense and not treated that way in company accounts.

2. ROI is a ratio of profit to expenditure, whereas other bottom-line performance measures consider profit or cash flow after *subtracting* expenditure.

3. Pursuit of ROI causes underperformance because the point of maximum ROI is reached at the point where returns start diminishing, not where they stop. In other words, profits keep growing beyond the point of maximum ROI.

4. Calculating ROI involves knowing what would have happened if the incremental expenditure had not taken place. These baselines are rarely available.

5. ROI has become an 'in term' for marketing productivity and used to describe any justification for marketing expenditure. The American Marketing Association White Paper on marketing accountability, for example, identified six 'ROI measures currently used', none of which, remarkably, was return divided by investment. The term 'ROI' has become meaningless.

6. ROI ignores longer-term effects whether represented by brand equity or any other proxy.

Exceptions exist and one can get around these objections. Some companies have gone to elaborate lengths to do so, but then 'ROI' is no longer ROI. No amount of pretending a cardboard image is a house turns it into a house. The totemic use of ROI does not keep accountants at bay nor show understanding of accountability – quite the reverse.

Discounted Cash Flow (DCF)

The suitability of any tool, be it a spade or a market metric, depends on its intended usage. A spade may be a good spade but it is not much use for raking gravel. When comparing alternative marketing plans, forecasting cash flows and risks, and discounting them back to net present value, is good practice. Note that the external variables such as interest rates or economic growth can be standardised across the alternative strategies to highlight the differences arising from the managerial variables, because the forecasts are all being done at the same point in time.

In essence, DCF techniques are fine for looking into the future (planning) because the raw data is indeed future cash flows. Using future cash flows to evaluate past performance is quite another matter.

There are at least five objections to using any DCF technique as a silver metric for performance assessment.

1. Doing DCF calculations at different points in time mixes up performance with variances in external variables, like the economy or interest rates or state of competition.

2. Using forecasts as benchmarks confounds the quality of performance with the quality of forecasting. The question is no longer 'How well have we done?' but 'How well did we

estimate how we would do?'

3. DCF involves taking credit today for marketing activities in the future (which have neither happened nor are being evaluated). Given the affection of marketing for 'hockey stick' forecasts ('things will get a little worse before they get a lot better') and rapid job transition, including the benefits of future performance in present evaluation of past performance is not just illogical but unwise.

4. The future can be forecasted in various ways but cannot be measured.

5. Those generating forecasts that will later be used to assess their own performance will inevitably tend to reduce them if they expect to be around or raise them if they do not. The final forecasts are therefore the outcome of a political process, not an objective assessment of the future.

If a firm had perfect foresight, then cumulative improvement in DCF would be, with short-term cash flow, powerful metrics. Unfortunately, the future is not that certain. Nevertheless, at least one attempt, described below, has been made to combine ROI and DCF techniques for performance evaluation.

Return on Customer

Don Peppers and Martha Rogers claim that ROC is the key performance indicator because maximising ROC also maximises both current period and future profits. Their 2005 book about ROC became an instant best seller.

The Peppers and Rogers definition is 'ROC equals a firm's current-period cash flow from its customers plus any changes in the underlying customer equity, divided by the total customer equity at the beginning of the period.' Customer equity is, in line with current academic papers, the net present value of future cash flows from customers, and therefore has the DCF problems discussed in the previous section. In *CMO Magazine* (September 2004) Peppers and Rogers also defined ROC with a simple equation virtually identical to an ROI equation even though they emphasise that ROC is much better than ROI.

The Peppers and Rogers equation has been taken apart in a working paper available for free download (Ambler & Roberts 2005). The algebra boils down to something very different from the Peppers and Rogers claims. The top line of their formula turns out to be just the difference between the actual and forecast cash generated for the period under review, plus the difference between the two forecasts for the same outward years. Thus if the forecasts are accurate and consistent, the return is zero.

