THE HUB™

THINKING MARKETING FOR BUSINESS VISIONARIES™ | January/February 2005

BEST PRACTICES

Microsoft's Halo Effect

Peter Moore, global marketing chief of Microsoft's Xbox explains how *Halo 2* videogame sales blew past any first day opening movie that's ever been recorded—and how difficult it can be to keep a hot brand cool.

The first-day sales of *Halo 2*—at about $125 million—was even bigger than the opening day box-office for *Spider-Man 2*. How did that happen?

When we look at where our place as an industry lies within the other broad-based entertainment industries, a game like *Halo* really symbolizes the power our medium has to drive consumer passion, and, quite frankly, a call-to-action to retail unlike anything else. Videogames seem to be outstripping just about anything else that's out there right now.

But there's more to the launch than just making the game available.

We teased the release in print using *Master Chief,* who is the icon, the savior, as always. He was in some double-page printouts, primarily in gaming publications. There were also 60- and 30-second network and cable-TV executions of commercials that helped build *Halo 2* into a pop cultural phenomenon—not just a video cultural phenomenon. Then everything culminated at 12:01 a.m., on November 9th, 2004.

What makes *Halo 2* so special?

The combat, the storyline, is so deep. Fundamentally, at its core, it's a classic story of Earth (or humankind) being attacked by outsiders. In this case it's aliens. The way that the combat takes place—the storyline behind what's going on here between Earth and the bad guys (known as the Covenant)—is phenomenonally deep, to the extent that we sold novels that gave the backdrop to the story and took it into different places than the game goes.

If you've ever had your hand on the control and played *Halo* multiplayer at a Local Area Network (LAN) party, where you actually link as many as four Xboxes together on multiple TVs, you'll know what I mean. Up to 16 guys can go at it by putting their controllers into ports, and off they go. These sessions can last up to 10 hours, nonstop, where you play games, try to capture levels and defeat the invading army. It's fascinating stuff, it really is.

You've said that your vision of the future of gaming is online.

We truly believe that gaming is no longer a solitary experience. Microsoft certainly is in the vanguard of that idea. Multi-player gaming from the console into the living room with two or more players playing, connected to each other, has been a development that we have all enjoyed in the industry in the last three or four years.

But more recently, in the last two-and-a-half years or so, you've seen the growth of online gaming as a real—I wouldn't say a mainstream—activity amongst gamers, but bordering on something that people start to expect in their gaming experience. They start ➜

to enjoy reaching out to play with anybody anytime.

So, we've now built up the Xbox Live service to include 24 countries, and have more than one million paying subscribers at this point, with growth plans to increase that by another 50 percent this fiscal year. We really truly, honestly believe that this is the future of gaming.

There will be a situation, in a couple of years from now, where an off-line game experience will seem awfully hollow. That is something that we are marching towards very aggressively, as you can see with the way people are embracing Xbox Live.

How does your marketing strategy support that vision?

Well, it's really with the content. It's with the experience of the games. It's no good having the service and building out all the data centers and the incredible investment we're making in time and people and dollar resources, if we don't deliver the experience that people actually want to have online.

We have certainly been able to prove that out with games such as, for example, in our *Microsoft Game Studios,* with *Project Gotham Racing*, and with our partners — *Ubisoft* being one that jumps to mind, and also in the early going, with games like *Ghost Recon,* which were very, very successful.

As we go forward, you're going to see almost all games have some kind of an online element — whether it's the ability simply to look at scores, or as huge as massive, multiplayer games, where thousands of people could be playing at the same time. That is the continuum that we see online, but all games going forward will have some ability to go up to a server and either bring down information or send up information. It'll seem weird if a game is completely off-line in the future.

Is your strategy different in Europe than it is in North America?

We are trying now to globalize our marketing message, something that has never been done in our industry before. Typically, the marketing message has been regional, if not local. Now we have this incredible vehicle called Xbox Live, which gives us the opportunity to speak with one voice to a consumer, whether in Beijing, Bangkok, or Barcelona.

Certainly soccer was one area we felt required no translation, no real localization and no explanation of the rules. It crosses all boundaries, all continents, and the ability for someone to play a game against somebody else 5,000 miles away — the identical game and they both totally understand what's going on — it's an incredible experience. Having already done it myself — it blows me away.

So, that and some other media deals that we haven't announced yet are great examples of the things that we're trying to do to globalize our message so that when you get off a plane anywhere in the world you feel that Xbox has the same positioning, the same statement to the consumer, and stands for the same things. Typical to our industry, it's been very, very regionalizing. You can even see different taglines depending on which continent you're on.

You cut your teeth in marketing at Reebok. Are there any lessons from your time there that you are now applying at Microsoft?

Very much so. One of the bigger challenges we face right now is that we're dealing with a consumer who plays hide-and-seek with brands, and who is very difficult to get to. That's the 14- to, let's say, 28-year-old male — very much a similar demographic to what we had at Reebok. We were looking for ways to be relevant, pertinent, to be, quite frankly, "cool" to that consumer.

At times we were successful and at times we were a little less successful. The ability of a consumer to embrace what your brand stands for is a very fleeting opportunity that needs to be grasped.

There are companies that are able to do that and sustain and maintain their "coolness" for years on end. Then there are other companies that have it in their hands for a few moments, but then do something to disenfranchise themselves with the consumer and are no longer cool anymore.

Certainly, you can count the former on one hand and you can count the latter in the hundreds of brands that, I think, are like meteors — they just streak across the sky and burn brightly for awhile, but then they just end up in the New Mexico desert somewhere.

How has the development of games changed over the years since your days at Sega?

It certainly has gotten a lot more expensive! Gamers are expecting more and more. They're expecting deeper, immersive, richer storylines, fuller character development, a game played at 20, 40, 60 hours of unique game play, and replay value. Online gives further extensions, and developing games so they're playable online is another set of technical riddles that have to be overcome.

Treating games with high definition is going to be even more expensive. But games must keep pace with the technological expectations of the consumer, particularly the gaming consumer, who tends to be a little bit savvier than the average consumer. And if that is what it's going to take, then that is what we're going to give them.

You have 1,500 people in your department. How do you keep them all on the same page and motivated?

We have a very creative vision for the product — a very creative vision for what Xbox stands for versus the competition. There is a subculture that's developed within the Xbox group that's a little different than the Microsoft culture, which is, in itself, very strong.

We have a different physical location. We're still in Redmond, Washington, but away from main campus. We're totally focused on creating great games and supporting them with great marketing and making sure that consumer satisfaction levels are at unprecedented highs.

We see our consumers as partners in this enterprise, and we do nothing to let them down. The quality of what we do, and the quality of the support we provide if things go wrong, is really integral to the way we operate. It's a little different than the regular Microsoft culture, but certainly driven by the same core elements of making a difference and that's certainly what we believe we do in the video game world.

The gaming culture clearly is very different than what one would think of, in terms of the Microsoft culture, which is somewhat corporate. From a branding context, how do you reconcile that?

Well, one of the things we have reconciled is that the Microsoft brand does have some very core attributes that gamers look for — the ability to drive the difference with great software.

We're in the software business here, and while the great majority of people think of Microsoft as productivity software, or information software, we're in the entertainment software business.

But on a core, fundamental, basis, what we try to do is make a difference with our software, and really start to realize people's potential. We look at ways to be able to drive a similar message with games.

Is Bill Gates a gamer?

Bill, interestingly, is. He is more of a racing gamer, so *Project Gotham* has always been the game that he enjoys. The first time I went to his house, I was stunned to find an arcade machine in his front lobby, a racing arcade machine.

