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Market Leader

NEW THINKING, DIFFERENT PERSPECTIVES

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If marketing continues to fly under the radar, it's going to experience a very unpleasant crash

BACK IN 1955, starbursts were a sort of communications prophylactic. The Television Bill had been lengthily and fiercely debated: it was granted more Parliamentary time than any other Bill of the 20th century. When finally enacted in 1954, it broke the BBC's broadcasting monopoly and 'independent' television (neither 'sponsored' nor 'commercial', please note) became a reality. It was to be funded entirely by advertising. With one curious exception, the only permitted form of advertising was to be spot advertising – and elaborate measures were built into the Act to make sure that there was clear and unambiguous distinction between advertisement and programme content. Unlike the US system, there was to be no blurring of authority, no word from our sponsors. The starburst was a legal requirement – a split second of spiralling graphic that deftly distinguished commercial from programme, and even commercial from commercial. British viewers were left in no doubt that they were watching an advertisement; and, despite its proximity, programme content could remain entirely uncontaminated.

There was a purity about this arrangement, an innocent transparency that disarmed even those opposed to the introduction of a commercial channel. This is what the starburst proclaimed: 'You are about to see an advertisement. This has been paid for by the advertiser. The advertiser will say only favourable things about his product. You may expect truth but not necessarily the whole truth. Do not expect balance or objectivity. The fact that this advertisement is carried by London Weekend Television does not imply LWT's endorsement.'

Fifty years on, though, now without starbursts, spot television has more or less retained its fastidious stance. No one is in the slightest doubt that money has changed hands; no one confuses a commercial with programme matter. If a member of the public chooses to be seduced by a commercial's praise for a product, it's in the full knowledge that the praise was self-generated, not bestowed by any outside authority.

And in all this, of course, television has only been following its senior medium, print. Display advertisements have always been unmistakably advertisements – and those few that have tried to pose as editorial have been pretty swiftly brought into line. There are, it's true, things called advertising features – already an oxymoron – but they're feeble creatures, most of them, and their capacity to fool the punters strictly limited.

If increasingly savvy consumers have become a problem, it can only be because they've begun to see through our cunning tricks: we're finding it harder to get away with things. And that in turn, calls for the invention of new cunning tricks. So what exactly do we mean by getting in under the radar?

But over the last ten years or so, things have begun to drift a little. Two phrases, in particular, have entered the marketing lexicon. Consumers are universally acknowledged to have become 'increasingly sophisticated' (or, even worse, 'savvy'); and a great many practitioners have begun to boast of their ability to 'get in under the radar'.

A certain coyness surrounds both phrases and it's easy to see why. If increasingly savvy consumers have become a problem, it can only be because they've begun to see through our cunning tricks: we're finding it harder to get away with things. And that, in turn, calls for the invention of new cunning tricks. So what exactly do we mean by getting in under the radar? I think we mean disguising our advertisements as something else. If not, then what exactly?

The increasing reliance of the world's media on advertising revenues, and the increasing competition between the increasing numbers of different media, makes the maintenance of a scrupulous distinction between advertising and editorial more and more difficult.

Though the recent Nick Davies book, *Flat Earth News*, has attracted both praise and flak, it's well worth a read. It's mainly concerned with the decline of rigour in journalism; for example, when checked against source, 80% of 2,000 news stories that appeared in the four UK quality dailies were wholly, mainly or partially constructed from second-hand material – drawn either from news agencies or public relations companies (Davies calls this 'churnalism').

The readers of those papers, however savvy they may be, will never be certain if they're reading an honest reporter's attempt at the presentation of fact – or a hastily re-worked version of a company's press release.

Product placement is another under-the-radar technique. You may guess when you've seen your blockbuster film that the car, the mobile phone and the brand of champagne in the branded bar all owe their noble presence to an exchange of money. But, there again, you may not; and you'll certainly not be told.

I suggested to a film industry person not long ago that it would be altogether more open if movies acknowledged any contributions from product sponsors in their opening titles: 'The following companies each contributed $10m towards the production costs of this film.' I was told that, were this to be the custom, product placement would be a great deal more difficult to negotiate.

In other words, the value of the placement to the product's company is greater when the audience is kept in ignorance of the fact that the placement was bought. You have to feel just a little uneasy about that, don't you? I daresay that life peers would value their peerages even more highly if their donations to political parties remained forever undisclosed.

I have little doubt that there'll be a lot more written before very long about 'under the radar' marketing activities. It has all the frisson of *The Hidden Persuaders*, with a lot more substance to back it up.

As it happens, I'm far from certain that huge harm is being done. If lasting harm does in fact materialise, it's far more likely to be harm to the marketing community than to our increasingly savvy and confident consumers.

But a trade that openly prides itself on the skill with which it deceives its public is not only unlikely to come top of anyone's list of respected occupations; it will also render itself less effective.❦

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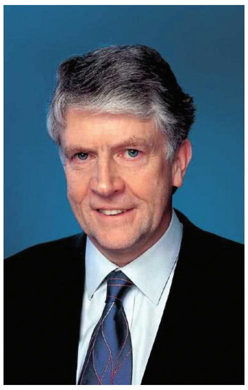
Marketers need a clear message on the environment



CHRIS POWELL has some advice for clarifying the conflicting messages on climate change

A SURE WAY to get no action is to give masses of contradictory advice. That's what a welter of well-meaning greenish organisations seem to be doing, often with quite substantial budgets to enable them to do it. Climate change communications is a mess of conflicting messages. Are we to stop travelling (except by donkey, horse or foot), to turn off our TVs when we go to bed, hope that science captures carbon before it leaves the power stations, recycle our bottles in Tesco's car park, eat only organic vegetables, trade carbon with our neighbour, lag the loft, blame George W Bush, doubt the science and not worry, or put a Cameroonian wind turbine on the roof and sell electricity back to the grid? Or all of these?

To make matters worse, some of the advice is amateurish and unintelligible. There was quite a heavyweight campaign late last year around the theme that any six year old could do it, featuring, unsurprisingly, a lot of six year olds who went on to be photographed in Downing Street. The only thing I got out of this was the clear message that I was more stupid than the average six year old and, while that may be true, it was difficult to see how that piece of abuse would advance the cause.

Where do these people get the money from to mount so many campaigns, which come at us from all different directions? Perhaps the government is spraying money around any organisation that sounds as though it will do something about climate change, but the aggregate effect is a cacophony.

One piece of very good news, though, is that the sheer weight of scientific evidence and, gradually, the weight of media opinion has convinced most of us (although not George W Bush), most of the time, that there is a problem. The figures go up and down a bit according to whether there has just been a shock programme on Channel 4 with errant scientists claiming there is nothing to worry about, the melting of the Arctic ice cap is quite normal and anyway nothing to do with us. Or, helpfully to the cause, we have a spot of unseasonal weather and everyone assumes this to be evidence of climate change.

Chris Powell was CEO of BMP DDB and is now Chairman of NESTA.

We all want to be seen to be virtuous but few of us like to suffer in a good cause. We tell market researchers that we don't mind paying more for green benefits but only a minority of zealots ever really will. A campaign that delivers more widespread green behaviour is going to need to be cleverer than that

On the whole, however, most people in the UK agree there is a problem and that action is required.

This is a huge advance. The avoidance (or more likely limitation) of global warming depends on action now to prevent catastrophe many years in the future. It is akin to the prevention of an epidemic, a famously difficult communications task. Much money and many years of effort had to go in to convincing us that it was worth having a slightly inhibited sex life to avoid a disease that, at that stage, seemed to be having little impact in our milieu but would if we didn't take action now. Climate change seems to have got beyond the early problems of AIDS prevention without the need for advertising.

What are we are supposed to do about it?

At the back of our minds is the hope that, like overpopulation or the exhaustion of oil and coal reserves, science will solve the problem and we won't need to change a thing. Power stations, cars and aeroplanes will be fitted with a device that cleans the emissions, or some vegetation will be found with an enormous capacity to clean the air, or fuels will just become vastly leaner. The desire for an excuse not to act lurks in most of us and any confusion or unreality about what we are to do allows us to take refuge in these hopes.

We all want to be seen to be virtuous but few of us like to suffer in a good cause. We tell market researchers that we don't mind paying more for green benefits but only a minority of zealots ever really will. A campaign that delivers more widespread green behaviour is going to need to be cleverer that that. MORI asked what action people were taking to improve matters: 60% were doing nothing or didn't know what they were doing; 23% said they were recycling.

At a minimum there will need to be a single clear, much repeated, message that is credible and is realistically likely to lead to action. It is hard enough to get over one idea, especially if it is unwelcome, so there's no chance of success with a myriad.

At the root of all this, I suspect, is that no one really knows what one single action we could all take that would at least start the process of reducing our carbon footprint and, it seems, no one person or organisation is in charge. The Carbon Trust, the Energy Saving Trust, the Climate Challenge Fund, various regional Sustainability organisations, Greenpeace, the Department of the Environment, Friends of the Earth, Planet Energy Saving Solutions, each ploughs its own furrow. Little will be achieved until there is a single source of advice.

What could that advice be?

Part of the difficulty is the paralysingly large scale of the problem. Global warming, what can Chris Powell of 42 Acacia Avenue do to prevent that? The tiniest, tiniest drop in the ocean won't make any discernible difference, so why bother?

The Institute for Public Policy Research (IPPR) has been dong some work that has pointed to this credibility gap. The world is going to burn, ice caps melt, deserts spread, storms rage, populations starve, so please go out and buy a low-energy light bulb. There is a scale problem here between the vast and the infinitesimal. I feel inadequate to take any action that realistically could do anything to stop disaster, so I will do nothing and hope for the best. Communications will have to show a credible connection between the action suggested and a solution to the global problem.

Too much mustn't be expected of advertising and promotion. Successful social behaviour change campaigns have balanced legislation and persuasion. Communications comes in first and performs two functions.

First, it persuades many, but usually only a minority, to take the action recommended. At the same time it softens up attitudes and makes it possible to bring in legislative change that might otherwise be unacceptable. The ban on smoking in public places could never have been successfully introduced without the years of campaigning on secondary smoking. Drink/drive works by the combination of advertising reminders of the awful social consequences that can come from drinking and driving and seeing at least one driver pulled over by the police to convince us that there is still a real risk of being caught.

Little will be achieved with regard to reducing our carbon footprint until there is a single source of advice.

Neither on its own is enough. Recycling seems to be going the same way: we need to do it and, in the end, we will be punished if we don't. Restriction and legislation need to be matched by measures to make the alternatives easier. We, on the whole, accepted congestion charging in part because we knew there was indeed a problem, but the restriction was matched by the immediate benefit of emptier streets for public transport and more buses, which together made journeys easier.

Another problem facing whoever takes on this task is the escape clause that governments themselves have been using – there's no point in our country doing anything because your country isn't. Why should I suffer when the Chinese are building two new coal-fired power stations a week? Not only do we need the international agreements that are still proving so elusive but we also need 'confidence building' measures to convince us that this is a concerted global push. In the hyper-inflation period of the early 1970s trade unions were insisting on deals that took into account their expectations of ever faster

There needs to be an underlying attitude change that makes each individual behaviour change make sense: a campaign that explains how these actions succeed in tackling the global problem so that there is a continuing reward and incentive to act

inflation in prices and the presumption that other unions were succeeding in doing this. It took a year's campaigning with signed pledges in large-space advertisements by employers and union leaders promising to abide by low inflation targets to dampen the fever down. Something of that nature might be needed here.

So campaigning needs to be realistic in what it asks people to do, and use legislation as part of the mix. People asked to take unwelcome action will always look for an excuse and those excuses need to be blocked off as best as can be done.

But it won't be enough to tackle this case by case. There will, indeed, need to be campaigns to achieve one behaviour change (like recycling) and then another (maybe low-energy light bulbs, although the government is going to phase out the other sort by 2011 anyway) until aggregate behaviour has lowered emissions.

But there needs to be an underlying attitude change that makes each individual behaviour change make sense – a campaign that explains how these actions succeed in tackling the global problem so that there is a continuing reward and incentive to act.

The scene has been well set. We do think there is a problem that needs action. There isn't an unfortunate do-gooder image attached to sustainable behaviour to inhibit action (indeed sustainability is seen to be pretty fashionable, probably because so many pop stars bang on about it).

It's just that no one is telling us what to do about it. Or, rather, loads of different people are telling us all sorts of different and unconvincing things we should be doing about it.

So doing nothing is the safest bet, and that's exactly what most of us are doing.❦

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How to manage talent in the wider experience economy

By BOB JAMES

'Work is theatre and every business a stage,' wrote James Gilmore and Joseph Pine in their 1999 book, *The Experience Economy.* Bob James takes their insights further by identifying the skills required to create successful experiences and what this means for the person in charge – for the marketing director as theatre director, with an ever growing cast list and an increasingly complex production schedule

AS EVERY THEATRE director knows, a great production is a result of getting great performances from the cast. Ultimately, success comes down to how you manage your talent.

When Gilmore and Pine talked about experiences, they were anticipating the evolution of many of the pure experience brands out there today – Mark Warner, Starbucks, Disney or CentreParcs, or even the Priory, perhaps. But they failed to recognise the true nature of the real experience economy, which encompasses a far wider range of brands.

Even today's fmcg product managers need to be able to think like service marketers. But, more importantly, the organisations behind them need to think like service marketers.

This wider experience economy recognises that the total brand experience (the point of awareness, the point of purchase and the point of consumption) is increasingly diffused and managed by more specialised marketers – but these points still need joining together into a single brand proposition.

Today, businesses of all flavours are using experience design to reinforce their existing brand value, deepen customer loyalty, and stretch into new segments and areas of need.

Just look at Gü desserts, whose puddings provide dinner-party-quality desserts of such high quality that a host or hostess can serve them without needing to pretend that they are homemade. The point is that Gü did not actually decide to enter the 'pure experience' world of catering – but it is most certainly delivering a catering experience rather than just a taste benefit. In nurturing this competitive advantage, Gü's marketing director faces the same staff recruitment, development and retention challenges as other experience managers.

Bob James is Client Service Director at Oxford Strategic Marketing.

This wider experience economy is a cut-throat place. It is not the preserve of radical new business models, but a battleground for pressurised marketing directors seeking new ways to protect existing premiums and maintain critical differentiation.

So what are the management challenges of the wider experience economy?

- Challenge 1: what skills and competencies do you need to build in order to succeed?
- Challenge 2: where do you find the right talent to create great experiences?
- Challenge 3 (the critical one): how do you develop this talent once you've found it?

Challenge 1: what talent do you need to succeed?

Success in the wider experience economy means designing and delivering better experiences. It relies upon the ability to unearth insight and then successfully organise around it.

And this, in turn, means cultivating at least three sets of skills. First, the ability to interpret market data and customer data to support a continuous cycle of improvement.

Second, the ability to disseminate experience-led thinking across the whole organisation. And third, the ability to influence the allocation of resources against what really matters to customers.

Data crunching counts

Surprisingly perhaps, this wider experience economy demands the sort of whole-organisation marketing that may not come easily to the more flamboyant, ideas-led marketers. It demands skills that include the ability to crunch data to justify decision-making effectively and support rational investments in what US guru Claes Fornell calls the 'Customer Asset'.

But organisation matters more

More important still, though, is the ability to organise in the customer's interest. We need to build smarter ways of working across the organisation, linking expert communities of practice – like the insight community in Unilever, or the innovation community at Danone – across all components that form the customer's experience of the brand.

In structural terms, experience-focused organisations must enhance mechanisms for aligning specialist functions in parallel according to their role in brand delivery. Experience-economy marketing thinking is, if anything 'side to side', not purely bottom up, and certainly not top down. It involves everyone re-thinking their role in the delivery process, and being accountable for their use of resources in delivering a cost-effective experience.

Promotionally led, brand-push thinking has no place in the experience economy and, more controversially, a knee-jerk service ethos has no place either.

The necessary side-to-side marketing approach requires new portfolios of tools to manage it: new models for brand definition that are meaningful to and actionable by increasingly specialist functions.

More importantly, it requires a unifying marketing culture and a

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Tesco, Carphone Warehouse, Halifax and Whitbread recognise that they are experience marketing organisations at heart: putting together prescriptive brand experiences, while still enabling the individual employee to innovate 'in the moment' of customer service.

common foundation of marketing skills to deploy these tools effectively. Preserving and improving the customer's experience cannot be left to the whim of a charismatic leader, but must be locked into processes that cut across the organisation: clear processes with clear owners.

Amazon's 'Skyline' approach, for example identifies deep root causes of its unwanted customer interactions and systematically makes process managers accountable for eliminating them.

Amazon works on the premise that 'no service is great service'. If a customer has to contact it; something somewhere has gone wrong in the experience design or delivery. Simultaneously the cost of contact and the cost of elimination are tracked to remove any 'friction' in the service process.

Build your experience capability

This sort of cross-cutting experience management undertaken by Amazon takes training, though.
Authenticity, transparency and consistency are key here, and therefore marketing must engage the whole business in understanding its role in the experience.

Paula Vennells, Network Director of the Post Office, argues that marketing should be the shaper but the drive must come from across the business. She believes the whole organisation has to own the customer outcome for it to be successful. The question remains, though, as the would-be theatre director: once you've written the script and invited the audience, where do you find these data-crunching, business-model building, values-led, storytelling process gurus to put on the production? Which brings us to the second challenge …

Challenge 2: where can you find the right talent to create great experiences?

The first rule of recruitment is 'don't recruit'. As you start to think about delivering insight-based experiences, just ask yourself, first and foremost, is the talent we are looking for already available within our business?

And if it's really not, do you have a sustainable business in the first place? What is your plan to build and grow your experience capability?

If you do decide you have a real talent gap, focus on determining precisely what's needed. Don't hire some brand equity dreamer when what you need are hard-nosed and broad-shouldered project managers who can 'tough it out' internally, on behalf of the customer, from a solid financial footing.

Most European fmcg companies are still grappling with this transition in some form. As upstream brand planning and downstream brand activation have split apart in many organisations, a chasm has opened up that needs to be filled with stronger processes, and with marketers who are both flexible and talented enough to keep crossing the chasm throughout their careers. But where do you find these people?