However good or bad the actual performance, ROC measures the quality of forecasting. One could argue that the forecasts are valid benchmarks of performance, but this is not correct. A forecast represents the expected performance. An objective forecast for a poor marketer will be lower than that for a good marketer in the same position. ROC will report good performance from the poor marketer even when it is actually worse.

In other words, this ROC formula does not measure return on the value of the marketing assets: it measures the excess of the return for the current period (compared to forecast) plus any increase in forecast, both taken as a ratio of customer equity. Thus it is not a measure of performance, but a measure of forecasting: the accuracy of the first-year forecast and the consistency of that for the later years. In short, ROC does not do what it says on the tin.

Net Advocates

In a 2003 *Harvard Business Review* article entitled 'The one number you need to grow', Frederick Reichheld argued that the number of people singing the praises of your company, or your brand, less the detractors, is the single indicator to watch. The top ranking question, which was apparently by far the most effective across all industries, was 'How likely are you to recommend X to a friend or colleague?' Whether this predicts actual advocacy behaviour is beside the point; if this silver metric varies with marketing activities and predicts profitability, then it is good enough. Reichheld claims that the *only* [my emphasis] path to profitable growth is for 'loyal customers to become, in effect, its marketing department'. This sheds new light on what marketing departments should be doing.

One must be impressed by any consultant practising what he preaches and Reichheld is certainly a strong net promoter of his own loyalty brand. The problem is that his thesis does not withstand analysis. In a letter to *HBR*, Neil Morgan and Rego Lupo used their own research to challenge Reichheld's theory. Their conclusions raised five objections, from Reichheld's confusing growth with profitability to the need for a multi-faceted approach. Sharing data is standard academic practice, but Neil Morgan and Lupo Rego were unable to obtain them from Reichheld for comparison.

Reichheld's response, in a further letter, fell back to arguing that the number of net promoters was a better metric than customer satisfaction. That may well be the case, as customer satisfaction has been shown to have tenuous correlation with profitability. Net promoters may well be a useful indicator but it is a long way from being a silver metric.

THE MARKET DASHBOARD

Claiming, as we must, that marketing is responsible for bringing in the cash, leads inevitability to the idea that marketing performance should be measured by cash, and if not cash today, then cash discounted back to today. That in turn leads to the search for a financial silver metric and we risk going round in circles. Three issues allow us to break out of that circuit.

Model Past Performance

The first issue is that we need to let the metrics do the predicting and not do it ourselves. In other words we need to see which of all the metrics we used in previous years predicted the performance this year, and how well. We can reliably measure the inputs (e.g. the marketing tactics and expenditures), the intermediate variables (e.g. intention to purchase, perceived relative quality, top box satisfaction, net advocates), and behavioural metrics (e.g. share of category requirements) over the past three years or so to the present time. Modelling those metrics against subsequent years' performance will also reliably give us estimates of their predictive values.

Contrast that with the often wish-fulfilling long-term cash forecasts involved in DCF techniques. The approach described above is empirically grounded and limited to predictions up to known outcomes; the second takes us into the wild blue yonder.

In this scenario, performance reporting still uses short-term cash flow, the common ground, but also the current brand-equity metrics, along with some indication of their reliability for predictive purposes. We report the facts, not speculation.

Devise a Company, not a Marketing, Dashboard

The second issue is the need to distinguish the role of the marketing department, which differs from company to company, from the marketing undertaken by the company as a whole. Marketers must gain acceptance that they are driving towards the corporate goals, and expect performance to be measured on that basis. We are looking at indicators on a market dashboard for top management as a team, not some separate marketing dashboard.

Take Note of Corporate Issues

This takes us to the third issue, which is the recognition that the metrics, or indicators on the dashboard, should be driven by corporate issues, namely goals, where the business now is in relation to those goals, the speed towards the goals, risk etc. The dashboard metaphor is exact; a company needs the equivalent of a speedometer, a fuel gauge and a miles-to-travel indicator. And it needs two levels of indicator: those that are visible all the time and those that switch on only when there is a problem needing attention, like the oil level.