Bill keeps a very close eye on the business, and enjoys playing the games. He would probably tell you that he's not a very accomplished gamer, but like most people, enjoys playing the games and certainly there are three or four of them he can hold his own at.

What do you see ahead for Xbox?

This is an exciting time for our industry. This is very much a mainstream situation at Xbox with regard to what videogaming will be about in the future. And, of course, there's a bigger play here as well — that is, what entertainment overall is going to look like in our living rooms over the next four or five years. We truly believe that videogames will be a core part of that entertainment experience. ■

THE HUB

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CONSUMER INSIGHTS

Volunteer Vogue: Lifting the Lid on Doing Good

America's culture of volunteerism is big, and getting bigger. Brands that understand this are not only driving long-term image and loyalty, but also short-term sales and profits.

by **Gary Schneider**
Founder
Inspire Your World

A recent study by AmeriCorps shows a surge in interest in volunteerism in America, especially among young people. Maybe this should not be so surprising, given how many of them are wearing a rainbow of bracelets in support of various charitable causes.

Despite such passions, however, Madison Avenue is largely ignoring America's growing passion for volunteerism. Given its talent for parlaying insights into consumer attitudes and behavior into brand-building strategies, the culture of volunteerism in this country deserves far greater attention from advertisers.

At least we have admitted we have a problem, and that's a good start. According to a survey by *Reveries* Magazine, 52 percent of marketers acknowledge they are doing a "poor" job of integrating "volunteerism" into brand strategies. Fully 75 percent say that "volunteerism" has been undervalued as a pathway to building brands.

As a psychographic segment, "volunteers" certainly represent a robust community, and one that is large enough to register on any marketer's radar screen. According to the 2004 annual report by the Bureau of Labor Statistics, approximately "64.5 million people did volunteer work at least once from September 2003 to September 2004."

In other words, volunteers represent a total of 28.8 percent of the American population. So, the first question is: Why is this affinity group so widely ignored by marketers? The second, and more important, question is: What can be done about it?

Why the Disconnect?

According to the *Reveries* survey, Madison Avenue does not cross at the corner of "volunteerism" for a number of reasons. The top three: Management doesn't truly support cause marketing (15 percent); short-term, tactical focus conflicts with cause-marketing's long-term view (12 percent); and budgets are not adequate for cause marketing (12 percent).

It is worth noting that the number-one reason — that management doesn't truly support cause marketing — conflicts with a study by LBG Associates, in which 100 percent of corporate executives said that "their companies should financially support volunteerism." But it was a fourth reason cited by the *Reveries* respondents that truly gets at the heart of the matter. That reason, perhaps predictably, had to do with marketing's own current *cause celeb* — return on marketing investment.

According to 11 percent of respondents, it is an "inability to leverage sufficient value from cause-marketing" that prevents such programs from being implemented.

A clue as to why such an inability exists is evident in the survey's findings. It appears that marketers see volunteerism marketing primarily as a means to enhance brand image (31 percent) and strengthen both consumer loyalty (27 percent) and employee loyalty (21 percent).

Only 7 percent said volunteerism had potential to build incremental sales, and that is the biggest disconnect of all. Most marketers would agree that a strong brand image and greater loyalty among consumers and employees ultimately lead to increased sales. Of course, building image and loyalty takes time. Given Wall Street's focus on short-term profits, conventional wisdom unfortunately exhibits a low tolerance for slow-burn marketing strategies, such as those grounded in volunteerism.

As invariably happens to conventional wisdom, the idea that cause-related marketing programs can't produce quick sales lifts — while also burnishing images — is being overturned by growing numbers of marketers.

In fact, *The New York Times* recently ran a front-page story about it, headlined:

survey

Overall, how would you rate the marketing community's track record of integrating "volunteerism" into brand strategies?

Responses	Number of Responses	Percentage
Excellent	2	1.0%
Very good	5	2.4%
Good	17	8.3%
Fair	64	31.1%
Poor	108	52.4%
Don't know	9	4.4%
Other	1	0.5%
	206	

Which of the following objectives hold the greatest potential to be realized via volunteerism/cause-marketing programs?

Responses	Number of Responses	Percentage
Incremental sales	35	6.9%
Brand-image enhancement	156	30.7%
Consumer loyalty	136	26.8%
Employee loyalty	106	20.9%
Pure-play charity	40	7.9%
All of the above	30	5.9%
Other	5	1.0%
	508	

"Linking shopping to doing good." As reported by Tracie Rozhon, a number of marketers used charity-focused programs to drive store traffic and lift retail sales during the 2004 holiday shopping season.

Some of those programs involved selling the red-hot LiveStrong bracelets, in support of cancer research. Others centered on raising money to help provide food or shelter for impoverished people in developing countries. But all of them not only tap into America's passion for "doing good," but also help make the cash register ring.

As Paco Underhill, the retail guru, told the *Times*: "All the merchants woke up in the 21st century to realize the old tools — the advertising or sales promotions, the tools they taught in business school — don't work anymore." Craig Johnson, also a consultant, meanwhile suggests that "partnering with leading charities allows stores to avoid the price trap of trying to match the Wal-Marts and the Targets of the world — and to 'do well while doing good' is not a bad strategy during the Christmas season."

Johnson also notes: "Such retail-hosted charitable events and promotions have at least tripled since 2000 ... and have clearly accelerated in the past year."

Doing Good, For Business

Ralph Lauren understands the power of America's culture of volunteerism, especially as it relates to fashion-conscious consumers. Ten percent of profits from the sale of Lauren's $60 Polo slim-fit, low-rise jeans are donated to promote volunteerism, as reported by Guy Trebay in *The New York Times*. The jeans are emblazoned with a special patch that says G.I.V.E., so that those in-the-know know that wearers are looking — and doing — good all in one shot.

Trebay also cites MAC cosmetics, which has raised some $31 million dollars for AIDS research via sales of a $14 lipstick, and notes that MAC is "the fastest-growing cosmetics brand in North America." Supporting the point that corporate responsibility can be quite profitable, Trebay quotes Donald Siegel of Rensselaer Polytechnic Institute, who says: "Especially for image-based products ... it turns out that the bottom line is affected, because consumers really seem to care about these things."

Also connecting the dots between fashion and volunteerism is American Eagle Outfitters' "Great Gifts" program, which promotes volunteerism among teens. Under the program, teenagers and young adults throughout the United States and Canada joined American Eagle employees by donating a dollar or volunteering their time to support various charities that promote literacy, provide shelter or otherwise serve children, teens or young adults in need.

Michael James Leedy, chief marketing officer of American Eagle, comments: "The success of the program proved what we have known all along — that teenagers →

and young adults care about their communities and want to get involved." In addition to generating "thousands of hours" of community service, the program raised more than $790,000.

American Eagle launched Great Gifts after conducting a survey, which indicated that 51 percent of teens and young adults are inspired to give back to their community during the holidays. The survey, conducted with Sovereign Marketing, also found that while 88 percent of American teenagers and young adults are volunteer-minded, 41 percent have never volunteered.

That leads to one of the most pivotal findings of all: "Of those who do not volunteer, 29 percent stated that they do not know how to get started, while 38 percent said they would get involved if they knew how and where."

Where To Start

To join forces with America's culture of volunteerism, corporations first need to recognize volunteerism as part of a growth strategy, versus something that's just "nice to do." As indicated by research from LBG Associates, the sentiment to support volunteerism runs strong. Not only do 100 percent believe that senior management should volunteer, but also that their companies should support volunteerism financially.