The rise of jigsaw marketing

It used to be an article of faith that fmcg was the best place to look for marketing talent. But the wider experience economy is changing this – demanding an increasing array of specialist skills and a new breed of experience assembler to deploy all these specialisms on behalf of the customer.

But now everyone has one piece of the marketing jigsaw, who's in charge of putting the picture together again?

Retailers are the new experience experts

fmcg companies may have started with an integrated, resource-minded view of marketing, but under the weight of cost-pressure, have gradually been dismantling and segregating their skills base. Meanwhile, experience businesses like retail actually started with their marketing segregated (usually just a promotions department) and have inexorably been putting the pieces together, breaking through the silos.

In the first wave of marketing sophistication, they put classically trained marketers into a marketing silo, disconnected from the purchasing and servicing powerbases of these experience-dependent organisations. These mass-experience efforts failed, with Midland Orchard and Firkin pubs being classic momentary success stories and subsequent crashes.

The second generation of marketers into these experience organisations found a better way to adopt the lessons of marketing – not by building up the promotion department, but by cultivating marketing expertise where it counts – in buying teams, at store level and in CRM departments. Tesco's acquisition of data-mining company, dunnhumby, is symbolic of this recognition.

Another iconic example of retail experience management is Games Workshop, the fantasy war gaming retailer, which now organises Saturday-morning in-store gaming sessions for its customers. Not only do these sessions serve as an enhanced experience and sales opportunity, but they also serve as a valuable new product development input. Most profoundly, these gaming communities also serve as a recruiting pool for new employees.

Games Workshop creates a virtuous circle, or 'brand vortex', by bringing customers, employees and suppliers into a single community.

Tesco, Carphone Warehouse, Halifax and Whitbread recognise that they are experience marketing organisations at heart – delivering tight-loose marketing: putting together prescriptive brand experiences, while still enabling the individual employee to innovate 'in the moment' of customer service. They are making a real connection to the customer. Beyond these retail pioneers, financial services is also catching on.

In the next development cycle, smart financial services organisations may well be the next breeding ground for talent. The next Tim Mason will most likely be in financial services, where there's still a perceived gulf between customers and organizations.

Having exported fmcg talent to build the expertise of retailers and financial services, it is time for fmcg to start poaching talent back the other way. This will bring with it a renewed focus on ROI. The marketing industry will ultimately benefit from this two-way flow of talent between fmcg that 'gets' customer intimacy and service organisations that thrive on operational excellence.

Challenge 3: how do you manage your talent?

The marketing profession today is a patchwork of fragmented skills, splintered into upstream planning and downstream activation, and often spread across complex 'masterbranded' or globalised brand architectures. At the same time, individual marketers have more and more career choices.

In this environment, marketing directors must increasingly see themselves as marketing resource directors, working closely with colleagues in HR and strategy to develop a long-term resource strategy. Most critically, they must find 'win:wins' for their people, which create both fulfilling careers for employees and maintain the competitiveness of the organisation.

Expose your talent to the full: the experience-mix

These challenges vary across businesses. It may be harder to keep marketing talent during the early years in pure service businesses. Lower-level roles in marketing within some service businesses can be a long way from the spotlight (minor roles within a support function). As such, marketers' impacts may not be very high profile until they reach more senior levels. Keeping smart people in this environment means rotating them around different functional positions – critically store management, buying, brand management and promotions. You need to celebrate the importance of understanding the total experience mix.

The reverse challenge applies in fmcg, where responsibility still comes early, but a period of indecision and stagnation can then set in as bright young things consider 'What next?'

When P&G formed its 'Expert Track' to accommodate and nurture the talents of those managers who did not wish to pursue the relentless broadening required for fewer and fewer general manager jobs, it explicitly recognised this issue.

Of course, big-brand fmcg companies accept and even require churn, but they also need to feed the specialist skills both upstream and down, while

If you do decide you have a real talent gap, focus on determining precisely what's needed. Don't hire some brand equity dreamer when what you need are hard-nosed and broad-shouldered project managers who can 'tough it out' internally, on behalf of the customer, from a solid financial footing

If this wider experience economy demands nothing else, it demands collaboration and greater awareness of real competencies. Fewer promises, more delivery. Less self-promotion; more self-awareness. Ultimately, experience management is an exercise in managing the flow of value to and from the customer. Everyone must take responsibility for this: not just the marketing function

also generating a cadre of marketing generalists who can assume P&L control of global budgets and brands.

Offer zig-zag career paths

For fmcg, this means thinking in terms of zig-zag careers for staff, giving them opportunities to continually deepen their executional expertise, while still spending time on planning to understand what their colleagues are grappling with.

Resource management is not only confined to internal teams, of course. It is very rare now for a big marketing organisation to be able to function alone, and brand experiences rely upon agencies and channel partners to deliver them. Most organisations are heavily dependent on outside players to deliver what would once have been done in-house.

There are benefits to this outsourced world – it means that resource is much more flexible and can be increased or decreased rapidly. Nevertheless, gains in flexibility and cost reduction risk becoming losses in brand consistency, business understanding, commercial acumen, and strategic and analytical competence.

This has been a long-term and accelerating evolution: first, outsource advertising, then outsource responsibility for research design, placement and analysis, then brand design.

Then reduce promotion to trade margin investment and hand the balance to external promotions agencies, then offload the pack development part – now even the core business strategy is increasingly outsourced, as brand and marketing management focus on niche disciplines like NPD or project delivery of brand activation strategies.

Upskill your data and process specialists

The outsourced nature of modern experience management means that marketing managers increasingly act as project or network managers, calling diverse teams of agencies together to work on topics, extracting the best from them and moving on. As long as they can hold fast to a process or a key customer outcome, that's fine.

In many cases it may be better to take strong CRM analysts and project managers and give them some marketing skills, rather than rely on generalist marketeers trying to learn CRM or project management.

Or, when you are recruiting, look for specialists with empathy and social skills as well as great technical capability. And when you have them, don't keep them in a technical 'box' in a separate department, keep them close to marketing and communications teams, and give them plenty of opportunity to meet real customers. Because data can never substitute entirely for hands-on experience, marketing teams in big companies surrounded by agencies must balance the process of collaborative team management with direct consumer contact, and real hands-on proximity to key business drivers. Otherwise, too absorbed in the inward-facing challenges of project management, the quality of outward-facing consumer experiences and market-led decisions will deteriorate.

Become a better briefer

The final lesson for marketing leaders is to cultivate outstanding skills at recruiting, briefing, motivating, managing and rewarding transitory networks of people against tight timetables. The irony is that these skills may actually be better grounded in agencies and consultancies. In a spirit of collaboration, it makes sense to embrace a structured borrowing of skills through secondment or project-based collaborations. These efforts should focus on transferring and embedding skills in-house, but should also develop the soft competencies of collaboration and teamworking.

The critical skill ahead of briefing is defining the problem and opportunity correctly – something the leaders need to apply all their experience and skills to, but is an area that is often overlooked.

If this wider experience economy demands nothing else, it demands collaboration and greater awareness of real competencies. Fewer promises, more delivery. Less self-promotion; more self-awareness.

Ultimately, experience management is an exercise in managing the flow of value to and from the customer. Everyone must take responsibility for this: not just the marketing function.

Of course, marketing directors should look at their departments, at their agencies and their whole organisation; but first and foremost they must examine their own leadership priorities, to see how far they are leading the organisation's marketing capability, not just the function, for future success.❦

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From the industrial age to the network age

By PROFESSOR N. VENKAT VENKATRAMAN

Marketing grew up in the industrial age. As this age gives way to the new network age, companies will grapple with dramatically new and challenging issues. In this edited version of his Marketing Society Conference presentation, Professor Venkatraman describes four major shifts that companies must now understand: new business models, where the cash register is, the active role of consumers and the speed of technology

WE NOW TAKE it for granted that history really started in 1995. In August 1995 a relatively unknown company called Netscape went public and created a market capitalisation of one billion dollars. That itself was not new but it was the first time that a company got a billion-dollar capitalisation by giving away its product free. Fast-forward to 2007 and consider this number: one trillion dollars. Companies that are capitalised with a trillion dollars are some of the companies that we know well: Microsoft, Google, Nokia, Amazon, Apple, IBM. What has happened in the last 12 years has shifted the focus from a billion-dollar single company to a set of companies that make a trillion dollars in capitalisation and that are ruling the world.

They are creating products that essentially define the network era. It will be the norm for the next generation to regularly play video games, interact and have conversations with people they have never met. This generation will be going into the workforce very soon to create, consume, innovate and do things on the network that we would find it very difficult to even imagine just a few years back.

Commerce is shifting online, conversations are shifting online, communities are being built online and that is creating an entirely new infrastructure in which managers, and companies, products, values and markets, are created. I want to describe four major shifts the network age is producing, and explain why companies, large and small, local and global, need to recognise these shifts.

This is not happening overnight; however the technology *is* happening overnight. But the business practices are all lagging so we have some time to think about how to accommodate these shifts. But not much.

Professor Venkat Venkatraman is the David J McGrath Jr Professor of Management at Boston School of Management.

1. A shift in business models

It is very simple to look back in history and say all the management ideas, including all the marketing ideas that we take for granted today, came from one industry – the automotive industry. At the turn of the last century that was the laboratory we studied and where we created ideas and extracted principles to be practised in different industries. Today would we actually go and study the automotive industry to steal ideas for management? Of course not. We are studying the companies that constitute a trillion dollars in market capitalisation: the network business models.

Let's say in 1980 you wanted a computer. You could buy it from IBM or Digital or Unisys or ICL or Fujitsu. You couldn't go to IBM and say, 'I love your computers but I want to be able to get the applications from Unisys, the operating system from ICL and have it serviced by Digital'. But over the next 20 years that's exactly what happened. I could buy the monitor from Samsung, I could use the Apple operating system, I could get the POP line from Microsoft and I could have it sent wirelessly using Google. That decomposition occurred in the last 20 years in other industries as well.

Fast-forward to 2002 and we see that's exactly what happened. We can buy in layers of components and knit them together so we do not have to be vertically integrated. We are now virtually integrated – buying pieces from different companies to assemble ourselves.

Now think about the automotive industry.

We couldn't really go to an automotive company like GM and say I love your chassis but I want to be able to get the engine from Jaguar, the electronics from Lexus and have it serviced by Mercedes-Benz. You can't do that now, but we are getting to the stage where the automotive industry will become equally decomposed and loosely integrated.

What is the offer and who owns it?

When that happens many questions arise: what exactly is the notion of a product, what's the notion of an offering, what's the notion of an experience? Who is articulating how those industries will evolve and how the experiences will be felt by different consumers? That's the big challenge.

The computer industry is simply an early example of the shift that we need to think about. Don't think of any product or service as being vertically integrated; think about the decomposition that's possible and the recombination that would make the values and the products and the service different in the future.

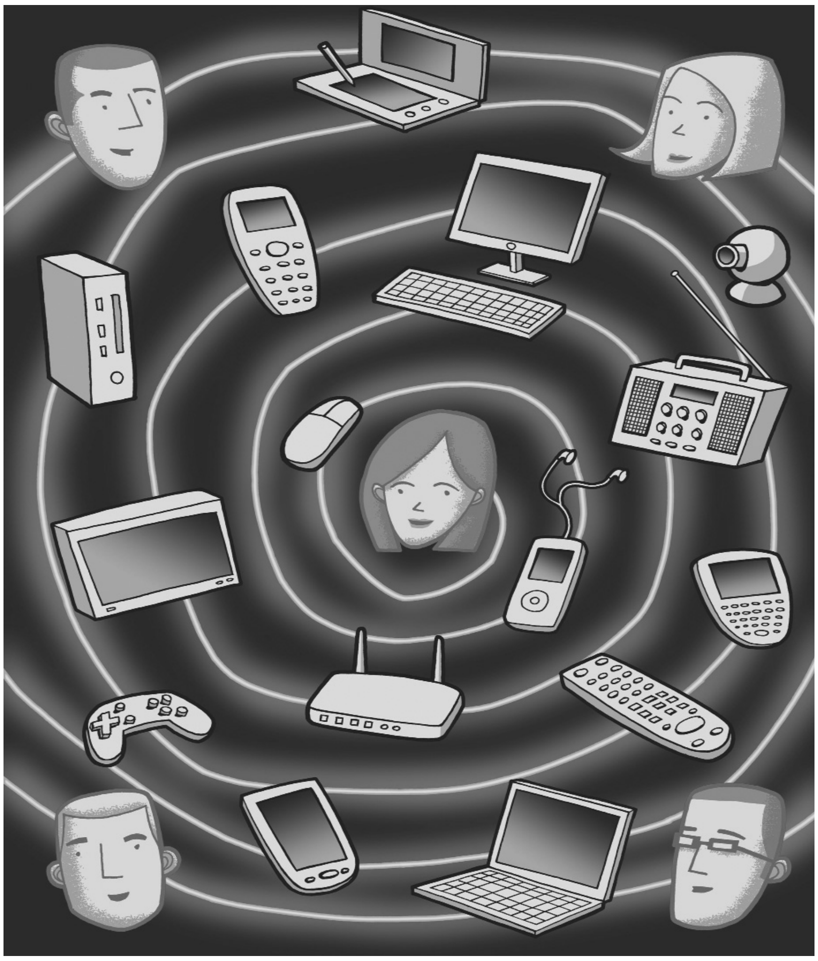
Business models will be based on portfolios of capabilities assembled through different types of relationship. But these business models keep changing, so we can't assume that what we knew yesterday is true today or what we assume today is going to be true tomorrow. The computer industry is simply a leading indicator of what's going to be much more widespread in the network era.

2. A shift in where the cash register is

In the industrial age the idea of the cash register was very simple. Wherever you sell a product, you extract money from the consumer. There's after-sales service and there's before-sales activities, but essentially the cash registers were very well defined.

In the network era, the new rules essentially challenge where we place these cash registers. You need to think about this very seriously because it has profound implications for where value is going to be created and what your core competence is going to have to be to extract that particular value.

Let's first look at the music industry as an example. Just think about how we bought



music just a few years back. We got the hardware, turntables, cassette players, Sony Walkman. We bought the content in standard albums: 33 rpm, 35 rpm and 70 rpm. (My 18-year-old college students wonder why we would even categorise music format in terms of rpm.)

Then we bought the music in physical stores and we shared it with our friends, and the music industry didn't worry about it.

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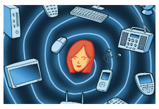

Apple's iPod and iTunes single-handedly changed the way we buy music in the network era.

Piracy was not a big problem. The industry was very well established and every one of those layers could extract value; the cash register was very well defined.

The iPod single-handedly changed all that. When I was doing research with Warner Music, the Warner Music manager asked me in what other industry can we find consumers making perfect copies of their product at near zero cost and distributing it on the net to people that they have never met? That's what happened with the iPod.

Now we are thinking about layers of capability and so we need to introduce two new layers: software and decision rights management. Software because we can digitise music and have it distributed in different ways, and the decision rights management to make sure that we can't indiscriminately pirate copies and distribute them.

Person-to-person sharing allows individuals to share without necessarily knowing each other and this gave rise to the entire idea of communities such as Facebook and MySpace, and so on. So now in the networked era, music is no longer just on the computer but is using the network operators. You've got Apple, wifi and Waterfall and T-Mobile, and everybody else who's coming into the space.

Wresting control from content owners

The reason why the network operators come into the space is because they want to defend the cash register called dial tones.

Consider this: the global music market for Apple iTunes, Wal-Mart and Amazon all together in 2006 was US$4 billion. The industry for dial tones on your mobile phones is US$5 billion. Kids paying a huge premium to get personalised dial tones is a five-billion-dollar industry and the network operators want to control it.

So now you see Apple wanting to defend the cash register for iTunes. You see the content owners wanting to defend the cash register for their albums and you see the network operators wanting to defend the cash registers for their digital dial tones. All those markets are colliding and are essentially reconfiguring themselves to figure out who has the power to jockey for a particular cash register.

Look at the music industry right now. If we had done the music industry analysis the old-fashioned way we would have put all the music labels at the centre of the industry. But music labels don't have the control. Who actually gets to decide the price of music when it's digital? The music labels have lost control to Apple, to Wal-Mart, to Amazon and others.

Suddenly the decision rights will actually influence the fundamental nature of the industry as it shifts from the content owners to the channel, and ultimately from channel to the communities like MySpace and Facebook.

Now why is that critical? I used the computer industry to illustrate the fact that the vertical integration of the industrial era is no longer the model. The model is virtual integration. I use the music industry to get us thinking about the fact that the person who controls the cash register is changing, so in the network era the big challenge is who has the decision rights to control the most important part of the competitiveness, which is pricing.

The first thing we do in marketing is to differentially price. But what happens when someone outside the industry comes in and essentially creates blanket standard pricing? Think about the implications of that in your own industry going forward.

The advertising cash register

Advertising is the second example that redefines where the cash register is being located as we shift from the industrial age towards this information age – from the physical world to the virtual world.

We know Google allows us to search, and we all know that it makes money monetising information by placing ads. But it also gets it more indirectly.

But put yourself in the position of someone like an ordinary newspaper reader – say a *Telegraph* reader – looking for news. One publisher makes the decisions as to what he will see. Contrast that with Google News, which allows the synthesis of 4500 news sources, highly customised based on what you have searched for on the net. The *New York Times* says 'all the news that's put to print' (or all the news that's put to print and blog and stream and everything else). Google basically synthesises all that and gives it to you in a highly personalised form that's multi-lingual and updated on a continuous basis. Suddenly, it is in the newspaper publishing business.

Going forward it can also make money using Google maps. Maps are like searches: the relevant information when you want it on whatever device you want it in whatever context you want it – free. The software is free and the tools are free, so it makes money indirectly. Newspapers make money directly using advertising that is standardised. Now advertising is highly customised and contextualised as consumers do their shopping online.

YouTube was bought for US$1.6 billion and we all wondered why. But the interesting thing about YouTube is not all these crazy ads that are being uploaded but the power of YouTube as a test marketing platform: test marketing a product's features and test marketing communications. It's far more efficient and effective than traditional test marketing. So YouTube might look expensive at US$1.6 billion if you didn't know how to monetise it. But US$1.6 billion looks like a very inexpensive buy if it is turned into a test marketing platform

What is Google to you?