Our research on US dashboard usage in 2001 and 2003 revealed that dashboard users were more able to assess the productivity of marketing expenditures, had less waste and better revenue increase, compared with non-users.

CONCLUSION

Managers need to integrate the key metrics used for performance evaluation with those used for planning. This means that one of the DCF metrics, such as customer lifetime value, customer equity or brand valuation, does deserve a place on the dashboard both to evaluate alterative plans and to track how circumstances drive expectations. DCF techniques help develop the business model by observing the way performance differs from plan.

The central point of this paper is that a firm needs a dashboard of key market metrics, not just one. Each metric has particular uses, strengths and weaknesses. No silver metric will do.

While DCF and some measure of loyalty, such as top box satisfaction or net advocates, do earn a place, ROI and Return on Customer do not. ROI is misleading and ROC tests the accuracy and consistency of forecasts, not performance.

Driving a business is not in principle different to driving a vehicle. You need a dashboard and only one pair of hands on the wheel. Marketers are there to help navigate the best way through the market in order to secure the best long-term cash flow. They should be judged by the milestones as they go by, not speculations and forecasts.

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Coping with the post-advertising age

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I started work in advertising just over 30 years ago in October 1975. I remember well my first day at an agency. There was a sense that I was not just entering an office, but a kind of cultural and creative emporium of our times.

I knew well why I wanted to work in advertising. It was for the experience. My ultimate destination was politics but I wanted to learn. So I chose advertising because I wanted to penetrate the very heart of modern communications.

In truth, I was not very good at it but I loved working in advertising. I loved the people, the creativity, the energy. Probably the main thing I learnt was that there is no division between private and public organisations when it comes to decency and moral purpose. Ever since then, in any professional or personal situation, I have always been drawn towards advertising people and the advertising process.

But time has not been kind to advertising. The building where I started to work still stands, but the agency – Wasey Campbell Ewald – has long gone, mutated into endless sets of initials and now called I know not what.

This seems a kind of metaphor for what has happened to advertising over the past 30 years. The buildings stand but the intellectual preeminence and communications power has wilted. Agencies have risen and fallen and the business of advertising has continued, but the context in which adverting is conducted has changed.

Advertising was once the sun at the assured centre of a constellation of stars. Now it is a fragment in an exponentially exploding communications universe. Thirty years has seen a complete and utter transformation in the nature of global communications.

The exponential increase in the quantity of media has been matched by changes in its character. It is now far more negative, moving towards what Professor Stephen Carter calls the 'politics of personal destructiveness'.

The mass media has fragmented, fractured and succumbed to its destructive darker side.

We have seen, in the last two decades, a revolution that amounts to a 'communications big bang', with communication forms, methods and media blasting through space with ever increasing speed and in greater quantity.

LESSONS FROM THE POLITICAL ARENA

Politics has recognised this new diversity in communications. Karl Rove, the George W. Bush campaign strategist, has said privately that what mattered to him was forcing messages through free media and connecting directly with voters through word of mouth and personalised communication. Traditional advertising was simply not as important as it once was. You had to do it but it was no longer decisive.

Word of mouth was what Bush's campaign was about. Everything, was boiled down to the message of security, and campaign volunteers were not asked to stuff envelopes but instead had to write down the names of their friends who, as the campaign progressed, would gently be persuaded by the volunteer to vote Republican.

These sweeping changes in communications have not occurred in isolation. The consumer has changed hugely in 30 years: a 'typical' consumer is less trusting, more demanding, more empowered, more sceptical, much more knowing and more questioning.

Furthermore, global migration, global terror, growing fundamentalism and a crisis of identity across the world have led to a new politics of identity, and this has amplified the power of global media. Crimes of terror have morphed into crimes of communication. They are seen by billions and therefore, they are powerful.