Ninety-seven percent think their companies should have staff dedicated to volunteerism, and 85 percent of companies allow employees to volunteer during the workday. The gap, clearly, is between what companies *think* they should be doing and what they actually *are* doing. Even more important, an understanding of the connection between volunteerism and growth appears to be missing, in most cases.

Among the key steps:

➜ **Advertisers must lead.** Curiously, "advertising" lagged as a channel for volunteerism in the *Reveries* survey. It was cited by just 8 percent of respondents as having the "greatest possibilities" for the development of cause-related marketing programs. Leading the pack were "sponsorships/events" (23 percent), followed by public relations (22 percent), promotion (14 percent) and interactive (12 percent).

This is important because advertising remains at the center of the marketing universe, as the hub of integrated marketing programs. It stands to reason that if the advertising community took a more proactive stance, it could easily lead — and drive — the volunteerism culture to new heights.

While it could be argued that advertising agencies don't drive volunteerism because their clients don't demand it of them, it's also true that the best agencies don't wait around to take orders. That said, it is also incumbent on the brands to be organized to make volunteerism a part of their culture.

One place to start would be to create — and support — a position that bridges the gap between corporate foundations and their marketing departments. Perhaps there should be a Chief Volunteerism Officer who has a seat at the table in the C-Suite.

➜ **Media must follow.** The lack of dedicated media options is one major reason why agencies and others have not been more active in pursuing cause-related marketing strategies.

Indeed, according to the *Reveries* survey, no particular communications channel emerged as a clear leader, suggesting that none has developed a clear identification with volunteerism or charities. This goes back to the American Eagle/Sovereign Marketing study, which, as noted above, found that more people would volunteer if they knew how and where to start.

At 18 percent, "events" was picked as the most popular medium for cause-related programs, followed closely by "internet" (16 percent) and "newspapers" 13 percent). The other media — radio, television, magazines, guerilla and retail — were bunched tightly and not far behind.

In short, it is not that any one medium is inherently better for promoting volunteerism or causes, but rather that all of them could do a better job of developing their potential in that regard.

➜ **Stereotypes must get out of the way.** Volunteerism is not limited to one consumer group vs. another, although some groups obviously are more inclined to volunteer than others. The Bureau of Labor Statistics, in its recently released 2004 study, offers a wealth of demographic data on the volunteerism trend.

The most active volunteers are 35 to 44, closely followed by the 45- to 54-year olds and the 55- to 64-year olds. Teens have a relatively high volunteer rate (29.4 percent), while those in their early 20s and over the age of 65 have the lowest rates. Women are more active as volun-

survey

In general, do you think "volunteerism" has been under-valued as a pathway to building brands?

Responses	Number of Responses	Percentage
Yes	154	75.1%
No	18	8.8%
Maybe	19	9.3%
Don't know	13	6.3%
Other	1	0.5%
	205	

teers than are men — across all age groups, education levels and other major characteristics.

Whites volunteer at a higher rate (30.5 percent) than blacks (20.8 percent) Asians (19.3 percent) or Hispanics (14.5 percent). These official numbers roughly matched the perceptions of marketers, as captured in the *Reveries* survey. The point is, it's ultimately up to the brands to match their volunteerism strategies to their highest-potential consumer segments, if growth, in addition to doing good, is the goal.

Doing Best at Doing Good

Survey respondents cited a number of charities and brands as doing a good job with volunteerism. Nike, Home Depot, McDonald's, Ben & Jerry's, Newman's Own and Avon occupy the top tier. Right behind them are Body Shop, Target Stores and the NFL.

Nike was linked to Lance Armstrong, and the now-ubiquitous LiveStrong bracelets, while Home Depot was associated with Habitat for Humanity, McDonald's with Ronald McDonald House, Avon with breast cancer awareness, and the NFL with United Way.

Incidentally, in a recent survey on the image of six major professional sports organizations, the NFL was cited as the leader in encouraging volunteerism and supporting charitable causes. The survey, by MarkeTools, Inc., also found that the NFL was second only to the PGA Tour in terms of having the best image in the big leagues. Not coincidentally, the PGA Tour was second only to the NFL in supporting charitable causes.

However, for the most part, few brands have done such a good job that their names are inextricably linked to a particular cause. Can you name a single major campaign in which volunteerism or a cause was the centerpiece? Probably not.

Among charities, those deemed to be doing the best job of working with brand marketers, in order, were: Susan G. Komen, United Way, Habitat for Humanity, Red Cross and Lance Armstrong. Breast cancer was also mentioned generically, as was AIDS.

As to what distinguished these organizations, the most frequent mentions were: organizations that have a clear mission; those with both grassroots and nationwide programs; those with professional staffs; those that facilitate volunteering and that focus on volunteers and participation, and not just money.

Stepping Up

So much of what happens in marketing is ephemeral — a 30-second television commercial, a 50-cent coupon, a 500-word press release. All of that has its place, of course. But the real magic in marketing is when brands become an indelible part of the lives of their consumers. That's a relatively rare thing, but that's exactly what brands that embrace volunteerism can step up and do.

The AmeriCorps study, which is a five-year, $5-million project, underlined that potential and set it in boldface, too. In addition to documenting a growing passion for volunteerism among young people, it also confirmed that the passion is not just another passing fad.

To the contrary, it seems that the more people volunteer, the more they become engaged: "AmeriCorps participation resulted in statistically significant positive impacts on members' connection to their community; knowledge about problems facing their community and participation in community-based activities…"

In other words, volunteerism has legs.

It's time we marketers started running with it. ■

survey

Which of the following media have you used as part of any volunteerism/cause-marketing campaign?

Responses	Number of Responses	Percentage
Magazines	57	10.6%
Television	40	7.4%
Radio	62	11.5%
Newspapers	68	12.6%
Internet	86	15.9%
Events	96	17.8%
Retail	36	6.7%
Guerilla	55	10.2%
All of the above	13	2.4%
Other	27	5.0%
	540	

Gary Schneider, the founder of **Inspire Your World,** the first consumer magazine exclusively dedicated to volunteering and philanthropy, is using his passion for publishing to celebrate the spirit of giving back. Gary began his career with Fairchild Publications, where he managed 13 titles, and later formed Peacock Penguin, a print brokerage firm. In 2003, Gary launched BizExUSA, which publishes a range of magazines and specialty publications. Gary can be reached at gschneider@inspireyourworld.com, or visit www.inspireyourworld.com

The Total-Store Pharmacy Solution

Multiple complex forces are shaping the retail pharmacy challenge. To ensure collective, long-term profitable growth, manufacturers and retailers need to work collaboratively to create genuine value for shoppers.

by **Carol Lauer**
Principal
Interscope

Retail pharmacy continues to have significant top-line potential. The aging population, therapeutic advances extending lives, and increased access for seniors benefiting from the Medicare Reform Act all bode well for continuing the +13% average annual increase in prescription drug sales.

This growth is under ever-increasing scrutiny from managed care and employer payers. Pharmaceutical costs are a small part of U.S. healthcare expenditures (10%), but represent a disproportionate share (20%) of increased costs. This has placed pharmaceutical cost containment efforts into high gear, squeezing retail pharmacy margins thinner and thinner.

Industry experts predict pharmaceutical costs will double by 2007 and may exceed medical spending within 20 years — a forecast sure to drive further cost controls and force inefficient operations out of the market.

The growth of mail-order Rx represents an additional significant challenge facing retail. Centralized supply chain, claims processing and three-month Rx's create a highly efficient prescription-fulfillment model for mail-order.