Again, back to the technology. Today the maximum video that you can upload is 10 megabytes, but 10 MB files are very poor quality. YouTube is already experimenting with a gigabyte file so I can upload high-definition television clips, which means that these sites become the media. They become the channel and the conversation conduit.

So the real question to a group of marketers is this: what is Google to you? Is it a partner? Is it a competitor? Is it a service provider? Or is it a customer? Do this analysis and then ask yourself what that relationship will be in the future? Every one of the companies I work with recognises that Google's role is different for them today than it will be in the future. So start thinking about future Google when you ask these questions of your business.

3. A shift in the role of the consumer

The third shift is the shift in the role of the consumer. In the industrial age we treated customers as individuals; they were independent and very passive. Today in the network age they are highly collective, highly interdependent and very active.

We all know Nielsen – the company that tracks market share. But it does it the old-fashioned way, using statistics and point-of-sale data. But it has started a community called Hey!Nielsen, which asks people to come and discuss rather than simply have an abstract number of market share. It wants to understand our gut feelings and our opinions in much more detail.

There's also something called Current Television. Al Gore is the chairman and Current Television allows you to make user-generated advertising; this allows advertisers to use consumers to create ads rather than (or in addition to) advertising companies.

ESPN in the US is a very big television channel for watching sports programmes. But the fastest-growing feature of ESPN online is ESPN conversations in which people are watching ESPN on television but chatting

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online with their friends about what's going on.

The last thing I want to highlight in this third shift is what's called social retailing. Walk into a boutique department store in New York and you will see a virtual mirror that is aimed at young women. You walk in, try on your dress or whatever and you connect your buddy list to the mirror, which beams the pictures to your friends. The friends can then tell you whether this particular dress looks good on you or not.

The buzz so far is the recognition that shopping is not done independently but socially. The mirror also allows you to try out all the various combinations of a garment without you having to put them on, because the other side of the mirror allows you to try out different colours and different accessories. It changes shopping and changes marketing.

4. A shift in the speed and pervasiveness of technology

The fourth shift is one that encapsulates many of the other shifts in a very powerful way. All this is possible because of the pervasiveness of technology. Moore's Law makes computers faster and cheaper; Metcalfe's Law that says anything that can be connected will get connected. We can connect people, we can connect refrigerators, we can connect our Nike shoes all to the internet, and by connecting to the internet we extract value. The third law is to do with bandwidth that allows us to perform these interactions at a much faster speed.

When you put it all together it impacts your products, it impacts your processes, it impacts your services, and impacts how customers interact with you.

A computer on wheels

Here is one last example. How many lines of core are there in an automobile? Software has lines of core: Windows XP has 40 million lines of core, an Airbus A340 has a billion lines of core and a high-end automobile has a hundred million lines of core.

But we still think about an automobile as an internal combustion engine that runs on gasoline. A car is really a computer on wheels. If we think of a car as a computer on wheels we can provide a variety of value-added services; keep track of where you are going and give directions about where to go and eat, where to stay, and so on.

Think about what could happen when we log onto your car. The network identifies who is driving as well as who else is in the car and provides a set of value-added services to the driver and the passengers. Once a car is connected to the network there is a whole range of services that we can barely imagine today that are going to become possible in the near future.

Even today remote diagnostics are possible. The display on the car is still very old-fashioned. A red light comes on and says 'check engine'. With what technology? You can't just open up the hood and see what's going on because underneath is a computer.

So now when you get a red light to fix the engine, GM is able to diagnose remotely and tell you what is wrong and how to get it fixed. Often the solution is on software downloads that can fix the problem immediately.

To summarise ...

1. The business model shift says no longer is everything done by you but things are done with partners, which has implications for how you brand and how you deliver customer experience.

2. The second one is the cash register shifts that change how you monetise what value you bring. This can be direct or, in many cases, indirect.

3. The third one is to recognise the role of consumers: not as independent passive players but as a highly interdependent group who are actively shaping what your brand means.

4. Fourth, all this is possible because the information technology infrastructure is changing very fast. We have barely scratched the surface in terms of fully exploiting it and I've simply used the automobile as one example to get us thinking about how different these things will be.❦

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Web video unleashes the power of the web

By DICK STROUD

In the same way that GIF and JPG images added richness to plain text, so video provides a new dimension to the web's ability to communicate and entertain. Dick Stroud explains why for many it is the most exciting of all the new digital technologies

APPROXIMATELY HALF OF all internet traffic consists of TV shows, YouTube clips and web animations. Within the next 24 months, video is expected to account for 90% of internet traffic. Even though we have just begun the web video revolution, the magnitude of its impact on the internet is already staggering.

A combination of technological developments has made the creation and viewing of web video a mass-market experience.

The costs of video cameras and software to create and edit video have plummeted. Al Gore's Oscar-winning global warming crisis documentary, *An Inconvenient Truth*, was created using standard Apple Keynote and editing software, and with a video camera costing less than US$ 4,000.

The production team required to create videos has shrunk to two people. One person to act as the journalist/interviewer, the other the cameraman/editor.

The second development is the widespread availability of broadband. There is now a worldwide audience of 300 million subscribers who can access the internet at broadband speeds. This number is expected to double by 2011. The demand for web video and broadband access is now in a cycle whereby broadband take-up is driven by the desire to view video, which in turn increases the audiences and supply of video material.

Finally, the costs and simplicity of hosting, searching and viewing web video have radically improved. There are over a 100 websites providing free video hosting services – double the number at the beginning of 2007. YouTube alone contains over 60 million video clips and now even boasts a channel for the UK's monarchy.

Dick Stroud is a consultant, lecturer and writer. He is also founder of the marketing consultancy 20plus30.

Google is evolving its video search capability with the development of 'universal search'. This will process all content including video, images, news and websites combined into a single, integrated set of search results.

Finally, Adobe's Flash Player has become the default software used by the main web hosting companies, including YouTube and MySpace. Adobe estimates that 99% of the world's developed markets can view Flash Player content.

The 'YouTube effect'

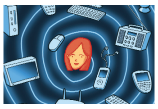
YouTube has had a lasting positive, and transitory negative, effect on the evolution of web video.

The positive effect has been to propel web video to the attention of the general public. This has not always been done in the most appealing way. Saddam Hussein's death, the unguarded statements of politicians and the rantings of celebrities have quickly found their way onto YouTube, often before they were broadcast on TV.

Amusing nonsense videos have achieved audiences of astonishing numbers of people. 'The Evolution of Dance', a six-minute video clip, has so far been viewed over 51 million times. YouTube is littered with such clips.

YouTube has thrust web video into the public spotlight but often with the connotations of it being trivial and a faddish thing that is only used by the young.

The negative outcome is for marketers to pigeon-hole web video as being another part of this strange 'Web 2.0 thing' and relevant only if you are targeting the tween and teen markets. This is not supported by the facts. According to data compiled by Nielsen/NetRatings, comScore and Quantcast, web users aged 35–64 represent



anywhere between 48% and 65% of YouTube's audience. The average age of US users is estimated at 39 years old.

Maybe it is symbolic that YouTube decided to use a video recorded by an 80 year old to launch its UK web site.

YouTube has demystified web video and made it a mass consumer experience. The repercussions for how we consume information and entertainment will continue long after it has disappeared and been absorbed into its parent (Google).

The marketing applications of web video

Web video is a reality, it is not going away! Marketers need to plan for its use in their organisation to ensure consumers' time is spent watching video associated with their brands and marketing campaigns – not that of their competitors. The following are the most obvious marketing applications for web video.

Advertising

By far the largest use of web video is to extend or substitute for traditional advertising channels.

Using video to advertise on websites is an evolution from static and animated banners. The objective remains the same: to stimulate click-throughs and raise brand awareness, objectives that apply to both B2B and B2C companies.

Research conducted by the US Online Publishers Association demonstrates the effectiveness of the video format for achieving these goals.

The study found that approximately 80% of all video viewers have watched a video ad online, and 52% have taken some sort of action. This action might be visiting the website (31%), searching for more information (22%), visiting a store to look for the product (15%), or making a purchase (16%).

Unilever's use of the technique to promote its Dove beauty products is an excellent example of how video provides a relatively inexpensive, but very powerful mechanism, to build brand awareness.

Dove's *'Evolution of Beauty'* campaign has been viewed by over seven million people.

Dove made a video called the 'Evolution of Beauty', which has been viewed by well over seven million people on YouTube and other content-sharing websites. The video appears to show how an image of a young woman can be airbrushed and digitally enhanced to create an impossibly perfect image. It is part of the brand's highly successful 'Campaign for Real Beauty'.

With this video, Dove found a way to harness the public and the traditional media to grow its brand image. A more recent campaign by Cadbury, using a life-like gorilla playing a drum solo generated over two million views and spawned numerous remixes and look-alike videos.

Volkswagen's 'Midlife-crisis Retreat' campaign was used to promote its Passat car, and employed a viral technique enabling the video's content to be customised by the sender. When the receiver viewed the video he or she was greeted by an amusing personalised video message referencing them by name

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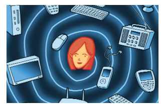
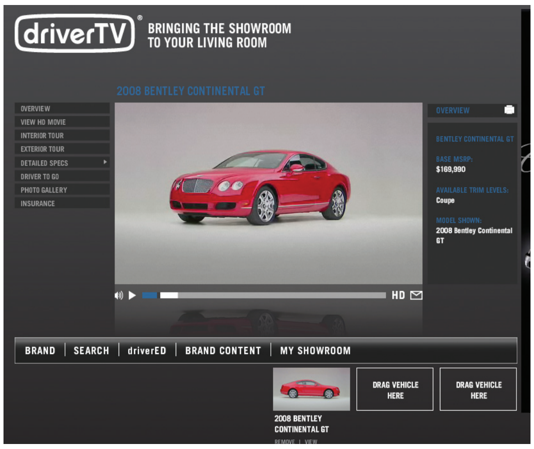


Right: driverTV contains standardised video demonstrations of all the leading US cars and enables users to create their own showreel containing the vehicles they want compared.



and age.

These are good examples of using web video to enhance the impact and reach of traditional advertising. They are the exceptions. Most companies still have a 'silo' approach to their advertising, with little attempt to exploit a synergy between the communications channels.

This situation is partly explained by the newness of the media but also because many of the benefits of web video appear to be free and tend to be devalued. In an interview with the *Financial Times*, Unilever's Senior Vice-President, Global Marketing Services said: 'It can be misleading to look at just our media expenditure, because a lot of the value we get from the digital world is essentially free or almost free.' This is one of the rare times when marketing effectiveness can be increased by spending less.

Improving the customer's experience

Video can be used to supplement text and images, and extend the richness of the information provided to customers.

The way that Ocado, the supermarket service in partnership with Waitrose, uses video recipes is a perfect example of this application. The company's website contains recipes listing ingredients and video showing how to prepare a meal. After watching the video, all the ingredients can be added to your shopping basket with a single click. To supplement its cookery programmes, the BBC has added 100 interactive recipe videos to the cooking section of its website using celebrity chefs.

To add a new degree of richness to its books and website, Lonely Planet has created a site dedicated to web video to assist low-budget travellers researching destinations. For more traditional travellers, Tripadvisor has launched a new version of its website that enables customers to share video experiences of hotels.

Web video's most obvious use is as a training tool. When Google released its new toolbar it was accompanied by a short (90-second) low-budget video that eloquently demonstrated the application's new functionality.

Ninety seconds of video provides customers with more knowledge than a mass of text and imagery. It also empowers companies with a rich palette of communications techniques to convey their brand messages.

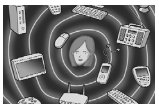
Extending market reach

Web video creates new ways for companies to communicate with existing customers and to reach new audiences.

CNN's entry into online video illustrates how the distinction between television and the internet is blurring. CNNMoney.com's editor succinctly makes this point: 'The future of business television is online.' The metrics support this statement. In October 2007, CNN.com's site serviced 61 million video streams. Interestingly, the average age of its user is 41 years old.

Other examples of companies using web videos to create new channels with their customers include Simon & Schuster. It launched a video-based website providing in-depth interviews with authors as a means of promoting book sales. Haven, the UK holiday company, uses video embedded within its email marketing to engage with potential customers to stimulate them to research and book their holiday online. The video starts playing as the email is opened, showing examples of the company's holiday parks. The same video content is also promoted through Haven's YouTube channel.

ShinyShiny.tv describes itself as 'a girl's guide to gadgets'. The fact that O2's Marketing Director and Microsoft's Mobile Ambassador have starred in its shows illustrates how video can be employed to reach hard-to-reach market segments.



Google has created a 'talk show' channel on YouTube, where the company's representatives interview political and business leaders (e.g. Hillary Clinton, Michael Bloomberg). This gives Google the opportunity to reach a massive audience and expose another facet of its corporate identity.

Conveying complex and sensitive messages

i-to-i is the UK's largest volunteering holiday company and is experiencing a growth in demand from older people (50-plus). The company's research shows that prospective customers have a concern about being the only older person on the holiday. This is creating a barrier to booking the holiday. A video was created, featuring older customers and i-to-i service staff, that pre-empted and answered this objection in a far more eloquent and effective way than text and imagery could ever have achieved.

ING Direct, the online bank, devotes half its home page to delivering a video showing endorsements about its services from a cross-section of customer types. The prospective customer can see and hear other customers talking and can make an instinctive judgement about the bank's style and culture.

Mattel used video as part of its response to the mass recall of toys. Bob Ecker, the company's CEO, talked to camera to explain the details of his company's response, but more importantly demonstrated his personal intent to rectify the situation in a way that a press release could never convey.

Two of the hardest things to achieve on the web are product comparisons and the explanation of complicated tasks.

Perhaps the best example of how web video can improve the product comparison process is provided by driverTV. This website contains standardised video demonstrations of all the leading US cars and enables users to create their own showreel containing the vehicles they want compared. There are multiple applications for this technique – purchasing white goods being an obvious candidate.

VideoJug.com hosts one of the world's largest libraries of factual content. The video content is either produced by the company or vetted, in the case of user-generated content. The site provides web video on subjects as diverse as cooking a roast lunch and learning to instant message using Skype. Surprisingly, companies that rely on customers understanding complex instructions have been slow to adopt this media. It is interesting to speculate on the levels of time saved and stress reduction that would result from IKEA providing web video instructions for the assembly of its flat-pack products!

The challenges for marketers

Web video provides marketers with a powerful new tool that can be used in all areas of marketing communications. To ensure that their organisations extract the maximum benefit from the technology, marketers must overcome a series of challenges. The following are the five most important:

1. Think beyond the obvious niches. There is a danger of stereotyping the web video user as a young, techie person. Web video is likely to follow the same evolution path as other web technologies, with the consumer's age becoming irrelevant. Marketers should assume web video will have universal appeal.

2. Be discriminating in its use. There is a temptation to treat video as 'eye candy' and indiscriminately sprinkle it around the website. This must be resisted. Video should only be used for applications where it adds significant value compared with other communications media.

3. Apply strong quality standards. The same quality standards should be applied to video

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Web video is evolving faster than most companies' ability to keep up. During the next 12 months, web video will become high definition (HD) web video. For most people the quality of the videos they view on their PCs will be better than that on their TV sets

as any other communications medium. The novelty value of web video will only last a short time – it may already have passed. Poor quality video will then be ignored or will annoy web users. Remember that video requires script-writing not copy-writing skills. The way things are said is as important as words. In any two-hour feature film script there are usually about 8,000 words of dialogue. That means in a two–minute video you would have just 133 spoken words!

4. Choose the right metrics for judging performance. Judging the effectiveness of web video requires more than simple website analytics. The video will be viewed from multiple sources other than the website. It will be distributed as part of an email campaign, pushed through RSS feeds, viewed via YouTube, or one of its many look-alikes, plus numerous other sources.

5. Understand the intellectual property issues. As YouTube is discovering, it is very difficult to stop people loading and displaying video material they do not own. If a company's web video uses music and actors then there may well be copyright implications. The same applies if the video is sourced from a video archive like Mochila and Brightcove. Web video adds an extra burden for marketers to ensure their content is legal.

Web video is evolving faster than most companies' ability to keep up. During the next 12 months, web video will become high definition (HD) web video. Adobe's latest version of Flash Player and Intel's new chips are both optimised for HD viewing. For most people the quality of the videos they view on their PCs will be better than that on their TV sets.

A new generation of websites is emerging that are primarily video based, with text as a supporting medium. The YouTube 'video box' will disappear, and video will expand to become the core of the website.

The first candidates for these types of websites will be industries where the visual impact of their products and services is of paramount importance (e.g. travel, clothing).

The speed at which video is adopted by web sites will not be linear. We could soon be reaching a tipping point where the presence of video becomes a necessity rather than an optional extra. ❦

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Google talk show channel, **www.youtube.com/user/AtGoogleTalks**
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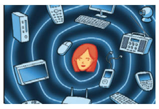


Marketing in the digital age

By SIMON SILVESTER

In this edited extract from *How to think Digital,* Silvester describes six features of the world of digital marketing that differ dramatically from the world of traditional analogue marketing. He argues that the analogue model is broken and marketers must learn a whole new bag of tricks to make use of the potential offered by digital technology

BACK IN THE 1960s, in the heyday of television advertising, few brands advertised on television apart from foods and household products. So demand for airtime was low. You could launch a brand with a 5,000 rating campaign. And still have money left in your marketing budget. Your ads got noticed too. Consumers had no Xbox, no internet, no mobile phone, no text messages, no Gameboy, no MSN and no Google to distract them. They couldn't even change channel without effort when the ads came on, because no one had remotes before 1978.

But the economics of TV advertising have changed out of all recognition since the 1960s. In the US, Japan and Europe, real consumer incomes are now two to three times higher than then. And so consumers have two to three times as much money to spend. Everyone wants their attention. Banks, computers, mobile phones, ringtones, vacation destinations and utilities all fight for the same ratings. So taking a long look back to the heyday of tv advertising, it's clear that the amount an individual advertiser can afford has collapsed.

In the early days of marketing, the only way to watch TV was live, ads and all. Today, many people pay to watch movies ad-free on cable or satellite. Or they buy and watch DVD box sets. Or download shows to iTunes. Or movies to their Xbox 360.

Since 2003, consumers have been spending more on devices and services like these that avoid ads than the entire advertising industry has been spending on media to reach them.