It is no longer possible to ignore the death in Africa of 6,600 people every day of the AIDS/HIV virus. A striking response to this is the American Express RED card, an icon of capitalism has been transformed into an icon of compassion, forging new marketing ground.

This is the start of a tidal wave of ethical business. Pressure groups are no longer marginal, they have become mainstream.

If anyone feels we nearing the end of a curve of change, they could not be more wrong. There has been more change in the last 30 years than the last 100 or more. The next 50 years will see change of a totally different order of magnitude.

THE FUTURE FOR ADVERTISING

This is truly a post-advertising world. How do CEOs, marketing directors and advertising agencies make sense of this?

Although the world has changed, fundamentally the architecture of the advertising industry is still basically intact. Advertising agencies have changed commendably, but they are still usually the first port of call for many marketing directors seeking to connect to the world. I am not sure that this is right.

We need to build a new communications architecture for the new times. The starting point for any kind of organisation is the understanding that it is existing in a volatile environment in which everything around it is constantly changing; it is continually vulnerable to threat but there are potential opportunities.

Seamless communication requires a seamless organisational structure. Demarcations of different media were valid once but are now redundant. Companies need to create new forms of communications structures that meet their new needs.

I think modern communications now require a 'central brain' – a nerve centre that has the speed, flexibility, responsiveness, strategic capacity and operational capability to deal with a complex communications flow.

The point of this nerve centre is to rise above the pre-existing communications divisions. They must be servants to only one master.

All successful political campaigns now operate on this basis, drawing together key communications skills and expertise into one core function – typically called the war room. The flow of politics is so fast, the need to react so great and the speed of response so demanding that only an integrated communications core can succeed.

The purpose of a communications nerve centre is threefold: to coordinate strategy, knowledge and message – and the greatest of these is strategy.

Strategy

If I have learnt one thing in working for 20 years in politics it is that with strategy you will win, without it you will lose. Successful strategists must have 360° vision, open to the often chaotic and unpredictable flow of communications that surrounds them, but always looking for the big decisive insight that makes sense of it all.

This is the process I call strategic synthesis. It is a dynamic process, always moving forward but always grounded in what has gone before. This process of evaluating and synthesising means that strategy is never still. Once implemented, it begins invariably to become redundant.

Knowledge

It follows that to have this view of strategy, based on 360° vision, that you must have a mechanism for obtaining 360° knowledge.

To obtain simplicity you must know complexity. I no longer own a polling company but I still must declare an interest here. I am passionately committed to polling, and most polling that I see simply fails to get close to meeting modern communications needs.

It tends, as far as I can see, to be diagnostic, which means a few focus groups, or evaluative, defined by tracking and measurement of consumer behaviour and attitudes over long time frames.

Both of these polling methods are important, but both are inadequate. We need new kinds of polling for the new communications environment. In the last election I developed something called 'wrap around polling', which tries to reach public opinion from a multitude of different perspectives.

We used focus groups, internet panels, strategic polling, daily tracking and marginal polling. It involves using polling for two purposes: first to develop the right strategy and the right message to maximise communications effectiveness, and second to predict, using research as radar to find early any signs of movement that could either be a threat or opportunity. 360° polling of this sort is now not a luxury for a modern business, it is a necessity.

Message

The third weapon is message. Without a strong message you will not be heard, and you effectively will not exist. James Carville used to say that he could tell a successful campaign by one thing: did it have a message, did it a have a rationale for winning the election?

This is a very good test: in 2000 Al Gore lost the US Presidential election because he did not have a message; in 2004 John Kerry lost because he too was lacking a message. In both elections George W. Bush won because he had a very simple message: 'I will keep America secure'.

My conclusions about advertising have used lessons from politics, because politics could be thought of as corporate communication in a different form.

This is a long way from my first day in advertising all those years before. Those next 10 years were the most fun I have ever had in my life. Because so much in society and technology has changed, the architecture of marketing and communications must also change, but whatever the building, the spirit of advertising lives on, and I am proud to have been part of it.