But that is just the cost of entry; these organizations are also equipped to provide superior customer service. Mail-order pharmacies can provide concurrent drug utilization review, resulting in a higher safety and efficacy profile. Add web- and telephone-based direct-to-consumer service, and the result is a highly efficient, safe and effective delivery system.

In addition, mail-order pharmacies can collect extensive data on all of their patients, not just those who opt in for shopper loyalty programs. The sophisticated operators can combine this fundamental knowledge with in-depth dialogue from patients who order via the telephone and online. Together, this means, mail-order has an advantage in understanding who buys what, when, and most importantly, why.

Why should manufacturers care about this? Because in this low-margin environment, only the chains with highest store volumes will survive. A few highly consolidated and powerful pharmacy retailers will emerge and only those manufacturers that bring differentiated solutions to drive profitable growth will win out over the competition.

Percentage of U.S. Mail-Order Prescription Sales

mail-order will continue to grow

Source: Industry estimates

Driving incremental sales on higher margin over-the-counter drugs and health-and-beauty products is the key to retail pharmacy health and an opportunity for consumer goods and pharmaceutical manufacturers to lead.

A "Shopper-Centric" Solution

The convenience of the "total store" is the key weapon retail pharmacy has to compete against mail-order operations. In a recent study conducted by GMDC, 79% of shoppers said they desire "one-stop" shopping for their health management needs. This translates to an opportunity to broaden category definitions from Rx "drug classes" to integrated total condition (Rx and OTC) healthcare management, and provide solutions to consumers that span all of their needs.

Consider the low-hanging fruit:

- Nearly half of consumers who fill a prescription do not buy anything else.
- Few consumers remain compliant with doctor-recommended guidelines for their chronic prescription medicines.

These opportunities speak to the need to better understand the retail shopper and identify the levers to close the sale.

Where to begin? Start with the highly prevalent categories that also represent the highest shopper value. These are categories with the most highly prescribed medications and have sufficient critical mass to merit the creation of differentiated programs (see examples on the right).

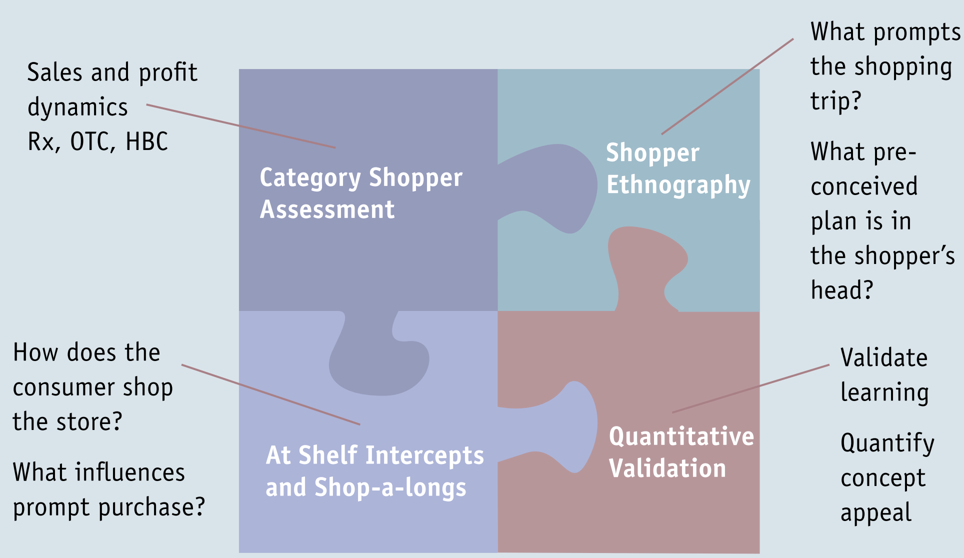
Creating an integrated approach to holistically marketing to these shoppers carries some significant challenges. Today, pharmacy is rarely linked to merchandising approaches in the front of store and organization "silos" create artificial barriers to an integrated approach. Retailers need to re-think organizational barriers from focusing on traditional product categories to a shopper-centric approach.

Similarly, the role of the pharmacist can be better leveraged. Many retailers, focused on throughput and efficiency, do not provide the pharmacist the opportunity to act as a health-care provider. Shoppers value the pharmacist and the opportunity for the pharmacist to improve patient care will also result in an improved market basket. ➜

Examples of Categories with High Shopper Value

Integrated Category	Prescription Medications	OTC concomitant products	Supporting Services
"Heart Healthy"	Anti-hypertensives Cholesterol	Aspirin Vitamins Low-fat foods	Cholesterol testing Walking clubs
Allergies	Antihistamines Nasal-inhaled steroids Asthma medications	OTC antihistamines Nasal decongestants Analgesics	Seasonal allergy alerts Safe home education Nutritional counseling
Women's Health	Birth control Osteoporosis Menopause	Feminine hygiene Skin care Vaginal anti-fungal	Aging support
Obesity	Diabetes medications Heart medications	Low-sugar foods Nutritional supplements Footcare	Nutritional counseling Exercise Diet planning

The Shopper Immersion Puzzle



← The most critical element in building a shopper-centric solution is to ensure a solid foundational understanding of category and consumer dynamics from which the appropriate strategies and programs can be developed. In partnership with SmartRevenue, a shopper-centric research firm, Interscope has developed an integrated process to pinpoint the right manufacturer–retailer solution.

1. Category and Shopper Assessment. Before embarking on the investment in shopper research, retailers and manufacturers should begin with the vast amount of data typically available from a variety of sources. In this phase, an integrated understanding of category profit and productivity is gained from mining POS and pharmacy adjudication systems. Retailers gain a clear picture of the profit contribution of segments of the integrated category (*e.g.,* Rx v. OTC; branded v. generic), including operational and inventory investment. Manufacturers understand the role their brands play and how to better leverage pharmacy programs to drive sales.

In addition to the category metrics, manufacturers and retailers are urged to share their vaults of insights into the consumers they serve in senior-level, top-to-top sessions. This engages senior-level commitment to new solutions and assurance of a proprietary approach that benefits both the manufacturer's and retailer's brands.

2. Shopper Ethnography. Building upon the analytical phase, the consumer research ideally begins with deep qualitative understanding of consumer behavior in the category. For example, if a consumer uses mail-order pharmacy for chronic medications, do they shop the retail pharmacy at all — and why? This step guides concept development of specific retail solution concepts and provides insightful, new understanding of the shopper.

3. At-Shelf/Shop-a-longs. This is a key phase to observe behavior as it actually happens. Understanding the triggers for Rx and OTC purchases — and how retailers and manufacturers can influence consumers to increase compliance, improve their care and drive the market basket — is critical.

The SmartRevenue approach leverages a handheld PDA with proprietary software to record in-store observations, store mapping, shopper voice recording, photographs and video, loyalty/frequent shopper card scans and product scanning. The PDA is used to record answers to both closed and open-end questions; photograph and/or video aisles, shelves, and displays; and scan UPC codes of shopping basket contents, shelf stock, and product positioning.

4. Quantitative Validation. Lastly, findings are quantified in a final study, which often includes specific concepts for retail solutions. Retailers and manufacturers can work together to create differentiated, branded platforms to increase consumer loyalty and drive sales. This solution testing should be addressed with the rigor of a new product development process, beginning with cross-functional ideation, concept development, preliminary consumer screening, refinement and quantitative opportunity projections.