And so the model is broken. The rise in demand for TV airtime, combined with the much narrower target audiences brands have today, plus the increasingly effective attempts consumers make to avoid the ads, have changed the game. Here are some of the things you need to think about when you market in the digital age.

Simon Silvester is Executive Planning Director, Wunderman Europe, Middle East and Africa.

1. Reaching the target audience

Most analogue marketing hits the wrong people, or the right people at the wrong time. Digital is more efficient and more impactful because it can hit only the right people, and only at the right time.

Digitally targeted TV is still being developed, as digital media companies feverishly work on targeted ad packages to download onto DVRs. But the result is already visible when you look at a page of analogue classified ads from a newspaper, and compare it with a page of search results from Google or from Windows Live Search. Or increasingly from the smart graphical banners delivered by DoubleClick or by 24/7 Real Media.

Whatever you are looking for, the page of analogue classifieds is mainly irrelevant, no better than spam. But all the results on a search page are relevant to what you want.

So, in the digital era, marketers need to think less about wasteful broad media planning, and more about hitting exactly the right people at exactly the right time.

2. Word of mouth

There are many digital media. But the most powerful is digitally enhanced word of mouth. Use it with care though – you can' t use it to buy your way to success.

In the analogue era, consumers lacked the means to spread their opinions beyond a few friends. So word of mouth was never that significant. In the digital era, though, word of mouth is very different

Product scares spread like wildfire via email, blogs, texts and social networking sites. If you don't handle the issue within six hours, you

may have to explain yourself to millions of worried users. One bad review on an e-retail site can damage sales of your product. Five bad reviews, and your brand is dead. Positive brand news also spreads very fast: third-party developers on Facebook report that their applications can attract large numbers of users within hours. Some communities, like the world's six million software developers, are so closely linked that something known by one of them is rapidly known by all.

This means that word of mouth is now an incredibly powerful medium that can act positively or negatively for a brand. Marketers struggle to use digital word of mouth though, because they don't know how it works.

3. Finding the perfect partner

In the digital era, all brand owners are also media owners. Save media money and find the perfect partner. In the digital era, every brand is a media owner, and can grow through strategic partnerships. In 1998, Google didn't exist; today it is valued at US $168 billion, more than General Motors. According to WPP's BrandZ study, it is the most powerful brand in the world.

Marketing was a vital part of Google's rise. But Google got to number one without spending a single cent on traditional advertising. Google did it entirely through strategic partnerships. The first big one was with AOL. The partnership put a Google search bar on the AOL homepage. This put Google in front of 36 million web-literate Americans. They tried Google. And because they liked it, they told their friends. Within a year or so, everyone knew about Google. It was so famous, it became a verb.

AOL benefited too. It had introduced its users to a cool new service, and their ratings improved in line.

In the 1990s, Diageo was very successful partnering two of its brands to produce Baileys flavoured Häagen-Dazs. The partnership produced a profitable brand extension. It also made a lot of Häagen-Dazs users try Baileys, and vice versa.

When it works, the strategic partnership can be very effective: each brand benefits from rising awareness and a new group of potential new users. And because no media costs are involved, strategic partnerships can be cheap to run.

Brand partnerships: Diageo successfully partnered two of its brands to produce Baileys flavoured Häagen-Dazs.

4. Trial as a starting point

In the analogue era the point of much marketing was to encourage consumers to trial a product or service. In the digital era, we can be more direct. Trial can be our startpoint, not our endpoint. Experience is the best form of marketing.

Experience is indivisible

Apple succeeded with the iPod because it recognised that user experience is indivisible.

Other things to pay attention to

- There's no point using smart search marketing if you don't spend as much time thinking about what happens after the click.
- No consumer will wait 10 seconds for a brand website to download. Keeping people waiting is a sin.
- Most marketers are dataphobes. And with good reason. Digital data streams can paralyse marketing departments unless they are handled expertly. So handle data with care.
- Why find a new customer when you already have one? Smartly managed, digital relationships can last a lifetime. Web 2.0 is all about consumers working together. Work out how to collaborate with them too in the 'channel of we.'
- Handle privacy issues carefully. You don' t need tons of information about a consumer to influence them. Quite often, all you need is one key piece of information.
- Digital media are already much more efficient than analogue media. But Web 3.0 and Web 4.0 will be much more efficient yet again. Digital media need to evolve.
- Work on predicting the future. Marketing and media are now moving faster than you think, and much faster than your company can respond to.
- Build a closer relationship with the truth. Because in the digital era, the people who tried your service yesterday are talking to those who will try it tomorrow.
- The consumer has worked out how to use the internet to cut marketing out of their decision-making processes faster than marketers have learned how to use it to stay in control. So the consumer is in control – for now.
- There is a lot more demand to be had for products and services that can be delivered instantly than for things people have to wait for.
- Boring isn't boring at the moment of truth. This is vital news for the financial services and life insurance companies that have seen their marketing more than anyone else's ignored by empowered consumers.
- The world is globalising slower than you think. Localisation is much, much more than just translation.
- 'All warfare,' said Sun Tzu, 'is based on deception.' In the analogue era, everyone's marketing strategy was obvious. Not so today – so keep yours secret.

Its iTunes software imports CDs, searches for track names on a database, labels the tracks and loads them on to an iPod, all with just one click. Similarly, Sir Richard Branson built up an enviable position in business-class travel by recognising that the plane journey starts as you leave your front door, and doesn't end until you open the front door at your destination. Virgin Atlantic placed limousines at the disposal of passengers at both ends of the journey, and ensured that passport and ticketing was done while the passenger sat, relaxed, in their limo.

Online, the positive experience we deliver must be the total experience the prospect receives from the moment they think about their need.

There is no point having a slick website if it takes 25 clicks for the prospect to find it. Or if the promises made in paid-for clicks don't match the content of the website. Or if the prospect can't find it at all.

The digital parts of the brand experience must work together with the analogue parts. There is no point in having a cutting-edge digital frequent-flyer scheme if your best customers still struggle to get through the airport.

If you sell everything under one house brand, the whole experience of your company is what matters. Ensure that all your web presences work together.

In the digital age, what you deliver and what you don't is transparent to the consumer. So, if you don't want your marketing to sound like bullshit, it had better reflect the truth.

5. Digital media will keep evolving

Search connects buyers and sellers at the moment the buyer expresses their need. As such, it is one of the most interesting marketing media ever invented.

Search is getting more intelligent, or 'semantic', as engines keep developing, learning to understand contexts rather than just words.

It's also getting more visual, as engines work out ways of cataloguing video. But is it going in the right direction for commercial use?

Search needs to change; current search engines are weak for the following reasons:

- They don't know where you are. The better ones know what country you are in, and that helps. But when you are looking for a motel for tonight, the results would be a lot more relevant if they

knew that you were on Interstate 80, 15 miles west of Lake Tahoe.

- They don't know who you are. Even sophisticated online bookstores get it wrong. You buy a big pile of books on Dilbert, because you like Dilbert, and then you buy a Hannah Montana DVD set for your niece who likes Hannah Montana. So after that, the bookstore keeps recommending you stuff for the weird sort of person who likes both Dilbert and Hannah Montana.
- They don't know what drives you. Most search engines know nothing about you apart from the search term you've entered. It would help that when you type in 'cash', the search engine knew whether you were looking for an ATM or for country music.
- They don't know more about you than you do yourself. The best lover buys you a birthday present you didn't expect because that lover knows more about you than you do. Search engines would be really useful if they could do the same with search results, unmasking latent desires.
- They expect you to search by typing in words. Why can't you just point and click like normal? If you see a sofa you like in a virtual world, you should be able to click on it and find one to buy.

Indeed, the next development in search engines may well be the more 'lean back' search engine. People already tend to type 'eBay' into search engines because they can't be bothered typing 'www.ebay.com' into their web browser. Further waves of convenience and laziness are sure to come.

As this happens, search engines will become less about active, committed search. The value of individual clicks will go down. But the end result will be that search will become a more powerful marketing tool.

6. Just because it's digital doesn't mean it's better

You're a business executive in a foreign country. You're in a taxi heading for the airport. The traffic's backing up. You know you're going to miss your flight. Should you continue to the airport in the hope that there's another flight today? Or give up and head back to your hotel? You choose.

In the 21st century, you have three ways of deciding: you can fire up your laptop, find an unsecured wifi hotspot next to the freeway and access your airline's timetables via the web; you can hope that your mobile phone contract allows you to access 2.5G data services abroad, and use it to surf to the airline's WAP portal; or, you can phone the airline's voicemail system from your mobile, and between bursts of static, speak the names of departure airport, arrival airport and time of departure to the computer voice system, and hope it gives your flight details back. Of course, none of these state-of-the-art digital methods usually works.

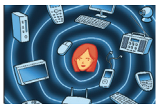
Compare that with ten years ago, when business travellers just reached into their bag for one of the timetables airlines gave away at every check-in desk. The printed timetables worked fine. But they no longer exist because the airlines have gone digital. Digitisation is making airline service go backwards.

Similarly, the music industry has developed digital-rights-managed music for the digital era that is less portable and less secure than the CD that you bought ten years ago.

Business travel agents today supply all itineraries via weblinks. 'You can download them on to your PDA,' they say. But the links don't work with most PDAs. The schedule is only good if you are in front of an internet enabled PC with a printer attached.

And most corporations serve their customers much worse now that they have replaced their switchboard operators with voicemail jails.

Search is getting more intelligent, or 'semantic', as engines keep developing, learning to understand contexts rather than just words. It's also getting more visual, as engines work out ways of cataloguing video. But is it going in the right direction for commercial use?



So companies thinking of developing new digital customer handling systems had better be careful that digitisation means their quality of service goes up, not down.

- If you offer a financial service, and your customers visit your site only once a year to renew, think carefully about how you let them in. No consumer remembers a password for a year.
- If you are an airline, make sure a link to your timetables is prominent on your homepage. If your website is run by your e-commerce team, they may be tempted to force people looking for plane times through the e-booking engine, in the hope that they might buy a ticket online instead.
- Consider using CRM software to manage your customers. As the cost of human contact rises and rises, smart CRM software is the future of service.

Other developments needed

A hundred new media appear every year. Few offer useful marketing opportunities. Here are a few new media that would help:

- In the US and Europe, a connection between paper and the mobile phone is needed. In Japan, camera phones that photograph and interpret barcodes on paper objects are commonplace, and a massively used consumer-friendly direct response system. Mobile service providers: if you want m-commerce to take off, ask the handset makers to work on this feature.
- Media that know where you are: mobile phones tried to do location-based services in the 90s by tracking the mobile phone tower the user was closest to, but it wasn't precise enough.
- Today, web browsers try to do the same thing by tracking the computer's IP address, but this isn't very accurate either. They can tell if you're in Seattle, but New York and New Jersey are just a blur. Soon we shall have the technology, though – with 2-metre accuracy on GPS chips a dollar each. The way some satnavs download MSN Direct data points the way.
- Smart ad serving to set top boxes. We understand Google and News International are working on it.
- Permission marketing media with an easy off button. We've found that many consumers like the idea of permission marketing – if they are thinking of going on vacation, the idea of divulging their needs and a budget and asking holiday companies to pitch at them is attractive. But too many permission marketers conceal their 'off' button, or ask you to remember a website password before you can stop the torrent of emails.
- Smart spam filters that allow stuff you want through, rather than block all commercial messaging. People who like *Star Wars* don't mind receiving mailings from purveyors of life-size imperial stormtrooper dolls.
- No brainer e-media for people born in the 1970s. People born before 1980 don't use e-media nearly as fluidly as young people.
- Standards in mobile phones. The 2G GSM standard let 2G phones rocket across Asia and Europe, leaving the US behind. But a lack of standards in smart 3G phones is hampering the development of e-media applications.

In short ...

The analogue world is dying, as highly segmented brands find it more and more difficult to connect with narrow target audiences via blunt mass media, and as consumers spend more and more money on devices and services that eliminate advertising from their lives.

But marketers are struggling to adopt digital because what it does looks to them nothing like marketing. But that's because the concept of marketing was first coined in 1960 to explain the effects of cheap mass television.

Marketers didn't select TV as their medium of choice. Mass marketing evolved to explain the effects of cheap TV. To think digital, marketers need to completely erase what is in their heads.❦

Full book available at:
h*ttp://pubs.wunderman.com/digital.pdf*

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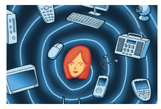
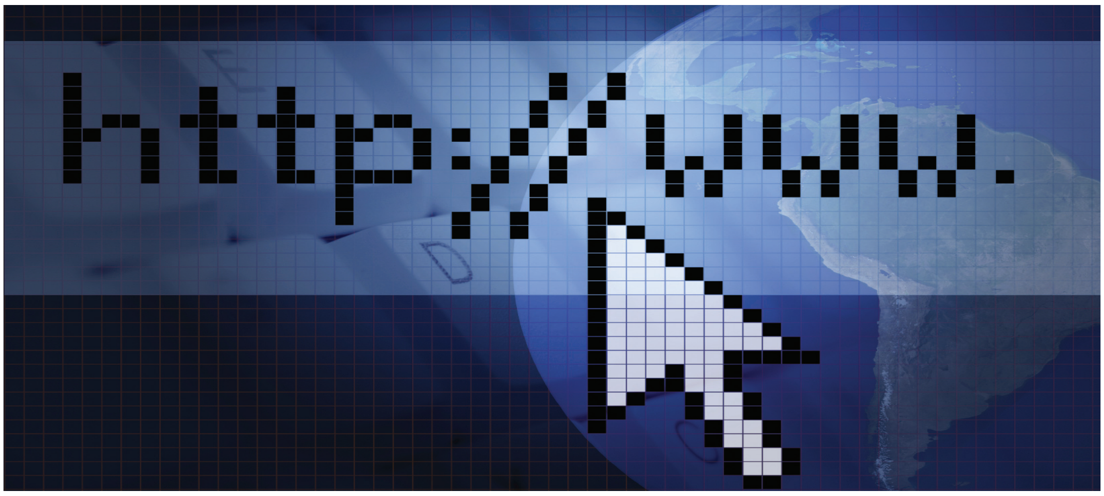


Web 2.0 is not about technology: it's about human relationships

By JOHN GRIFFITHS

Griffiths argues that companies are ducking the major challenges of Web 2.0 by treating them only as internet/customer communications issues. In fact, the challenges to make companies more accountable, accessible and human, represent seminal changes to company structures and business models



PICTURE A STATUS meeting in a modest-sized marketing department. The marketing director has asked the junior marketing executive to report back on the Web 2.0 conference he sent him on. The youngster was chosen to go officially because it was good for his career development (he'd also been most useful in helping the marketing director to set up his Facebook page) and unofficially because the marketing director wondered if anybody else in the department would have been able to make head or tail of it.

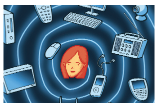
The junior exec took the floor and for 15 minutes bombarded the team with talk of blogs, social media and user-originated content. When he had finished the marketing director sat back: 'This is all very interesting but what tangible recommendation would you make?' The reply was something called a research community, which would cost two-thirds of the annual research budget and would provide apparently 24/7 contact with a range of customer stakeholders.

John Griffiths is a communications strategist, researcher and facilitator.

It all sounded rather too radical so the marketing director asked if there was a quick win or two. To which the executive replied, 'Well I've talked to our ad agency several times about putting all our ads on YouTube so people can watch them whenever they want but apparently they're worried about digital rights and repeat fees.' Before closing the meeting the marketing director asked if there was any other business.

One of the product managers asked what she should do about a letter from an enthusiastic customer who had set up a contest to test their product against a competitive product – all as part of a light-hearted night out, and could they have some branded T-shirts and badges as part of the team? The other product manager cut in, 'I've just had a customer send me a video of his daughters using our latest product – he was quite proud of how prominent he had managed to get the logo – he was wondering if we were interested in using it as part of our publicity'.

'That's nothing', said the marketing manager, 'I've had a newspaper on the phone about our sponsorship of one of the British athletes travelling to the Peking Olympics



this summer. They want us to clarify our position on human rights in China and how we police our suppliers in China to ensure they are treating their employees fairly.'

The power of Web 2.0

I begin with this anecdote because it demonstrates the range of challenges businesses face now that Web 2.0 is upon us. The examples I give are typical of those I have heard in the last year. What I want to show is that the biggest challenges aren't coming from the internet and new technology but rather from the different kinds of relationships customers will demand from companies. It will take more than sending colleagues to internet conferences to paper over the cracks.

The cultural changes – more sophisticated and involved consumers, less trust, more criticism – are real. The point is that Web 2.0 has enabled these changes to impact businesses much faster than would otherwise have been the case. Note that none of the examples given by the hapless product managers were internet based. The ability of ordinary people to engage with businesses using the internet has meant that businesses are now subject to a level of dialogue with their customers that was unimaginable even five years ago.

Web 2.0 is defined in all sorts of vague ways. But simplest explanation is this: the first era of the internet allowed companies and individuals to post millions of pages of information (at a stroke undermining the need for printed instruction manuals and product brochures). We are now into the second era of the web, which allows people to use it not just to access or publish information but to interact with each other. Hence the rise of instant messaging, blogging and social networks.

The internet has always had bulletin boards and chatrooms but, for the first time, the vast majority of inexpert surfers are using the internet to communicate with each other, not just using text but the full gamut of multimedia, much of it sourced from the now ubiquitous mobile phone.

The *Cluetrain Manifesto: the end of business as usual* fired the warning shot. Published in 2000, this book told us that markets were conversations and that companies could no longer keep up. Employees could no longer be controlled by corporate mandate and needed empowering to keep the conversation going, often by proffering their own opinions and making their values more explicit.

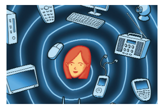
Eight years ago that kind of heresy could be (and was) brushed aside as propaganda from the digerati: fine for Silicon Valley but unacceptable and unworkable elsewhere. Today every business has to deal with market conversations as a reality. And, to recognise that, we have to work harder to control the conversation.

There are three features of the new environment that companies have to address. Business start-ups now do this routinely but for established businesses the changes are deep seated and painful because they involve changes in the whole way the business is run and how the business engages, not only with its consumers but also with the suppliers that mediate between consumer and company.