Pharmacy as Element of DTC Mix

Bringing It All Together

These insights and the resulting solutions are a new way for retailers and manufacturers to compete more effectively. Creating specific shopper-centric approaches by core need-state is very much untapped potential for today's traditional pharmacy. These programs include:

Terminal messaging. Today's sophisticated pharmacy systems can be leveraged to provide the pharmacist with real-time messages to inform and educate consumers. Messaging can include co-pay information or educational material provided by manufacturers. For example, a "new" Rx prescription for a chronic condition can be flagged and the pharmacist can use that information to offer counsel.

Create value for health-care professional. Legislation has been passed to pave the way for a pharmacy to be reimbursed for providing counsel or "cognitive services." Although regulations are still murky, the stage is set for the retail pharmacist to provide more care, becoming an important adjunct to the health care professional — and a preferred destination for healthcare needs.

Refill reminders can be developed in conjunction with manufacturer programs to ensure patients are following recommended regimens while also driving a shopping occasion.

In-store destinations can be created to offer educational material and navigate the consumer through in-store purchase decisions. Category adjacencies can be driven by need-state to maximize the potential for cross purchasing and serve as a convenient destination for shoppers' needs.

Targeted mailings can be developed based on an understanding of high-value need-states, and manufacturers can provide incentives for future purchases.

Managed care as a retail partner is often overlooked but can be a highly leveragable and credible marketing tool. For example, managed care organizations advocacy of new Rx-to-OTC switches can be effectively used to drive consumers to the retail pharmacy, while also providing important educational materials to ensure proper patient care.

Educational programs. Manufacturers can provide a pharmacist education program to ensure that up-to-date information is available at retail. For example, the recent change in allowing OTC medications to qualify for flexible spending account reimbursement continues to be under-leveraged at retail. Equipping a pharm-tech with simple and turnkey educational materials could be an effective tactic to enhance the value-image of the store and be a significant value-add to the consumer.

Shopper-Centric Research

Gaining shopper insights is a matter of combining shopper observations, interviews, and scanning of purchases to answer the following questions:

- How are shoppers segmented?
- Who are the high-value shopper segments?
- What are the purchase drivers by segment?
- What causes shoppers to shop certain departments, categories, and brands but not others?
- How does each shopper segment navigate the store and what are the hot spots?
- Who is most likely to make an unplanned purchase?
- How and why are different segments bundling different products and categories?
- How do shoppers react to new products, out-of-stocks, planogram changes, and varying levels of customer service?
- How do store personnel drive additional purchases and what is the ROI?
- What pricing, promotion, and in-store merchandising approaches are most effective with high-value shoppers?
- Where else are shoppers shopping and why?

Online content. Retailers should look to manufacturers to create online content that enhances the retailers' credibility as a healthcare information provider. Consumers look to the internet to seek healthcare information and the retail pharmacy is a perfect source to provide a complete picture of their entire healthcare needs.

These programs can be complemented by a broad array of additional programs that currently are underutilized in today's marketplace. Increasingly, the retail environment should be viewed as a critical element in the DTC equation — and one too often overlooked in traditional category management approaches.

In the past, pharmaceutical companies simply sent sales people into doctors' offices to explain why their drugs were best for a given disease state, in hopes that the doctor would prescribe them. What the insurance would cover and at what level was, of course, up to the managed-care gatekeepers; by the time the consumer got to the pharmacy, any relationship there was largely transactional.

That scenario has now changed for both consumers and retailers. Consumers are now more likely to self-diagnose a condition. With new blockbuster Rx-to-OTC switches, such as Claritin and Prilosec, consumers can now choose between both prescription and non-prescription solutions to their conditions. And now their decisions are based on the combination of perceived product efficicacy, convenient access, and cost.

As a result, the retail pharmacy is more important than ever as a lever for both manufacturers and retailers. Creating specific, shopper-centric insights will lead to developing the right programs to drive consumer loyalty to the store and to the brands that create the most value. ■

Carol Lauer is a principal of Interscope, a sales and marketing consultancy focused on the intersection of the consumer and the customer. Interscope works with manufacturers and retailers to develop growth platforms based on a foundation of highly analytic category understanding and applying the consumer insights to find the right business solution. Interscope has a breath of category and company experience in a broad array of channels and consumer mindsets. Carol can be reached at: carol.lauer@interscopellc.com For more information visit: www.interscopellc.com

ROI Is Not Enough

Measurement is only one step in building marketing effectiveness.

By
John Nardone
and Ed See
Marketing Management Analytics, Inc.

In chasing new measurement and analytic initiatives to address ROI, too many marketers are missing the more important goal of building measurable and repeatable approaches to marketing effectiveness.

As a result, marketers are often building systems that assess efforts after the fact, but do not provide the means to manage them. Instead, they should focus on building well-instrumented "marketing effectiveness systems" to both understand and control the impact of marketing programs while continuously improving overall results.

A marketing effectiveness system, as such, is not a technology solution. It is a structure in which information feedback is built into marketing programs, customer touch-points and the business process overall, with standing analytics and processes to enable informed decisions and actions.

More than a measurement or analytics approach, a marketing effectiveness system requires a coordinated effort that enables measurement, diagnostics, and the ability to anticipate the likely results of different scenarios in order to make informed decisions.

Through structured feedback loops, causal models and scenario-planning tools, marketers understand what is happening in their businesses, why it is happening, and are able to act upon the information with predictable results. Ideally, all stakeholders share consistent and on-demand access to this information so that collaborative decisions can be made quickly and efficiently.

To be sure, many challenges lie in measuring the right things, establishing valid causal models, and making the organization's decision processes and controls clear and easy to operate. But if there is a sound change management process and an appropriate level of organizational maturity to support the effort, these challenges can be addressed and overcome.

Many organizations are already making progress by pursuing more complete and timely data, combined with better tools and processes to interpret and act upon it. In industries that have direct relationships with the end consumer, companies are deploying data warehouses, campaign management and analytic systems to help marketing teams understand and manage customer value at the individual and segment levels. These systems require investment, but offer continuous feedback into the marketing process.

In industries that lack individual customer data, marketing mix and price-elasticity modeling have become cornerstones that inform marketing-plan development. These analytic techniques provide valuable guidance, but they are usually limited by being point-in-time and backward looking. Both of these approaches deliver significant value by filling important information gaps, however a great opportunity exists to combine the depth and immediacy of the data warehouse approach with the causal analysis of mix modeling.

A few marketing innovators have already begun to implement this integrated vision. An OTC drug marketer has taken the first steps, with encouraging results. They have consolidated their marketing information in an up-to-date data mart, and overlaid causal models and forecasting tools. These tools support a structured process of performance evaluation, simulation and course correction.

This "system" of people, process, data and tools has empowered management to diagnose business performance in a more timely and objective manner, forecast sales, understand sales variance, validate strategic actions, and manage budgets and marketing tactics more optimally. The result is increased accountability and the freedom to focus on marketing innovation with greater confidence.

Similarly, another CPG marketer has begun to re-align its organizational structure and processes to react more quickly to the more timely and provocative information being provided from their new systems. A major airline has begun measuring the impact of its mass-marketing efforts against its customer-value segments, and a financial-services provider is optimizing the relationship between its mass-marketing and direct-mail acquisition efforts, in real time. These examples represent the earliest impact of market-leading efforts. Such efforts will expand and accelerate in the next two years, providing significant competitive advantage to the early leaders.

For all the promise of the early successes, we've also seen the negative impact of poorly designed metric and measurement programs. Such programs are ineffectual at their best; at their worst they may encourage perverse and destructive behavior.

For instance, we have observed how one CPG marketer's focus on marketing ROI at the expense of other measures has stifled innovation within their marketing teams. Over time, brand managers became increasingly risk averse as their performance appraisals were influenced by changes in their brands' annual ROI report cards. Only after several years of tepid top-line growth has management reduced the importance of the ROI scores to encourage more experimentation.

Another cautionary tale: One retailer systematically shifted resources over a period of years from brand-equity-based advertising into pricing and promotional marketing in an effort to increase marketing ROI. For the first few years, the tactic seemed to work, as marketing ROI scores increased. But it soon became clear that while the efficiency of marketing-driven sales had increased, the baseline sales were falling fast. This marketer had won a short-term ROI battle, but was losing the war.

These examples underscore the need to approach the challenge of marketing effectiveness carefully. Building a functional marketing effectiveness competency requires a comprehensive planning effort, but the benefits are worth the effort. By following a series of simple program steps, most organizations can achieve the required alignment of people, process, data and technology and realize significant year-on-year improvement in their marketing effectiveness.

Five Steps to Success

As marketers begin to undertake enterprise marketing effectiveness initiatives, there are five keys to success:

1. Understand the current state of your marketing-decision processes. As the first step to building new marketing effectiveness core competency, it is important to understand the current state of how the organization actually operates to make and implement market- →

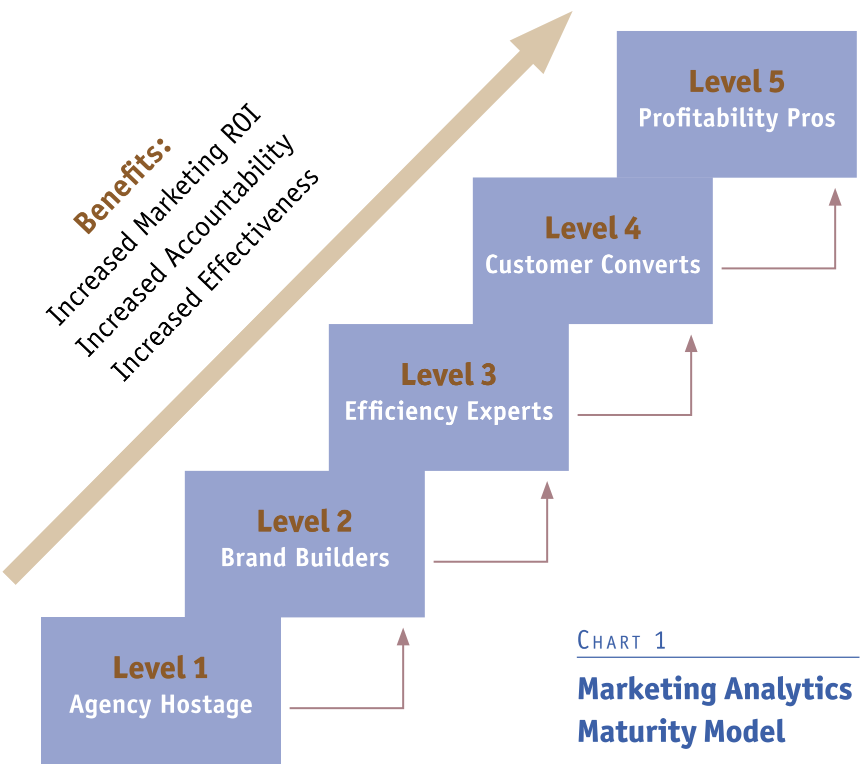


Chart 1

Marketing Analytics Maturity Model

How mature is your organization's use of analytics?

Maturity models are used to quickly assess an organization's capabilities and determine the most appropriate initiatives for advancement.

Exploration of seven diagnostic areas can accurately place organizations in the following marketing analytics maturity model *(see Chart 1 on the left)*.

- **Analytics Scope**
  What is the focus of the analytics? Are there true analytics or just reporting? What efforts are focused on advertising, the brand, the customer, sales and profits?
- **Business Objectives and Impact**
  At what level do the marketing analytics and business objectives align?
- **Typical Metrics**
  Are metrics clearly tied to desired business results? Are the causal relationships between the measures and outcomes clearly understood?
- **Major Marketing Analytic Activities**
  How are the analytics being used? Are they used to justify decisions after the fact, or are they used to drive decisions? Do the analytics support forecasting? Supply/demand chain integration?
- **Organizational Participation**
  What skills and groups contribute to the process?
- **Studies and Research**
  What data and information is bought, tracked and used?
- **Services and Tools Used**
  How is data managed? What tools are used? Which services are bought and which are in-house?

Are your organization's marketing analytics helping you win in the marketplace? Take this quiz to find out where you stand.

Marketing Effectiveness Quiz

1. Do you have all the information you need to support your marketing decisions?

a. I rarely feel like I have all I need.

b. I feel pretty good about half the time.

c. Most of the time, I have enough to make good decisions.

2. For each reporting period, do you mobilize staff across marketing, research, IT and finance to assemble data and create reports?

a. That's standard operating procedure.

b. Some standard reports are automated, but there is always a lot of custom work.

c. Most of the reporting is automated.

3. Are you frustrated with data from multiple sources that do not tie together?

a. Yes. We spend too much time on reconciliation.

b. Sometimes, but we have learned to live with uncertainty.

c. Our systems are cross-validated. They usually tie.

4. Do you find that reports provide good information, but are not timely enough to effect programs in the field?

a. By the time we read most programs, they are already finished.

b. Occasionally we get an early enough read to impact a program in flight.

c. We not only track programs continuously, we have a process to act upon the data.

5. Do you skip analyses that you know would be helpful, because they are too time consuming or painful to do?

a. Happens all the time.

b. I avoid pulling in IT and finance, but sometimes have no choice.

c. It is easy to pull together data from throughout the organization.

6. Does your organization understand how all of their data fits together to represent key marketing levers?

a. We have a lot of data, but it is not integrated into a meaningful picture.

b. We have modeled some of the key data relationships, but our data is not reported against them in an ongoing manner.

c. We leverage our analytic models within our reporting system so we can track against them in real time.

7. Does your marketing system automatically report against key performance indicators at the brand, category and portfolio level?

a. No, no and no.

b. Some of the brand information is automated, but the portfolio level is not.

c. We automatically report against the cumulative impact of our programs at the brand, category and portfolio levels.

8. Can you relate brand metrics, consumer segment data and market performance over time?

a. Only with great effort. It is a custom analysis every time.

b. We can overlay trend data, and that is sometimes helpful.

c. We have models that link brand metrics and consumer segment data to market performance, and can use them for all sorts of causal and predictive analysis.

9. Are your forecasts accurate?

a. Define accurate?

b. We usually get within an acceptable margin of error, but there is the occasional disaster.

c. Forecasting is an organizational strength.

10. Does your marketing information allow you to anticipate market and competitive moves before they happen?

a. I'm lucky to get accurate data on last quarter.

b. We have good current data, but it rarely helps anticipate the future.

c. We routinely run simulations to anticipate the potential impact of market, trade or competitive actions.

Scoring: Give yourself one point for each choice #1, two points for each #2, and 3 for each #3.

➜ If you scored 25 or above, consider your organization an innovative marketing leader.

➜ If you scored between 18-24, you are hanging with the pack, but have no competitive advantage in this area.

➜ If you scored 17 or less, you are likely being trumped by your competition, though you probably won't find out about it for several months.

ing decisions. What are its existing core competencies? What are the key planning processes?

Start by documenting key decision processes. Capture how decisions really are made, not the idealized process that is represented in binders or flow charts. For each decision, carefully identify who the decision maker is, and who are key influencers. A useful structure to capture and organize this information is RACI matrix (responsible, accountable, consulted and informed).