1. Sharing the neighbourhood with your customers

The first is the new common space where customers live in much closer proximity to companies and behave more like neighbours. Good neighbours talk to each other and worry about the neighbourhood. Mass marketing came about because companies were so far from their customers and needed to find out what they thought in order to produce the right products, and needed to promote the products because customers couldn't find out about them for themselves.

But now the distance between companies and their markets has been cut drastically. People squeeze their way through the many gaps that have opened up in the corporate armour. And they don't just want to talk about products any more. Nor to focus on key product features as outlined in the sales plan. They may not even be using the products as they were designed to be used and, far from being embarrassed or diffident about this, may be intent on promoting unconventional applications with or without your permission.



The implication of this is that companies have to learn to talk to their customers much more regularly and to make it possible for their customers to talk back – and to be ready to handle their responses when they do, recognising that responding to these may significantly impact the way the company operates. For example, mrandmrssmith.com writes reviews and guides for boutique hotels and restaurants. Its customers are supposed to use its website to find the best. So it wasn't best pleased to discover a group of its customers banding together one weekend last year to write their own reviews! Cadbury's Wispa chocolate bar is back. Allegedly because of upwards of 80 pressure groups on Facebook lobbying to get it reintroduced.

How research is conducted

This shift has massive implications for how research is conducted. The newest component in the arsenal is the research community – rather like an old-style panel but online using a Facebook-like interface. These can be run with all the paraphernalia of blogs, videos, bulletin boards and generate feedback 24/7 worldwide. They can be run for a month or for a year.

The BBC World Service recently relaunched using just such a resource. Some clients get so hooked they didn't want to turn it off and opted to run it themselves, providing a stream of quantitative measures and qualitative feedback straight into the client organisation.

Having customers and stakeholders permanently plumbed in to your company is threatening the hegemony of research companies. What exactly is the research agency bringing to the relationship? No wonder ethnography, semiotics and anthropology are all the rage. Every debrief is awash with multimedia and stimulus material created during the process. This is because research companies have to deliver so much more than the opinions of the general public. People can do that for themselves.

2. Free content freely distributed

The second factor is the universal availability of content and the collapse in costs. What people were interested in used to be so expensive that advertisers won access to mass audiences by subsidising the cost and in return everybody had to watch advertising whether they wanted to or not. People are spending proportionately more time watching content that isn't supported by advertising, reducing the opportunities advertisers have to reach them with conventional advertising.

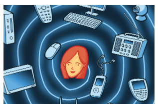
The IAB Online Adspend study found that audiences spend 35% of their time every week watching TV, but 27% surfing the internet. And advertiser spend on the internet is only two-thirds of what it is on television and is much more diffused because of

Nike: word-of-foot marketing

In 2007, Nike spent just 33% of its US$678 million advertising budget on ads with television networks. That is down from 55% ten years ago.

Nike has increased its non-media spending by a third in the last three years. It now spends twice as much on non-traditional media as it does on conventional. Nike executives say they want to spend the budget on services for consumers like workout advice, online communities and sports competitions. 'We want to find a way to enhance the experience and services rather than looking for new ways to interrupt people from getting to where they want to go', says Stefan Olander, Global Director for Brand Connections. And much of Nike's advertising has been switched to the internet where people can opt to watch longer messages in their own time when they choose.

Nike executives contend that as customers spend more time online running their virtual lives, connecting with other people by typing rather than by talking, what Nike wants is a physical interaction with customers. That's why the third floor of the New York Nike store is called the running club and is used to support runners and joggers, with whatever brand of trainers they are wearing, using coaches, pacers, information about running routes and the ability to compare training times with other runners using the Nike + sensors built into the shoes that track progress on the ipods the runners carry. The goal is to use the club to endear people to the brand and to provide opportunities for them to try products. Nike calls this word-of-foot marketing.



the billions of pages that people are browsing. There is so much free content available that people aren't nearly so dependent on advertiser-generated content.

Of course they haven't stopped using advertiser-supported media, but as they become more discriminating, the programming streams are breaking up. People appear to be equally happy to browse content made by amateurs as by professionals. If the only content you provide them with is hard sell of your products then unless they are actually in the market they aren't going to bother with it. This means you need to become a publisher or aggregator of content that your customers do find interesting.

The media content manufacturers need to demonstrate that they can deliver more bodies at a lower cost per thousand than the emerging pull streams or even channels that you run yourself. At the 2008 Broadcast Forum I was startled to discover IPTV (Internet Protocol Television) companies targeting churches to persuade them to turn their video channels (normally used to beam content from auditoriums into overspill areas) into programming streams that could be beamed to aggregate audiences across the internet. Indeed, some of the biggest churches in London are repackaging sermons, music and seminars in MP3 or video formats for people to download onto their iPods.

Every organisation has within it presentations, demonstrations, images, audio and video content of all kinds. What most don't have is a content strategy to organise this material and to orchestrate its re-use and distribution.

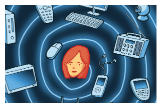
Ownership is a vexed issue. In January 2008 Hasbro hit the headlines because it discovered that a Bangalore start-up had provided a third-party plug-in for Facebook users called Scrabulous. The number of people downloading this application had passed two million and the number of people playing Scrabulous daily was reported to be half a million. Hasbro called it breach of copyright and got the application closed down. On the face of it, the decision is hard to fathom – most brands would give their eye teeth to be handed half a million daily users for no marketing cost. After all, playing a game on a social network is hardly a substitute for playing Scrabble in real life. On the other hand, Hasbro would claim that the game would never have achieved its success without appropriating the Scrabble brand.

Where does this leave advertising? It pains me to say this, having spent so much of my career on the agency side, but until agency suppliers change their business model the relationship between client and supplier will necessarily be adversarial. A creative agency earns income by charging for the creation of promotional content that has a narrow, specific use and is often discarded long before it has worn out. Then the agency puts forward proposals for making more.

The current business model of agencies doesn't allow them to collect or aggregate third party content or, for that matter, to make content that can be used flexibly. You still need advertising but probably not as much as your agency says you do. And you don't need to change it so often either. Push media deliver higher response figures than pull channels do, so you need a mix of both. But what you also need is content that supports your branded messages. For example, John Grant reports a conversation with the marketing director of Boots, who said that to increase sales of skincare products and cosmetics to British women he had to persuade them to think like French women. And the way to do that was using a series of TV programmes, not an advertising campaign. How interesting that Innocent drinks has taken its promotion in-house. Here is a company with a creative director who reputedly designs an item of packaging every single working day. What do your agencies do that really you should be doing yourself?

3. A demand to know more about what companies stand for

Third, companies need to develop, enrich and expand their opinions. Most companies express very one-sided ones about their products, which makes them predictable. The received wisdom has been that having opinions about anything else may antagonise part of your mass audience. But the mass audience is mostly gone now. Instead you will find that having an opinion is one of the



best ways to get the attention of your customers. Of course, in recent years, companies have been forced to develop specific policies for recycling, carbon footprint, fair trade, food labelling and advertising to children.

But the forward-looking companies are starting to editorialise about lots of other issues as well. Did you know that Microsoft is building server centres in some of the colder places in the world – Alaska, Siberia and even Scotland? If you want to keep your computers cool then it helps to put them in a cool place to start with. If you need energy then why not move your plant to North Africa and put out some solar panels? There is more to carbon neutrality than generating lists of carbon offset trades.

The less people know about you, the more they will attribute your mistakes to cynicism or incompetence. Woolworths has just withdrawn its Lolita bedroom furniture range targeted at 6-10-year-old girls. Apparently nobody in Woolworths had heard of, much less read, Nabokov's novel. Clearly they don't read the tabloids either. What are we supposed to think when we learn that Butterkist's Simpsons popcorn contains over 60% of the maximum daily salt intake of a 3-year-old child? Doesn't it know what the intake levels are? Or is this another case where it is left to parents to make healthy choices?

Brands who behave in this way are conveying messages about the brand in spite of what they say in their promotional material. In January, Ryanair's response to the ASA's ruling against a Ryanair press ad featuring a Lolita-like character, was that 'it was censorship by self-appointed dimwits'. Hardly a model of corporate responsibility, but consistent with a company that offers low prices but not a lot else – plain speaking that has a branded effect.

There seems to have been a growth in the number of celebrity business leaders and owners who are not short of personal opinions about the way they conduct their business. This kind of editorialising is much cheaper than paid-for advertising and communicates the values of the organisation in a more compelling shorthand than mission statements.

Opinions travel further and more cost effectively than promoted messages. I checked with BodyShop Corporate PR about how they had responded to the sudden death of Anita Roddick. 'We opened a book of condolence in every one of our stores worldwide. We're still collecting them to pass back to the Roddick family.' Did the stores close? 'We discussed it but in the end it was just a few in the Littlehampton area, where she began.' A measured response but nonetheless personal.

More accessible, more human companies

The slipstream from Enron has pushed businesses the wrong way. An obsession with compliance led companies to redouble their efforts to refine business processes to ensure that humans couldn't subvert them. But, in doing so many companies have become more mechanical precisely at the time when they need to become more human in order to engage with the newly empowered markets.

Web 2.0 isn't about technology: it is about the humanising of business. I genuinely believe that the rate of change often trumpeted at marketing conferences won't continue at the same pace. The way our companies work hasn't changed significantly since the Industrial Revolution. The Web 2.0 orientated company is going to be around a lot longer. ❦

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The anatomy of social networks

By CAROLINE VOGT AND STUART KNAPMAN

Over the last 18 months, social networking has entered mainstream consciousness, with many brands experiencing explosive growth and mass press coverage. Vogt and Knapman draw on a major research programme conducted by Microsoft to describe the key opportunities and pitfalls for marketers

THE HUGE RECENT growth in 'personal web spaces', such as MySpace, Facebook and Windows Live Spaces is changing the very face of the internet. Media journalists are falling over themselves to write about the phenomenon, and researchers and marketers are thrilled and perplexed in equal measures by these vast networks of self-expression, sharing and connection.

The market is constantly evolving and is characterised by the frequent emergence of overnight sensations – from Bebo to Second Life. Furthermore, the market is defined in different ways by different people, depending on their personal web usage and their interpretation of the term 'personal space'. As such, the market may be considered to include blogs, forums, chat rooms, photo-sharing sites such as Flickr, dating services, video-upload sites such as YouTube, or 'contact' sites such as Friends Reunited, as well as the dedicated 'spaces' providers such as MySpace, Orkut, Windows Live Spaces, Bebo, Hi5, Faceparty, Facebook and Friendster and Badoo.

Users often apply their own structure and parameters when considering the shape of the spaces market. For example, those interested in music may place MySpace at the centre of their spaces universe, while Facebook is now the place they connect with their friends. Windows Live Spaces, meanwhile is increasingly seen as a leader in digital memories (often communication centred around personal photos) and keeping in touch with closer networks.

For others, the market is defined by the market leader: Orkut dominates personal spaces usage in Brazil to the extent that it represents the benchmark against which all other providers are judged. MySpace dominated usage and collective consciousness a year ago in other markets such as UK, US and Canada, but the rise of Facebook has now overtaken it. This illustrates how unsettled this market remains, along with the power wielded by users themselves in shaping each brand's success – if your friends move the conversation onto another network, you will move with them.

Caroline Vogt is Head of International Research for Microsoft Digital Advertising Solutions. Stuart Knapman is owner of Essential research.

'Open' vs 'closed' networks

Most users agree, however, that a key distinction between personal spaces networks is the extent to which they are 'open' or 'closed'.

Open networks are those that essentially allow anyone to connect with anyone else. These largely unconstrained networks, such as MySpace and Orkut, have become hugely addictive in the past two years due in no small part to the ability to cultivate huge personal networks of 'friends'. Orkut, while still technically an exclusive club accessible by invitation only, is populated by an incredible 89% of 15–45-year-old web users in Brazil every week.

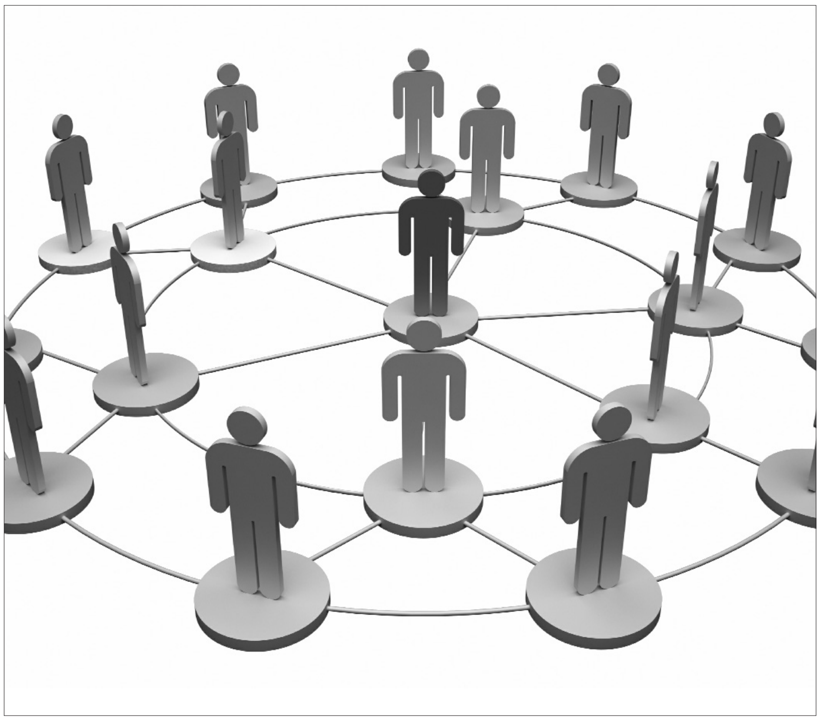
However, the major strength of such networks is increasingly being seen as a weakness too. While open spaces allow individuals to connect to others, they also allow others to connect to individuals – with all the attendant irritants and dangers. Spaces users are increasingly considering the wider external implications of content they may place in their personal space. Being photographed with a large joint of cannabis, for example, may gain the user some credibility among his immediate friends but a growing number of users believe this kind of image on a personal space may also lead to rejection from a prestigious college, loss of employment, or even prosecution by under-cover agents lurking in the shadows of

MySpace (The fears appear to be valid: a recent report from The Information Commissioner's Office in the UK found that 71% of 14 to 21-year-olds would be worried about colleges or employers doing a web search on them before they had removed some material).

Meanwhile, media coverage of personal spaces abuses has grown. 'Open' networks are increasingly being portrayed as hotbeds of fraudsters, paedophiles, identity thieves and the like. The use of personal spaces has been linked to several kidnappings in Brazil and even murders in the USA.

These combined concerns appear to be driving traffic (or at least certain *types* of traffic) away from shared open networks and towards more intimate networks of friends and acquaintances such as Windows Live Spaces or aSmallWorld (an exclusive invitation-only network frequented by prosperous professionals in the UK and the US).

Social networking brands are responding to this by increasing the privacy functionalities to enable users to set limits on who can see their profile page and the content within this. However, while the more sophisticated user is adept at this, some users are yet to fully control how they are presenting their personal information online.



People and behaviour – a true microcosm of society

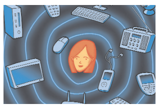
It is important to note that personal spaces represent a true microcosm of society. The idea that personal spaces are generated and viewed almost exclusively by lonely teenagers in their bedrooms is inaccurate. During our research, we spoke to a truly eclectic mix of spaces users, from low-tech mothers maintaining personal spaces to share pictures of their children with friends and family, to business owners successfully harnessing the power of online social networks to sell their products. The personal spaces user-base is as varied as the population itself.

In the world of technology, new behavioural trends are predicted on an almost daily basis, but many predictions are essentially based upon new functionalities offered by emerging technology. Developments such as mobile TV, video calling or interactive news bulletins have been largely technology driven.

By contrast, the rise and rise of personal spaces such as MySpace, Facebook and Windows Live Spaces has been about people and their needs, with technology acting as an enabler.

In some cases, new behaviours have grown in quirky or unexpected ways: in China a strong sense of etiquette has built up around personal spaces, with friends caught in a continuous cycle of reciprocal commenting on one another's sites. In the UK, personal spaces addresses are becoming a new social currency, handed out like business cards in pubs and bars, enabling initial contact with the girl you have your eye on – without the dreaded phone call. In Brazil, personal spaces have become a playground for fantasy

The idea that personal spaces are generated and viewed almost exclusively by lonely teenagers in their bedrooms is inaccurate ... the personal spaces user-base is as varied as the population itself



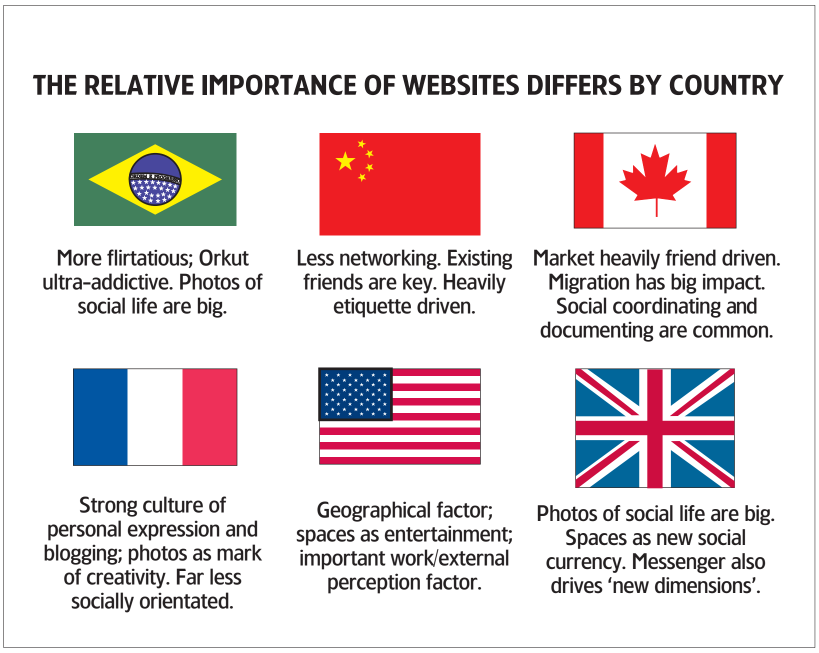


Figure 1

and flirtation – to the extent that marriages are starting to suffer.