2. Envision an ideal end-state. With questions identified and the decision responsibilities clear, capture the critical questions that are typically asked by each player to inform the decision. Work backwards to identify the analyses that might be done to answer the questions, and the data needed to perform those analyses.

Articulate a vision for the ideal end-state process and identify gaps vs. the current state. Are the required data sets available? Are the analyses being conducted? Are they being delivered in a timely way so that they can impact the decision process? Through this process, identify gaps in process, data, and analytics, and important barriers to closing the gaps.

3. Set realistic goals. With a current-state assessment complete and gaps exposed, organizations can often become quite aspirational. When they have identified significant opportunities for improvement, they may want to address all the issues at once and leap directly to a fully developed ideal state.

Unfortunately, this is rarely possible. Marketing organizations have to build capabilities in an orderly way, and many development steps will have significant prerequisites that cannot be leap-frogged. It is critical to set clear and reachable short-term goals, while working toward a more comprehensive, long-term vision.

Roadmap a series of progressive milestones or stages and articulate the anticipated costs and benefits of achieving each goal state. Each step should have explicit business value so that if the effort never progresses beyond that stage, the effort stands on its own merit. Be sure that the key stakeholder groups buy into the business case and the timing.

4. Determine key success factors for each stage. It is critical to understand the issues that will enable or impede success for each stage, and ensure that the organization is ready to address them before moving forward. Typical issues to examine include available leadership, staff skills, technology capability, culture, change tolerance, etc.

Once weaknesses in the key success factors have been addressed, the organization is ready to move on to the next stage of the roadmap by implementing projects and programs to create the new capabilities.

5. Establish measures and metrics for program success, and for managing roll-out. For each stage, determine the measures of success by which the effort will be managed and judged. Along with the end state business goals, in-process metrics should be set for deployment readiness, roll out, adoption and compliance.

Because the steps in developing these sorts of programs are often sequential, it's important to ensure that each successive step has been adopted across the full organization and that the true effectiveness is gauged before moving forward. All programs are plans, and as such, reality will require that organizations will need to make accommodations. Good program management, with comprehensive in-process metrics, provides a way to adjust the programs based on reality.

Additionally, it's important that each stage in developing a marketing effectiveness competency shows real and meaningful impact — both from a business perspective and from a stakeholder and team perspective. If the program never progresses to the next stage, there should be measurable advantage gained for the level achieved. By working forward from the current-state baseline, programs can be structured to insure progressive value from readiness to operation.

One last key to success is always critical: You will need people with deep expertise in marketing and marketing analysis, and a strong data management competency. You need access to real-life experience in applying data tools and technology to the unique demands of marketing. And you will need help with process design and training to best take advantage of the new analytic capabilities as they become available.

With that kind of support in place, and the appropriate organizational commitment, you can establish a marketing effectiveness capability that is a true competitive advantage. ■

EVPs **John Nardone** and **Ed See** lead MMA's Avista line, a new line of consulting, analytic and online services that go beyond ROI measurement to provide on-demand marketing decision support.

Mr. Nardone's experience includes brand management roles at P&G and Pepsico, and pioneering internet marketing and CRM efforts at Modem Media. Mr. See led major software development efforts for IBM, and led business transformation practices as a Partner at Andersen Business Consulting and as a Global Managing Director at BearingPoint.

Avista by MMA leverages an integrated marketing database, custom-built econometric models and analytic reports to improve decisions on strategy, plan development, and ongoing program management. Avista Consulting and Avista Data Solutions insure that marketers have the right organization, process and data to achieve their marketing effectiveness goals. For further information, please visit www.mma.com

Yellow Pages Reinvents Its Relevance

The 100-year old Yellow Pages industry is quietly re-inventing itself to stay relevant in today's world of on-line search, media fragmentation and consumer skepticism.

by **Paula Katkin**

Major changes are underway in all aspects of the directory publishing business. Mergers, divestitures and strategic partnerships are transforming directory publishers and Yellow Pages sales agencies into multi-faceted media companies. The ubiquitous print directory, re-deployed as internet Yellow Pages, is at the forefront of today's search-marketing explosion. And the Yellow Pages industry as a whole is addressing accountability, using technology and syndicated third-party research to prove the value of its medium.

Historically, print directories covered the local community as defined by the telephone company. Residence and business listings were consistent with local telephone service patterns. Advertising was classified under headings, and headings were listed alphabetically. The "phone book" was delivered to homes and storefronts once a year, where it went straight into the kitchen drawer for ready reference.

Today, Yellow Pages are a true multi-platform medium. Internet or on-line Yellow Pages are the interactive version of their print directory forebearers, albeit with greater flexibility in searching for business listings nationwide. In 2003, more than 1.2 billion Yellow Pages searches were done on the internet, with another 15 billion references to the print product. Consumers can also view Yellow Pages ads on cd-roms, cell phones and PDAs. However, it's not just the print directory online; it is platform-specific content delivered at the customer's convenience.

The Shopper's Medium

What hasn't changed about Yellow Pages is the reason to use them. People who use Yellow Pages are actively engaged in the buying process. They have already decided that it's time to buy. Or they realize that they have a sudden, unexpected need and they're in search of a solution. When people turn to the Yellow Pages, they intend to make a purchase.

According to TNS, almost 23% of consumers who identify themselves as being in "active shopping mode" use print Yellow Pages to help make a purchase decision; that number approaches 25% when internet shoppers are included. In addition, research from KN/SRI determined that almost half (46%) of Yellow Pages users have not decided where to make a purchase when they open the book, and half of those who do have a brand or business in mind end up looking at other ads. Overall, 70% of people who use the Yellow Pages say the information they find there helps them make shopping decisions.

The intuitive "headings" format has also stayed the same, which is why it's now an integral component of most major on-line search engine offerings. When BigYellow™, one of the first national on-line Yellow Pages, was launched in 1996, Google's inventors were still in graduate school. Even then, back in the Stone Age of the internet era, advertisers and Yellow Pages marketers understood that the medium's basic utility lay in its ability to deliver comprehensive, meaningful shopping information at the moment it's needed.

Today, search advertising accounts for more than 30 percent of all U.S. on-line spending. Jupiter Research estimates that search will increase faster than any other online advertising sector over the next five years, from $2.6 billion in 2004 to $5.5 billion in 2009.

The Future of Print

Although on-line Yellow Pages may have pioneered the internet search craze, there's no reason to think that print Yellow Pages will be going away any time soon. KN/SRI found that 90% of adults use the Yellow Pages each year. Seventy-five percent refer to their directory in an average month. More than half use the Yellow Pages once a week, and 15% of American adults use the Yellow Pages on an average day — that equates to approximately 1.34 references per week by all adults.

Demographic trends are also helping to drive print Yellow Pages usage. Approximately 77 million "baby boomers" are actively engaged in sending children to college, welcoming new grandchildren and planning for retirement. As a result, they are making life decisions associated with higher-than-normal (about 50% higher) Yellow Pages use.

At the same time, the "baby boomlet" generation (approximately 79 million people under the age of 24) is just entering the family and career cycle of their lives. That means moving to new towns, buying new homes and planning weddings — all life events that tend to fuel Yellow Pages search.

Communications technology also affects the Yellow Pages. In 2004, broadband penetration hit a new milestone, with more than 50% of American homes wired for fast internet service. A total of 128 million U.S. adults use mobile phones, including 70% of adults in the 35-49 age group. WIFI is becoming widely available in airports, restaurant and hotel chains and other public places, making wireless computer connections as common as wireless phones. As Americans become more accustomed to accessing information when they want it and where they want it, the Yellow Pages, in all its varied formats, is becoming a formidable "permission marketing" vehicle.