Deep-seated human needs but cultural differences

The underlying behaviours seen in personal spaces may not be as new as many believe. Our research shows that these behaviours are essentially manifestations of a relatively small number of deep-seated human needs: for personal recognition and to express individuality or creativity; to belong; to form relationships.

While online social networking is a global phenomenon, behaviours can differ considerably from one country to the next, driven by key cultural differences (figure 1).

The challenge for marketers

The move towards social networking creates unprecedented marketing opportunities for advertisers to reach both consumers and their networks (a recent Jupiter survey suggested that one third of existing online advertisers will launch social networking profiles for their brands in the next 12 months). However, social networks are distinctive in that the users create and spread the content – their voice can be heard directly and immediately – and so advertisers are treading with caution into this space. Some of the main hesitations from advertisers are as follows:

- Relevance – is our brand relevant in this environment?
- Control – will our brand message be manipulated?
- Context – we can't manage the context.
- Intrusion – will users perceive branded messages as intrusive?

There is an awareness that a community has power and can quickly generate support for a brand but also, more frighteningly, against one. So because individuals create the content, own the spaces, are connected to one another, and share ideas and content on a massive scale, many of the traditional marketing rules no longer apply.

Here are some of the important new guidelines following Microsoft's research.

Understand consumers' motivations to use specific networking

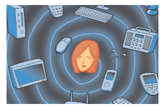
Perhaps the most obvious, but to successfully engage in social networks, marketers need to understand the mindsets and behaviours that are occurring within these individual networks, and think about both the author's and viewer's motivations – as discussed earlier.

Express yourself honestly

People are using social networks to express their individuality, and brands should too! Critically, our research illustrates an acceptance and interest by some (certainly not all, and largely this is skewed to the younger adult sample) of having branded content on their personal page to portray the 'self' they wish to express to their network.

To benefit in this environment, brands must be willing to have a voice, expression or character. You can use the network to express a side of your brand that people don't normally see (beliefs, values and heritage) and encourage them to interact with it. But it is critical to remain authentic. Expression or characterisation that jars too heavily against the brand values are likely to either not register, or worse, create ridicule, which in a networked environment will spread quickly.

Join conversations, create conversations ... maintain good conversations



The critical development for advertisers is the shift from monologue to dialogue, and their opportunity to benefit from dialogue between themselves and users, or within communities.

First, stimulating conversation between social networkers. Two methods of connecting in this way are as follows.

- Be relevant to the conversation: By understanding the language, group dynamics and discussions, marketers can develop engaging tools that can add to the interactions.
- Associate with communities: for instance, Nike's involvement with Brazilian football.

Second, join the conversation – again there are a number of ways to do this:

- Create a space: for example, Canon created a Windows Live Space to form a community where people interested in photography could gain recognition, showcase and comment on photos, while learning more about a new Canon product.
- Create branded properties for personal association, such as wallpapers, gadgets and images, as well as those that can be easily shared and added to conversation, such as video clips and gifts.
- Open up the brand for interaction, for instance, Coca-Cola has launched a site aimed at opening dialogue with consumers (http://www.letsgettogether.co.uk/home).

Empower participants

While not the case for all, some networkers actually welcome brand association as it furthers their expression of self to their chosen network, or even expresses their own individual interpretation of the brand – be it an amplification of the brand or a more subtle representation. For example, we had a respondent who wanted a virtual Adidas shoe on his network so that his friends could doodle on it. He then wanted to be able to send it back to Adidas to be produced as a customised shoe.

Behave like a good spaces member

A fundamental principle is that the best spaces advertisers will behave like the best spaces participants, by: being creative, being honest and courteous (ask permission and be authentic); being individual; being conscious of your audience, and updating regularly.

It is worth noting that some of these principles require a brand to lose some control which is an area of great concern for many brands. We have witnessed some examples of this backfiring, but we feel that by following these principles, and remaining true to the brand identity and values, there are great opportunities for brands to engage.

We also raise this as an important area for all brands to consider going forward. We are living in a world where user comments on brands can be distributed rapidly via video clips or written blogs, and can hold as much 'truth' as traditional messages from the brand owner.

Beyond Web 2.0: villages of networks

A clear insight from the research was the unsettled nature of many behaviours in this environment, and this was related to both product functionality as well as the relative newness of this phenomenon. There was a sense among users that certain sites or behaviours could be susceptible to fads, particularly as usage is so dominated by the recommendation and presence of friends in the network – once your friends leave, so will you.

An illustration of the unsettled nature of the environment is the press coverage of Second Life in autumn 2006 – it became the latest space for journalists and advertisers to discuss as an illustration of the changes on the web. However, Second Life now seems to have disappeared from the zeitgeist as quickly as it emerged.

This suggests we might be a little naïve in trying to predict the shape of the marketplace as sites will rise rapidly from

We are living in a world where user comments on brands can be distributed rapidly via video clips or written blogs, and can hold as much 'truth' as traditional messages from the brand owner

Most popular social networking sites by total audience (Europe), December 2007

Rank	Website	Total visits (000)	Total unique visitors (000)	Reach (%)	Total minutes (MM)	Total pages viewed (MM)
1	Blogger	51,644	22.3	215	422	160,845
2	Windows Live Spaces	40,051	17.3	579	891	176,538
3	MySpace	26,276	11.4	1,921	4,566	208,768
4	WordPress	25,725	11.1	56	107	48,036
5	Facebook	22,784	9.9	3,745	7,494	334,124
6	Yahoo! Geocities	15,630	6.8	41	93	24,837
7	Skyrock Network	15,499	6.7	2,764	7,013	239,933
8	Bebo	12,978	5.6	3,398	7,940	203,669
9	Six Apart Sites	12,761	5.5	128	189	35,760
10	Dada.net	10,033	4.3	48	96	23,593

Source: comScore

Figure 2

seemingly nowhere, immediately being held up as the next big thing by media commentators.

Despite this, we believe that the importance of 'open' networks will be diminished, with participants preferring to network with friends or those with a shared connection. We feel that the future is more likely to be characterised by 'villages of networks', rather than homogeneous open networks. These networks will have greater personal relevance, allow for greater control, and will enable more relevant and deeper connectivity between those communities.

What it will mean for advertisers

Below are some of the key trends we expect to see emerging. Importantly, we believe these trends will impact on every kind of product or service – not just the cool and the edgy.

Who owns the brand?

Brands are essentially ideas. An idea, it is often said, is only as big as the number of people who believe it. Social networks propagate ideas. As social networking becomes the norm, ideas and beliefs will be shaped and shared in this arena. The connected consumer therefore assumes a certain amount of control of brands. As brand managers are forced to share control of their brands to consumer networks, a proportion of their work will be undertaken within these networks, in the battle for consumers' advocacy and collaboration.

As consumers will effectively own the brand, they will do with it as they please. Brand properties, devices or marketing output will increasingly be edited, mashed up or remixed. And while this undoubtedly gives rise to humorous but unwelcome PR in many cases, the best brands will benefit, as their supporters and advocates create new content and ideas that strengthen or rejuvenate them.

While a number of forward-thinking organisations have already invested heavily in steering online word-of-mouth, even seeding new ideas, in the future this will become a key element of the marketing mix. It will become commonplace to recruit consumer advocates whose role is to seed ideas within their respective networks.

In essence, online communities will become new business partners and will be considered a crucial part of the mix – like ad agencies, researchers or media planners.

Conversational marketing

There will also need to be a shift towards 'conversational marketing', which we feel differs from 'word of mouth' marketing.

This notion of conversational marketing is taking the principles from the previous section and becoming part of the conversation within networks. This is a significant shift for marketers as consumers will increasingly be seen (and treated) as 'friends of' rather than 'consumers of' a brand; the primary role of the marketer

therefore will be to win friends, become part of the network, listen and respond to the feedback as well provide an influential role. For both conversational and word-of-mouth marketing to succeed, authenticity is critical, as any backlash can be much more damaging. But the potential for an organisation to connect and engage will be valuable – not just from a marketing perspective, but also product development.

Things happen even more quickly
Vast social networks enable stories to spread more quickly than via traditional word of mouth. Just as social networks have given rise to countless overnight successes, they will also be increasingly responsible for the rapid deaths, of brands that do not deliver what they promise. In this environment, poor consumer experiences or negative corporate practices quickly become consumers' truths, and even those corporations with the highest PR spend will find it impossible to shape the agenda.

Consumers shape the media plan
The growth of personal web spaces means that consumers will increasingly become not just participants in marketing activity, but also media owners in their own right. Our research showed that key authors can generate considerable visitor traffic. These key authors, by providing content that is consumed by others, effectively become millions of super-fragmented distribution outlets for media planners. Furthermore, as consumers become more confident and savvy, and spend a greater amount of time in personal spaces that they regard as their territory, they will increasingly become schedulers and editors of their marketing experiences.

When consumers are equipped with the tools to control what they consume, when they consume it and for how long, a degree of ad avoidance is inevitable.

However, a number of opportunities also arise. Essential's 2006 research into PVR behaviour reveals that viewers with PVRs do not avoid advertising per se, rather they actively elect to watch ads they believe to be relevant, new or entertaining, deciding for themselves the optimum number of exposures to a particular execution.

Across all media, consumers will become accustomed to choosing when to receive marketing messages, enabling marketers to deliver highly relevant or time-specific content.

From research to debate
Consumer contact via social networks will not replace all traditional forms of market research. However, we predict that certain areas of research – particularly NPD, brand strategy or deliberative research – will move from a selective consultation towards unconstrained debate within social networks, where the initial ideas or agendas are 'seeded' but not controlled by researchers. This will represent a significant handover of power.

As consumers' allegiances to their favoured brands will be of increasing importance, we believe that the best research incentives will often be a stake in the brand (emotional or actual) rather than £30 in an envelope or a voucher from Amazon.

Blurring 'virtual' and 'real'
Finally, there is much debate about Web 2.0 and its impact for media owners and advertisers alike. Already its impact is being felt as content and applications are being developed to offer greater user control.

However, many of the discussions remain limited to the 'web', 'PC' and 'virtual' behaviour. Over time, we feel this delineation of the 'virtual' and 'real' will fall; along with the distinction between different media platforms.

Users talk about 'chatting with friends' rather than say they are using an online social network – they talk about the real, emotional need and behaviour in the same way as 'real' connectivity and expression. Equally, the internet will become increasingly pervasive and accessible anywhere, with web-based applications and browsers for everything. Ultimately, social networking will be life itself.❦

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What price a strong brand?

By PETER WALSHE

As the world of brands becomes ever more cluttered and competitive, the marketer's task of building and maintaining strong brands becomes increasingly difficult. Senior management wants concrete evidence of return on marketing investment. Yet the challenge of demonstrating a brand's true value is complex. What proof do we have that strong brands really provide a financial benefit to brand owners and shareholders?

A TRUSTED BRAND is a treasured asset, prized by its owners and envied by its competitors. Companies are bought and sold for vast sums of money, above and beyond the value of factories, patents and processes, on the strength of their brands. But when one company pays a premium to acquire a stable of brands from another, what is it really paying for? What proof do we have that strong brands really provide a financial benefit to shareholders and brand owners?

Brands are valuable to companies because they are valuable to consumers. People will pay more for a branded product than a generic one, and more for a favoured brand than alternatives. It seems obvious, then, that a brand that has forged a strong and enduring relationship with consumers should provide a financial advantage to the company.

Peter Walshe is Global Brand Director at Millward Brown.

Demonstrating brand value

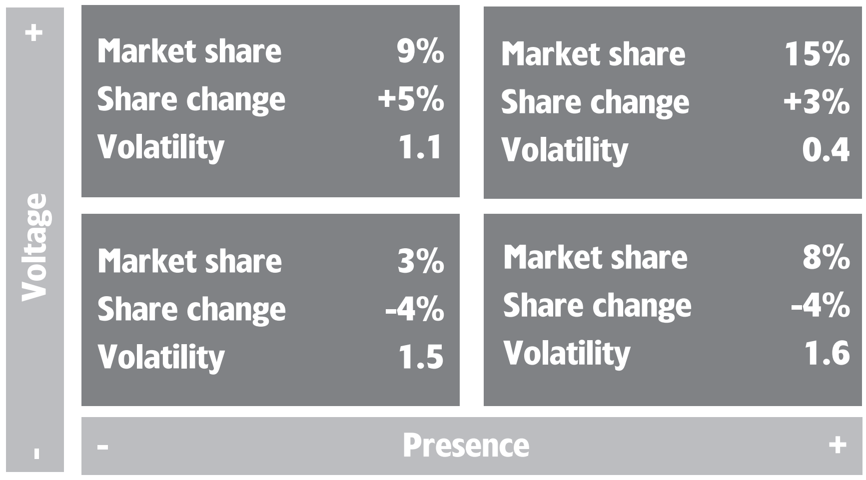
Demonstrating a causal relationship between consumer affection and sales results for a specific brand is not easy. Not everyone who buys a brand feels strong loyalty towards it; some people may purchase a brand because it's on sale or because it's the only one available. Further, many factors external to a brand will affect its sales performance, including business logistics and competitive activity, as well as wider social and economic trends. However, in spite of these complexities, we can now demonstrate that, all things being equal, stronger brands do outperform weaker brands.

To do this, we first summarise the strength of each brand's relationship with consumers using two key measures: *presence* and *voltage*.

1. Presence is a measure of how many people know about a brand and understand what it has to offer. A brand with a high level of presence will enter a buyer's consideration set more easily than a brand with low presence.
2. Voltage is a relative measure of how efficiently a brand converts people from presence to higher levels of attitudinal loyalty. Because higher levels of loyalty are associated with increased probability of purchase, a brand with a high voltage score is positioned well to grow its share of sales in the category.

By plotting brands (369 in this example) according to their values on presence and voltage we created a map of brand equity, and used the four quadrants to define four groups of brands. Figure 1 shows the average scores by quadrant on three key metrics: market value share at the time of the survey confirms the relationship between consumer attitudes and the relative size of brands in their sectors; year-on-year percentage share growth describes how well brands attract new customers (or sell more to existing customers); and volatility – the degree of variation in share year on year – measures the stability of brand income.

Figure 1 Brand equity map



Source: Millward Brown analysis of third-party market share databased on 369 cases.

In comparing these metrics across the groups, you can see that brands in the upper-right quadrant tend to dominate their product categories, with high market shares, good growth prospects and low volatility. Brands such as Coke, Nike and McDonald's are included in this group. By contrast, brands in the lower-right quadrant, which have strong presence but weaker voltage, tend to lose share year on year. The size of their market shares helps to reduce their volatility, but these brands are less likely to grow and are actually much more likely to lose share than their stronger counterparts. Brands in this quadrant are often described as being past their prime.

The brands in the upper-left quadrant tend to be more volatile than the brands on the right-hand side of the map. Many do gain share, but a fair number decline. The brands in this region, which include the likes of Pret A Manger, H&M, Zara and Tom Tom, run the risk that, as they struggle to grow their footprint, they may move away from the branding formula that made them successful. These brands are also vulnerable to competitive actions, such as aggressive pricing and the introduction of 'me-too' product offerings.

The brands in the lower left-hand corner, which have both low presence and low voltage, face a high failure rate. Among this group, a high percentage of brands lose more than 5% of their share year on year, with an average loss overall of 4%.

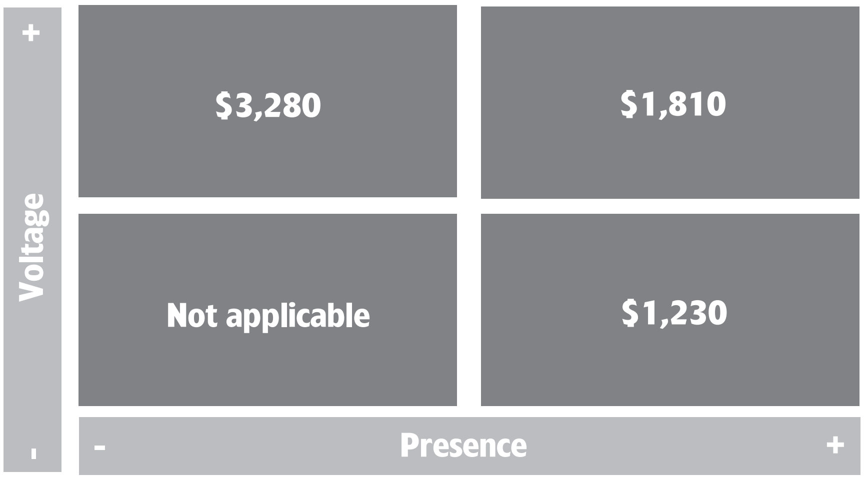
It is important to emphasise that, while these numbers represent the average performance of each group of brands, there were exceptions in each quadrant. Therefore, while presence and voltage may describe a brand's potential, they do not dictate its future. A number of factors, including some that are beyond the influence of marketers, can affect a brand's performance.

But where marketing does have influence, it can play a pivotal role in shaping a brand's future. For example, consider the now well-known revitalisation story of Marks & Spencer. The chain was suffering from declining sales as shoppers deserted it in favour of trendier alternatives. Management recognised the need to refresh the stores and revitalise product lines, but also realised that M&S enjoyed a substantial reservoir of consumer goodwill. The IPA award-winning campaign 'Your M&S' tapped in to that goodwill, reminding people of what they loved about M&S and drawing shoppers back to the stores. Customer visits increased by 19 million over the previous year. Food and general merchandise sales rose by 10%. As a result, the share price of M&S rose more than 60%, confounding experts who had predicted it would never rise again.

Strong brands influence shareholder value

The M&S example notwithstanding, we know that brand sales and company share price cannot always be directly linked. Business efficiency, market

Figure 2 Average share price, January 2006



Benchmark: $1,000 in the S&P 500 Index, made in 1998, would have yielded a shareholder return of $1,310 in 2005.

growth and investor confidence have an important influence on share price as well.

But we have observed that companies that own stronger brands do tend to outperform the market as a whole. Again using presence and voltage, we created three portfolios of brands, each containing between 16 and 40 companies. The share price performance of these portfolios was then tracked from 1998 to 2005.

Figure 2 shows that an investment in the companies with stronger brands would have returned far more than an investment in a market index fund – $1,000 invested in 1998 would have yielded a shareholder return of $1,310 by 2005 on average.