New Business Models

As the Yellow Pages medium has evolved, so too has the industry that sells, publishes and distributes millions of directories to every city and hamlet.

In the beginning, when directories were handy reference guides for telephone listings, most publishers were wholly-owned subsidiaries of the local telephone company. Although the two largest publishers today, SBC and Verizon, are still owned by telecommunications companies, almost 40% of North American Yellow Pages revenues are now generated by media-owned, non-telco-affiliated publishers.

The year 2004 saw Dex Media leave the nest of Qwest, its telecommunications parent, and begin trading under its own ticker symbol on the New York Stock Exchange. In September 2004, Hearst Media dramatically increased its Yellow Pages operations by acquiring White Directories, the fifth largest independent Yellow Pages publisher in the United States.

While much of the market remains segmented along traditional telephone company lines, competition is increasing. Some telco publishers are launching competitive directories in new markets outside their traditional territories, particularly in major metropolitan areas. Many publishers are offering specialized directories designed to reach various ethnic groups and other communities of interest, such as university campuses or specific neighborhoods. In 2003, more than 200 publishers in the United States printed more than 7,000 directories that generated almost $14 billion in revenues, according to the Yellow Pages Association.

The industry's national sales agents, known as certified marketing representatives or "CMRs", are also expanding their capabilities. In October 2004, the Marquette Group, the nation's fifth-largest CMR, announced that it would merge with incentive solutions provider USMotivation so it could "focus on new growth opportunities by offering an even more comprehensive collection of full-service, client-focused solutions," according to a company press release.

In November, Media Marketing Solutions, part of WPP's media investment management company GroupM, announced that it was launching a joint venture with another Yellow Pages CMR, Stephen Gordet Associates Advertising, so it could expand its integrated marketing communications offering to include all major media outlets.

Meanwhile, the newly renamed Yellow Pages Association announced the launch of the first-ever on-line local search guide — a centralized resource designed to capture the fast-paced developments in the converging worlds of on-line Yellow Pages and local search companies.

With infusions of new capital and new service offerings, advertisers are being offered many alternatives — different geographic coverage, different features in the directories and different prices. Consumers are being given more choices and specialty directories are being tailored to meet their specific needs.

The Bottom Line

In 2004, the major themes of the premier national marketing and advertising conferences continued to be accountability, audience fragmentation and media diversity. Marketers and their agencies are being challenged to prove that every advertising dollar is delivering superior returns, even as they agree that traditional media planning models might not be relevant in a world of TiVo, satellite radio, on-line advertising, text messaging and "Do Not Call" lists.

For Yellow Pages, the picture is perhaps a bit less murky. Over the past five years, usage of print Yellow Pages in the United States has remained stable accord- →

Yellow Pages Creativity

Yellow Pages directories are rarely included in the media plans of major consumer marketers, despite the fact that with $13.9 billion in revenues in 2003 they are the sixth-largest medium in the U.S., according to the Yellow Pages Association.

However, consumer brands are growing increasingly interested in the Yellow Pages' ability to extend the reach of time-honored media plans. For example, last year just over 600,000 people in the Las Vegas area received a subtle reminder to stick to their diets in a surprising promotion from the Kellogg Company and the Las Vegas Yellow Pages.

Wrapped in a red bag labeled, "This is what 6 lbs. feels like. Lose it.", each directory carried printed instructions directing consumers to the Special-K Web site, which contained further details about the cereal's weight-loss challenge.

In 2003, pharmaceutical giant Merck used full-page ads at the front of the "Physicians and Surgeons" headings in regional directories to recommend that women ask their doctors for a bone density test. Merck recognized that because Yellow Pages usage is often driven by life events, it was uniquely suited to anticipate the exact moment that a consumer might be talking to a physician.

← ing to industry research, at more than 15 billion references annually. The average return on every dollar invested in national Yellow Pages is $25.00, more than any other medium. Nevertheless, when an advertising manager has to justify any significant line item in a media budget, there is no substitute for syndicated research.

In October 2004, a committee of key industry stakeholders announced that it had selected Knowledge Networks/SRI to develop standardized usage ratings of directories nationwide. While the statement stressed that "the industry wants to develop a method of determining directory usage share objectively and accurately so advertisers can validate Yellow Pages spending," it also acknowledged that a primary goal is to elevate the industry's status among advertisers and media buyers.

"Establishing a reliable, independent, third-party audience-measurement research service will benefit advertisers and lift the entire industry in the eyes of national media buyers and advertising planners," said Neg Norton, president of the Yellow Pages Association.

"Syndicated research is an absolute necessity for national advertisers," comments Jeanne Kashner, an advertising analyst at State Farm Insurance Companies, one of the top 10 national Yellow Pages advertisers in the country. "When we develop corporate advertising plans on behalf of our local agents across the United States and Canada, we must have a rational benchmark to justify our decisions."

The committee, which includes directory publishers, national advertisers, Certified Marketing Representatives and Yellow Pages associations, continues to work on developing a methodology that meets Advertising Research Foundation standards. Larry Angove, president and CEO of the Association of Directory Publishers, applauded the committee's progress saying, "In selecting Knowledge Networks/SRI, publishers and CMRs have chosen a vendor that we believe has a great understanding of our medium and a great reputation as a national research provider." Research is scheduled to begin in the first quarter of 2005, with first data reported in early 2006.

The industry is also exploring new ways to measure on-line advertising effectiveness using "pay-per-call" technologies that let the advertiser track how many times his ad actually makes his telephone ring. Using a combination of bid-for-placement systems and call measurement services, pay-per-call does pay-per-click one better by delivering a live, qualified lead that can be captured on a unique telephone number.

For national advertisers who employ a multiplicity of media choices, Yellow Pages have often been a stepchild. But today's print and on-line directories offer an array of products and markets that can make a measurable difference when it comes to actually closing a sale. Reinvented for the digital age, Yellow Pages have proven to have real staying power because consumers like them and use them when they are ready to buy. ■

Paula Katkin is a marketing communications and strategy consultant with 19 years of experience building brands in the telecommunications and yellow pages publishing industries. As a client, she held executive positions for NYNEX, Bell Atlantic and Verizon before moving to the agency side as VP-Account Director for Mullen Advertising, a top-30 U.S. advertising agency.

A native New Yorker, Paula currently resides in Newburyport, Massachusetts, where she can be reached at p-katkin@comcast.net.

May we direct your attention to the original search engine?
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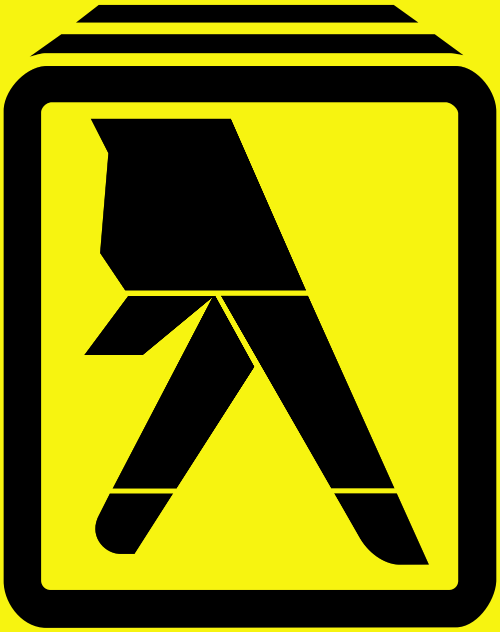

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*MIS 2004 **KN/SRI 2003 Industry Usage Study.

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