It is equally important to note that companies that owned the strong but lesser-known brands (those in the upper-left quadrant) outperformed the companies with the high-presence, high-voltage brands.

This could have been due to the fact that lesser-known brands enjoy one simple advantage over more established ones: they can grow simply by making themselves known to more people.

In some market sectors, this can result in a significant increase in business.

Commanding a price premium

Brands that are already widely known need to find other ways to grow. Most marketers focus on trying to increase their volume share, either by convincing existing customers to buy more, or enticing new customers away from competitors. However, you would do well to remember that not all prospective buyers are of equal value. In every sector, there are people who are more interested in a good price than the 'right' brand. While consumers in this group are easy to sway with promotional pricing, they may not be worth the effort, because they are more easily persuaded to switch away by some other brand.

Another way to extract value from a brand, which is sometimes overlooked, is to identify and target the customers who pay attention to brands and perceive real differences among them. This group is likely to pay a premium price for a brand if they think it is better than others. A recent analysis of 209 consumer packaged goods brands in the US found that consumer esteem was the key underpinning of a brand's ability to command a price premium. Respondents were asked to associate brands with a number of general attributes, and brands that scored especially well on the statement 'I have a higher opinion of it than others' commanded a median price advantage of 11%.

The dimensions of esteem will vary from brand to brand and sector to sector, but the net effect will be the same: the consumers who care about getting the right brand will pay more for a brand if they can be convinced that it offers key advantages over others.

Estimating total brand value

By focusing on the strength of a brand's relationship with the consumers who believe brands are worth paying more for, it is possible to put a value on the current and future contribution that branding makes to a company's bottom line. The BrandZ Top 100 Most Powerful Brands ranking, produced by Millward Brown Optimor, does this by combining data from BrandZ, the quantitative brand equity survey, with publicly available financial data from sources such as Bloomberg and Datamonitor.

The BrandZ Top 100 ranks brands according to the present value, in dollars, of all future earnings they are expected to generate. Key to the calculation of each brand's value is the determination of the 'Brand Contribution', defined as the portion of intangible earnings attributable to the value of the brand name itself. Developed using data from BrandZ, the Brand Contribution score represents the share of a brand's income that comes from its most committed consumers. People who choose products based on price rather than brand are excluded, as are those who buy a brand without having a strong attitudinal bond to it. Luxury goods, like Louis Vuitton, Porsche and Chanel, typically have the highest Brand Contribution of the brands measured for the Top 100.

To reflect the fact that bigger, stronger brands tend to have more stable income streams, loyalty data from BrandZ is used again to adjust the discount rate of future earnings.

A brand earnings multiple is created by combining a brand's loyalty profile with data on market valuations, as well as the brand's risk and growth potential. Among the brands with the highest short-term growth potential in the 2007 rankings are Google, Starbucks and Porsche.

Brands in different places on the brand equity map need different types of activity to thrive and grow. Understanding where your brand's strengths and weaknesses are will help inform decisions on strategy and tactics by which to grow brand value

What next?

All the analysis presented here serves to illustrate the financial benefits to the company provided by strong brands. Brands do add value to the company, but to maximise that value, you must navigate through an increasingly complex maze of brand-building activities. No one route will be right for all brands; in fact, the most effective actions will differ for each brand according to its sector and context. There are three points, however, that can be considered by every brand.

1. Understand underlying brand equities – brands in different places on the brand equity map need different types of activity to thrive and grow. Understanding where your brand's strengths and weaknesses are will help inform decisions on strategy and tactics by which to grow brand value.
2. Check business basics – when a brand deviates from its core brand strengths, selling more or less than its equity might suggest, there may be a structural issue that deserves more investigation. Pricing may be out of sync with buyer expectations or distribution may be limiting sales, for example.
3. Don't sell yourself short – the segmentation of potential customers on the basis of their predisposition towards brands can guide the targeting of acquisition strategies. Avoid relying on price promotions that can train current loyal customers to buy the brand on a deal. A far safer and ultimately more profitable strategy is to focus on less price-sensitive shoppers, who can be convinced your brand is better than others and worth paying more for.

Strong brands are built on the basis of sound business practice and a great brand experience. When solid fundamentals are accompanied by a clear, compelling brand proposition and a strong sense of momentum, a brand is likely to increase both sales and shareholder value. ❦

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A champion of 'behind–the–line' marketing

Judie Lannon interviews **MIKE HOBAN**, customer and brand marketing director of Scottish Widows, about his experience of bringing marketing to life in side a successful financial services organisation.

JUDIE LANNON: Let's begin by talking about how you got into marketing. Was it by luck or by judgement?

MIKE HOBAN: I got into marketing completely by chance. I finished university in June 1987, the day after the general election and the plan was that I was going to work for a Member of Parliament. But he lost his seat in that election, so I was suddenly looking for a job.

I went to Rank Hovis McDougall and various other companies, and ended up on the marketing team at RHM purely by chance.

JL: Everybody has the experience of finding a mentor or, possibly, several people who you know immediately have something to teach you and will figure in your future. How did that happen with you?

MH: I have been very lucky because in every job that I've done I've worked for someone who is really good.

In fact, I've now made a conscious effort to take a long look at the person that I'm going to work for and I take as many references about them as they take of me.

Right at the beginning I worked for Michael Reyner who was one of the brightest people at RHM and is now a partner at McKinsey. When I worked in consultancy, I worked with Peter Grender, who taught me a lot. When I worked at Jacobs, I worked with Graham Bishop, who's now runs his own consultancy.

So throughout my career I've worked with a large number of people who have been very influential in shaping how I think of marketing and what I think is important.

JL: What would you say are the most important insights that you gained from these people?

MH: The most critical insight for me was about the customer. If you get it right for the customer and you put the customer at the heart of the decision, you'll always get it right for the business and for the shareholders. A profound insight that I had from Eva Eisenschimmel, when we worked at British Airways together, was the importance of everyone in the organisation acknowledging and acting on that principle. This is absolutely essential in service organisations. So it's not just the marketers who need to be customer focused, it's not just the front-line people but everyone all through the organisation. Certainly this was true with BA when I worked there.

Marketers talk a lot about above-the-line and below-the-line but we don't talk so much about behind-the-line. I'm a big advocate of behind-the-line marketing – what I think of as internal marketing. We may spend a lot of time talking to customers but then we tend to let HR or some kind of problems department deal with internal issues. But that's not the same as marketing to your people and getting them aligned behind a promise. HR people can't do that.

I say to my staff that in a service organisation, your brand tells people why you're better than competitors. Your brand makes a promise to people and the advertising tells people what that promise is. But it's the people

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throughout the organisation who deliver that promise. And if those people get it right then the customers will reward you. But marketers don't spend nearly enough time on behind-the-line marketing.

JL: How do you do it at Scottish Widows? What is your approach to 'behind-the-line' marketing?

MH: The first thing to do is change the language. We don't talk about brands and propositions. Instead, we talk about promises, and we talk about customers and the experience they have with us. And the second thing is that we have created an internal engagement team, which is solely focused on how we get the message to our people: how do we train, how do we give them the skills and techniques and resources they need to deliver the promise that we make in our advertising. I feel we've been very innovative in this respect. Even to the extent that we've introduced a company recognition scheme that operates at the highest level. Our directors choose people every quarter who have excelled in delivering the company promise. Most people call this delivering the brand proposition, but we call it the company promise.

I think one of the things that happens in marketing is that people hide behind the clichés. When I worked with Graham Bishop at WHSmith, I learned something really important from him: we can intellectualise to each other what marketing is about but obviously if the people on the shop floor don't get it, it ain't going to happen.

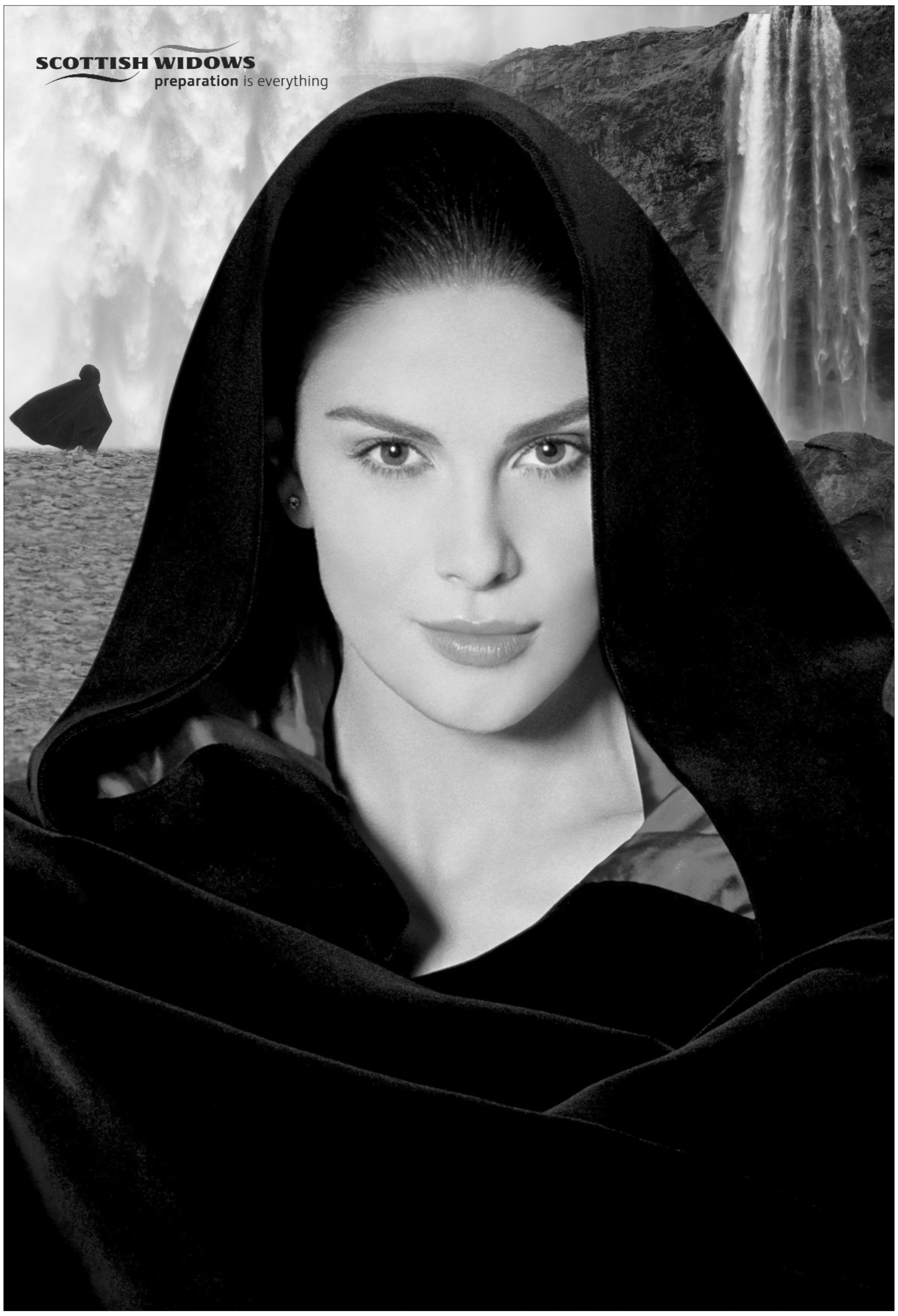
JL: The word promise is very powerful, isn't it – by conveying both responsibility, even duty, it goes further and deeper than 'brand proposition'. It makes the relationship with customers that much more personal.

MH: Yes exactly. One of the things that we try to get across to our people is that actually the marketer's job is very easy. We go and make ads and all of that activity is in our control. But what they do is really hard. They have to actually deliver the promise and they'll all have a role to play in delivering that promise.

Of course people go to work to earn a living but everybody wants to do more than simply earn a living, no matter where you are in the organisation. Thinking of your job as keeping a promise to customers brings alive to the staff at all levels the role that they play in making sure the customer experience is a good one.

JL: You have to have a particular company structure that helps you to operate in this way and it sounds like your structure may be a bit different from that of other companies. What is it in the structure that supports the way you want to work?

MH: I don't think I know of another organisation that has a brand management



team that are as specifically focused on the internal audience as we are. There are those who have internal communications departments, but they're often situated in the HR function. And as such they are usually about spreading the HR news. Or, an internal communications division will sit within the corporate communications division. But you then find that corporate communications organisations tend to be outwardly focused rather than inwardly focused. When I joined Scottish Widows, we created that function and it's now got four people in it – a small number of people but a massively effective and influential team.

JL: You sound like you're familiar with a lot of different kinds of organisations. Where does this experience come from?

MH: I've worked for British Airways, and when I was in consultancy I worked with people like Vodafone. Also I've worked for Retail Reconstruction in Newcastle, I worked for WHSmith and I've worked with other retailers when I was in consultancy. So obviously I've seen how quite a few different kinds of companies operate. Also when I talk to other people in financial services and tell them about what we are doing and why we're doing it, nobody I know has anything like it. This phrase behind-the-line marketing is not a widely used phrase because it's not a widely practised activity.

JL: You've been talking about how the company has to have a structure that supports what you are doing. But it also has to have a sympathetic management and culture. What are the features of the Scottish Widows' culture that support what you want to do as a marketer?

MH: It's actually very important indeed. When I joined Scottish Widows what was clear to me was that it's a famous company that's highly respected, but there wasn't a clarity about what made it better and different. The main thing that I found when I joined the company was that they are nice people, fundamentally nice people. And I don't know exactly where that comes from – perhaps, in part, because it used to be a mutual organisation rather than a private company. Also Edinburgh is a lovely place to work and there's a sort of Scottish prudence and civility about the atmosphere. Also maybe it's because the company is in the pensions and investment and insurance area, which tends to be more long term, more thoughtful, more cautious.

We have built the brand around that fundamental cultural insight: that this is a nice company that does things prudently, with integrity and does things over the long term. That makes it really easy for us to talk to people about promises because it's a phrase that increasingly rings true.

One of the things that I'm really proud of with Scottish Widows – and I know this sounds a bit sanctimonious – is that we live in a world where most things are orchestrated around consumption and debt. But actually what Scottish Widows is about is it encourages people to save. And we make our money from people saving and investing.

So if there's a set of pearly gates at the end of this journey, being able to say you've helped people save for a comfortable retirement is quite a nice thing to say that you've done.

JL: You have a valuable property in the Widow, which seems to have been running a long time.

MH: Yes we have been very much helped by the presence of the Scottish Widow herself. This is an enormously powerful brand icon that people understand and love. There isn't another brand in financial services that has an icon that is held in such esteem. So that gives us a tremendous advantage. The company's been around since 1712 but the Widow's only been around for 20 years, which is considered to be a long time but not that long really.

Whenever we do research, customers bring it up and it seems to convey a really strong message – a message customers like to hear. So much marketing communication consists of messages that organisations want to push and are rarely built on things the customers want to see and hear and believe. So for everything we do now, I always ask, is this something that customers want to hear or is it something that we want to say? Because if they don't want to hear it, they won't.

JL: Introducing new ways or working in a company usually brings with it certain resistances or difficulties. What problems have you encountered?

MH: I would say that the biggest difficulty anyone in non-fmcg marketing faces is that so much of the business is really out of your control. In a retail organisation the buyers are in control. In an airline the customer services people are in control, in financial services the actuaries and accountants are in control.

As a marketer you have to be an advocate and a champion for how you can make a difference to the organisation. And that's what people need to think about. It isn't enough simply to be intellectually correct, you have to go further and think about how to invade the rest of the organisation. You need to demonstrate how you add value to the organisation.

So I think that's where the marketer's role is hard in any type of service organisation. It's not actually in doing the marketing, it's getting others to appreciate the value of marketing in organisations that are not marketing-led and where other functions have more power.

JL: It sounds like you're really talking about the need for different personality types in service organisations – stronger, more extrovert personalities, prepared to take on a big advocacy role.

MH: What you need to do as a marketer in an organisation like mine is to realise that people skills and the ability to network, to produce, to cajole, to persuade, even to argue and stand up for what you believe in, are as important as technical marketing skills.

A lot of marketers come in believing that as long as they've got the right answer then they'll win through, and actually you need to take people with you through organisations that are not marketing-led. It's a lot easier if you work for a Unilever or P&G or Heinz or Mars – the whole company is marketing-focused so they are all on your side to begin with.

JL: Thinking about your career so far, what would you say was the single thing that you're most proud of and what in your career do you wish you'd done differently?

MH: The thing that I wish I'd done differently was not to have burnt so many bridges. Sometimes because I've been passionate about what I do, I haven't always taken people with me. But I don't have many regrets at all. I've moved around a lot but that has given me an invaluable insight into things.

As a marketer in an organisation like mine you need to realise that people skills and the ability to network, persuade, even to argue and stand up for what you believe in, are as important as technical marketing skills

The thing that I'm proudest of is that I love what I do and I get paid for doing something I really enjoy. It doesn't seem fair when you look at some of the jobs that other people have to do. I suppose it's not really pride, it's more that I feel really lucky that I've managed to do that.

JL: Finally let me ask you about advice. If somebody who just joined a service company asked you what are the three most important things he or she should do, what advice would you give?

MH: The first is understand the business model, understand that marketing isn't just about colours and fonts and type sizes. It's about connecting the business with its customers and their needs.

The second is build a network, get to know the accountant, get to know the HR people, make them your friends and make them your allies.

And the third is be a champion for what you're doing, make sure that other people understand how marketing adds value to that organisation.❦

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Marketing in a private equity environment

This is an edited version of the Spencer Stuart CMO Summit held in the US, Summer 2007

Private equity firms and their portfolio companies have become a significant force in many industries, consolidating businesses, shifting industry economics and competing for top talent. Indeed, as the influence of private equity has increased, firms and their portfolio companies are attracting leaders from among the ranks of the world's top business executives

A SPENCER STUART survey of senior-level marketing and general management executives, carried out in 2007, found that 86% of the world's top business executives who have never worked in a private equity environment would consider a private equity role today.

There may be more opportunities for these senior-level marketers. As the traditional view of private equity firms as solely focused on cost management gives way to a model that is mainly focused on growth, the marketing function is playing a more central role in the success of private equity ventures.

Spencer Stuart brought together a panel of US private equity leaders together with consumer goods marketing leaders to discuss the realities of marketing in a private equity environment. Hosted by Spencer Stuart, *Advertising Age* magazine and the American Marketing Association, these executives discussed the role of the marketing function in a portfolio company, and the career and leadership considerations for marketing leaders.

Private equity today: the growth imperative

The private equity model of the 1980s and 1990s relied on financial engineering and sharp cost-cutting to create value. In the past several years, however, as investments in private equity have soared and funds face increased competition and higher prices for deals, it has become more difficult to create value in these traditional ways. Today, private equity creates value through profitable revenue growth – by leveraging marketing and innovation, panellists said.

We're at an all-time high, from my perspective, in terms of the kinds of

multiples that lenders are willing to lend times cash flow, so there's some thin air out there. As a result, the types of company that private equity firms are acquiring now are not the types of company that were necessarily distressed like they were in the 80s. They don't have the cost-management issues.'
CMO, Burger King

Growth is the key to valuation these days. The financing is a given. Getting the cost structure right is a given. The only way you're going to differentiate yourself in the deal process is to acquire a company and be able to finance it – or on the back end, to sell it and make money – is by achieving superior profitable growth.
Senior Executive, investment firm

This imperative to profitably grow revenue has implications for marketing, elevating the influence of the marketing function in identifying new opportunities for growth, setting appropriate pricing and effectively managing relationships with the most profitable customers.

I've been involved with private equity since 1992 and I can tell you it's nothing like it was 15 years ago. The importance of marketing and its role in figuring out how the company is going to either evolve the business model or continue to run a business for growth is becoming more and more important.
Senior Executive, investment firm

Marketing: friend or foe

With a reputation as hard-nosed cost cutters, private equity, many assume, would take a dim view on spending on marketing, particularly on such initiatives as brand advertising that may be less measurable. But panellists said that – far from putting marketing on the chopping block – the private equity firms they have worked with are more than willing to spend on marketing initiatives that benefit the business.

If anything, private equity owners want to invest in marketing. They are going to cut costs. They're going to find cost opportunities generally in operations, and they're going to put that money back into the top-line growth. That's innovation, technology investment and marketing.
CMO, Travelocity

For senior-level marketers, a private equity role can provide an opportunity to make a significant difference in the business, something that can be more difficult in a large organisation.

The portfolio companies I work with are thirsty for the best practices of industry. The CMOs who are exposed to the practices that are in widespread use today at $20 billion companies, $100 billion companies or $180 billion companies are very much in demand at $100 million, $500 million and $1 billion portfolio companies. I could see us implementing something like the Net Promoter Score, for example, across the 28 companies in our portfolio in the span of two months, and start to get monthly feedback on our ability to track, retain and refer our best customers. The ability to quickly put a new idea into practice makes it a very fun environment in which to work.
COO, investment firm

It is the ability to act quickly and to focus the organisation's efforts on results that appeals to many senior executives, panellists said. Without the pressure of having to meet quarterly financial targets, portfolio companies are freed to invest in intermediate-term strategies that build towards an ultimate exit, which could include a sale of the business or an initial public offering.

Within private equity, the laser focus that you get on your business is tremendous. With big companies, there are so many other things pulling at you that you can sometimes feel like you are defending your business against many corporate demands. You can lose a little focus. A CMO who is in a private equity environment can concentrate on his long-term strategy and on growth. It can be harder to grow in a public company because a long-term look might be the end of the next quarter.
CEO, Honeywell Consumer Products Group

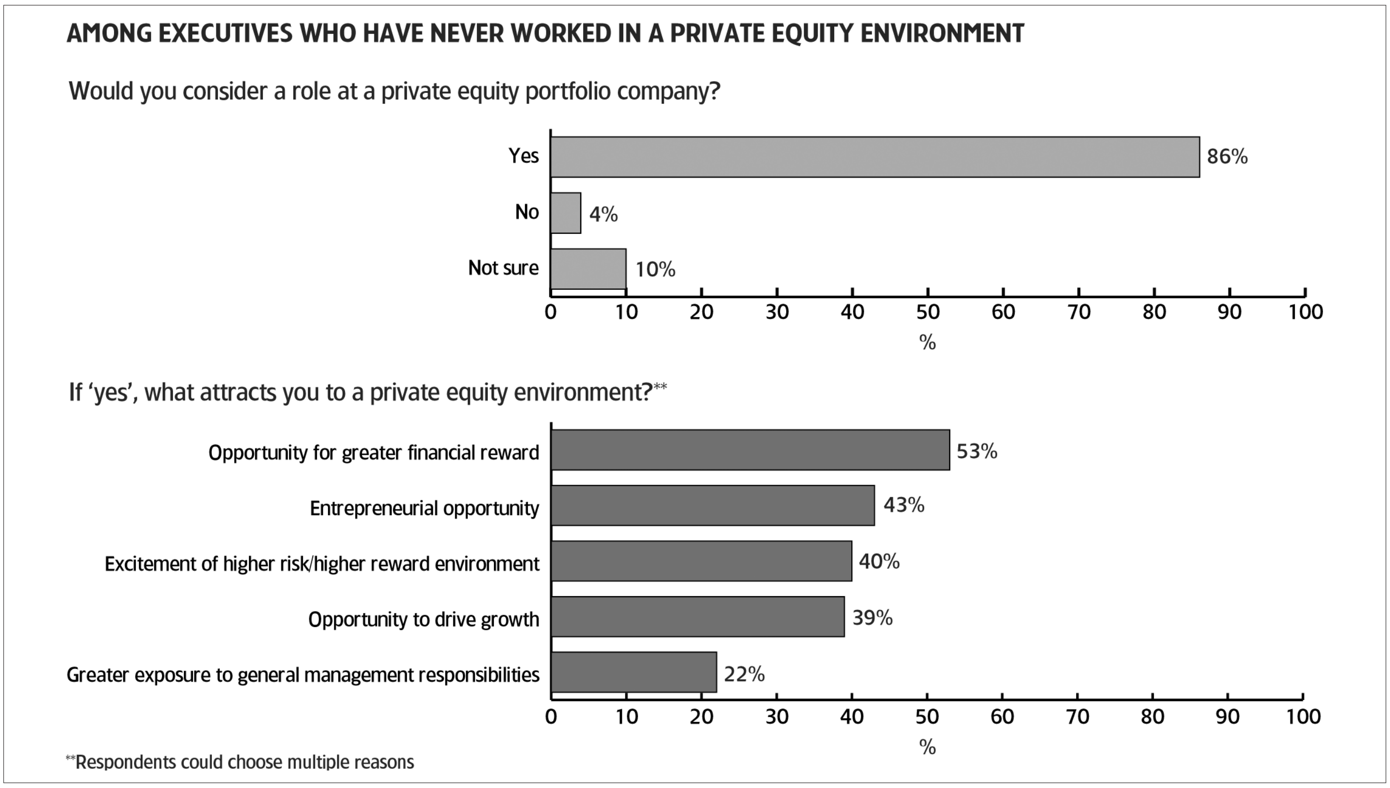
To what extent does the focus on results impact the kind of marketing initiatives portfolio companies pursue? Panellists discussed how their organisations approach spending on advertising. Private equity, they said, does not have an aversion to advertising – even to traditional media channels that may be less measurable – if the value to the business and the brand can be demonstrated.

While private equity has an inherent bias towards the more measurable media, marketers can demonstrate the value of traditional media advertising through the use of more sophisticated econometrics models.

Private equity understands measurable ROI. When we propose spending several million dollars more on distribution channels that are highly measurable, and we can prove that on a variable basis it's going to be positive, they're very open to adding money to the spigot, as long as you can show it continuously remains profitable on a variable basis.
CMO, Travelocity

The 'dark side' of private equity

Even as private equity has grown as an attractive opportunity for executives, it may not be for everyone. Portfolio companies typically have high levels of debt, requiring constant attention to cash flow, spending levels, debt repayment and financial targets. Portfolio companies often lack the human and financial resources of large, public



companies, requiring the leaders of these companies to wear multiple hats.

Finally, despite all the attention private equity receives, not every private equity venture is successful; and a struggling portfolio company can be a very difficult place to be, panellists cautioned.

> *It is important for you to remember as you are presented with opportunities from private equity, that there aren't many symposiums that invite average portfolio or private equity managers to speak. That's because most of them underperform. Not every private equity deal that comes along is a bag of money about to fall off the back of a truck for you. There are a lot of deals out there that disappoint and that don't deliver the value creation.*
> CMO, Burger King

In the Spencer Stuart survey, 41% of respondents said the pressure on marketing is greater in private equity firms compared with a public company. Among the reasons executives gave for this view was the 'results or out' pressure, the significant debt load and focus on short-term cash flow, and relatively fewer resources. As one respondent put it, 'You don't have time to test the market, but you can't be wrong.'

A struggling or unsuccessful portfolio company can be a function of an inappropriate capital structure on the business. As a result of the debt load, there can be little room for a misstep in product launches, marketing and pricing.

> *If you make a misstep, you will spend an inordinate amount of time in meetings with bankers explaining what you're going to do about it. That can be a very serious drain on management time. It also can affect the amount of cash flow that is available to reinvest in the business – in the brand and new products – or to retire debt. It's not a very fun environment.*
> MD, private equity firm

Improving your chances

How can marketers considering a senior role at a portfolio company improve their odds of joining a successful venture? Careful due diligence about the portfolio company's strategy and financial position and the private equity firm are essential, panellists said. First, it is critically important to understand the fundamentals of the deal.

Marketers should strive to understand whether there are structural barriers that would prevent the executive team from being able to operate and grow the business.

> *Once you understand the inner workings of the capital structure, you should do all of your normal due diligence in terms of a brand's prospects and ability to grow, and then do your own arithmetic around the valuation to understand what your equity position could potentially be worth.*
> CMO, Burger King

And while it may not come naturally, marketers need to be fluent in the vocabulary of private equity and how the financial engineering works.

Private equity leaders expect that serious candidates for portfolio company roles will ask questions about how much of the equity is allocated to the management team, as well as the firm's expectations about the company's performance. Firms also are looking to align executive compensation with the economics of the owners.

If you are overly concerned about your current compensation or bonus package as opposed to making sure that you're compensated fairly overall, that's probably not going to play well.

MD, private equity firm

Wise marketing management leaders also will consider how compensation and incentives for the rest of the organisation are aligned with the performance of the company.

The Travelocity management team made it a point to ensure that key people throughout the organisation had a stake in the company's success.

How do you motivate companies of 10,000 employees when there's no longer a stock price to watch? The great thing is we've been putting a lot of thought into incentives programmes for not just three or ten executives, but several hundred executives. If you think about it, in a consumer company, every employee matters.

CMO, Travelocity

The onus is on the executive team to push for a plan that provides incentives broadly. 'I don't think you're going to find private equity firms proactively trying to look for a democratic distribution of stock' was a widely endorsed view.

Beyond compensation, marketers should consider whether they believe their work style and preferences are a good match for the culture and style of private equity.

Successful marketers in private equity environments are the people who can deliver results through their marketing. They're confident that as they wake up every day, no matter what business they're thrown in, they can drive demand, they can drive market share, they can drive price and they can effectively make the decisions about the marketing spend.

COO, investment firm

Conclusions

Despite the risks and unique pressures, executives with private equity portfolio companies overwhelmingly indicated that they would join another portfolio company in the future; 86% of respondents to our survey of marketing executives said they were 'likely' or 'very likely' to join a private equity backed company in the future, citing the entrepreneurial opportunity and the ability to make a real difference in the company's success.

While private equity represents an attractive opportunity for many senior marketing leaders, marketing executives considering a portfolio company role should understand the financial structure of the deal, the opportunity for growth and whether they are well suited for the challenges of private equity.

About Spencer Stuart

Spencer Stuart is one of the world's leading executive search firms. It is the advisor of choice among top companies seeking guidance and counsel on senior marketing leadership needs. Clients include FTSE Eurofirst 300, private equity and pre-IPO companies across a broad range of industries. For further information, please contact Jonathan Harper or Frank Birkel, co-leaders of the European Marketing Officer Practice.❦

A quick bluffer's guide to digital

ANDREW MELSOM offers a selection of opening lines to get you started in any digital conversation. After that, good luck, you're on your own.

THERE ARE MANY new words and phrases being used to describe developments on the internet and emerging digital technologies. Many of them sound very silly – Gif, Java and Favicon, for example – but we must never surrender to the whims and fancies of the technophobes. You must be ready at all times to engage in line-for-line dialogue with the best of them and completely fool them into thinking that you know where it's at digitally … right?

It's the equivalent of sitting at a piano and then playing the opening bars of 'Crocodile Rock' (but only the opening bars) and then being able to walk away nonchalantly, leaving stunned society wondering in your wake. Conscientious poetry pseuds will know what I mean: 'They fuck you up, your mum and dad/They may not mean to, but they do/They fill you with the faults they had/And add some extra, just for you' … heavens, brilliant! But does he know the rest of it? Does he even know who wrote it?

Now you need to be able to get along with everyone at the digital party. There's stuff you know, but other stuff you should appear to know so here's how you can get the conversation started; there's a brief explanation in each case. It will only get you so far and, for a few milliseconds, you will be fascinating. If you time it right and move on, you will leave behind the possibility that your audience will have known, if briefly, a guru. Some opening gambits ...

You must be ready at all times to engage in line-for-line dialogue with the best of them and completely fool them into thinking that you know where it's at, digitally ... right?

'It's a good job those guys at Yahoo have got Blue Lithium ...'

This does not mean that the Yahoo! people have got some good stuff in and they want to share it. Yahoo! has acquired Blue Lithium in a $300 million deal – an ad network that reaches 120 million users a month and that uses behavioural targeting to match ads to users on about 1000 websites. This has enabled Yahoo! to more accurately target customers for its advertisers, particularly DM ones.

'Well do you know what WIMP actually means?'

You could be showing your age but, digitally, it means: Windows, Icon, Menu, Pointing (device), and was used as a derogatory term by the users of DOS and UNIX and text-based computer systems to describe the former minority who were reaching out for Windows and Apple Macintosh operating systems as an endemic method of day-to-day computer usage.

'In China they like to Baidu things ...'

Google only has 25.9% market share of the search engine market in China according to the research firm Analysis. Baidu.com leads the China search engine market with 60.1% and Yahoo! is third with 9.6% (about the same % share that it has in the UK). There are now 210 million people on line in China, only 5 million behind the US, with 40% of China's new users coming from rural areas.

'That Philip Zimmermann's at it again ...'

Philip Zimmermann was the creator of Pretty Good Privacy (PGP).This was designed as a human rights tool, and was published free on the internet in 1991. It quickly spread worldwide as being the most widely used email encryption software in the world. The US Government conducted a three-year investigation into PGP as it held that its own export restrictions for cryptographic software were violated. They dropped their case in 1996. Zimmermann has now developed Zfone, which enables encrypted and secure telephony over the internet.

Andrew Melsom is Managing Director of Agency Insight.

Favourite online brands in 2007

UK top ten
1. Google
2. bbc.co.uk
3. eBay
4. Streetmap
5. Friends Reunited
6. Nectar
7. Tiscali
8. TimesOnline
9. Topshop
10. yell.com

Source: YouGov

US top ten
1. Google
2. Yahoo!
3. MSN Windows Live
4. Microsoft
5. AOL Media Network
6. Fox Interactive Media
7. eBay
8. YouTube
9. Wikipedia
10. Apple

Source: Nielsen Online, NetView

'The growth of MMORPG, globally, I mean … wow!'

The acronym stands for Massively Multiplayer Online Role Playing Game. Make sure you learn this much. Blizzard Entertainment, Inc. has said that its subscribers for *World of Warcraft*, its award-winning role-playing game, have continued to climb – recently passing 10 million people worldwide. World of Warcraft now hosts more than 2 million subscribers in Europe, more than 2.5 million in North America, and approximately 5.5 million in Asia.

'Can you name the top five video–virals in the last year, in the right order with their agencies?'

Maybe this one is a bit easier, and it is a good ice breaker. The chances are your audience will get one of them, but not all. The agency GoViral reported to the *Financial Times* that they rank: (1) Cadbury's Gorilla: Fallon (2) Smirnoff – Green Tea Party: JWT (3) Ray-Ban Catch Sunglasses: Cutwater (4) Blentec – Will it blend? (i-phone in the blender): no agency (5) Bom chicka wah wah: BBH.

'Did you know that Facebook now accounts for 1 in 50 UK web visits ?'

According to Hitwise, Facebook's market share of UK internet visits to all categories increased to 2.01% in December. The social networking website accounted for 1 in every 50 UK internet visits in December of 2007, with its market share peaking on Christmas Day. Marketers struggle to 'factor out' social networking in determining internet usage and calculating the value of advertising audiences and the potential worth of online customers – in other words, to understand who the online worthless wastrels are.

As the social networks' market share increases, so now has their capacity to deliver traffic to other websites. Social networks accounted for 7.04% of upstream traffic to all categories in December 2007; facebook.com, bebo.com and myspace.com were all included in the top ten individual URLs sending traffic to other websites. Here is how to be even more annoying with some predictions for 2008 and beyond …

'Trust me, despite the recession, Beijing will bring about a surge in online spending in 2008 …'

In the US, a combination of the election and the Beijing Olympics will bring about a spike in online spending according to emarketer. Although the growth rate of online will mature, and growth will reduce to under 30% in 2007 for the first time since 2004. In 2008 growth will surge to 29% before declining to 18% in 2009.

"I don't know what will actually happen, but the presidential election will be won or lost on YouTube …"

One of the candidates will be embarrassed by something that will be multiplied out to millions on YouTube. It will either be a poorly made argument, a poor performance in a debate or they will physically fall over. The event will be one of the deciding factors of the election.

'The Cybermen will return ….'

Completely emotionless and dastardly race of creatures made up from spare metal and plastic and who first appeared on *Dr Who* in 1966, thus pre-dating the invention of the World Wide Web by 24 years. They returned in 1986 to capture Earth since their own planet, Mondas, had run out of power. It went bad for them when they got their sums wrong and, during a transfer of energy from Earth to Mondas, there was an overload that effectively blew up their planet. But it is a widely accepted view that they will return. ❦

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