

THE HUB

THINKING MARKETING FOR BUSINESS VISIONARIES™ | March/April 2005

Sony's Style

Dennis Syracuse infuses consumer electronics with haute couture, and whips up a whole new kind of shopping experience for women at Sony Style stores nationwide.

Why did Sony focus on women in the development of its retail stores?

There was some research done last year by the Consumer Electronics Association that showed—for the first time

ever—that 53 percent of electronics purchases were made by women. Fifty-three percent signed on the dotted line—not influenced. If we go to influence it's something like 80 percent of electronics purchases are influenced by women. You're not going to buy that TV if she wants to buy the hutch! This is dotted line, sold.

We were a couple of years ahead of the curve in recognizing that there would be an opportunity for Sony to create an environment where women would feel comfortable. Because the environment is so warm and inviting, people are not afraid to ask basic questions. That's important because women do a lot more homework than men do when they are going to make a purchase.

Is it true you got some of your insights into how women make purchasing decisions by going to Tupperware parties?

That was just one thing I did. I also attended Clinique seminars. I went to Franklin Covey to see how they taught people to use their planners. I went to Home Depot, and to Apple seminars. There was a host of seminars and such that I went to. And having been to

BEST PRACTICES

many, many fashion shows—and attended many, many seminars over the years—I just took that base and added to it.

What did you learn? What were your key insights?

The insights helped me create the environment—an environment that would welcome people, invite them in, and not be so overwhelming that they couldn't make a decision or felt that they were intimidated. That was number one. From many of the seminars I attended, I learned that it was about the individual, person-to-person contact and the ability to answer their questions and give them the right information that mattered most.

As one result—all our store personnel are wired together with wireless headphones. So, if someone poses a question to you, and you don't have the answer, you don't have to fumble around to get it. You just throw the question out to the rest of the staff, which can re-guide the customer over to another salesperson who knows the answer. Or, if nobody in the store has the answer, the concierge goes online and gets the information.

There were multitudes of things that I learned. One thing we tried to change from other electronics retailers is that our salespeople are not on commission. So, it doesn't matter who makes the sale; they get a →



← commission but it's based on mystery shoppers. It's their ability to score high in the shopping experience that drives a third of their commission process. The other third is based on selling the customer all of the pieces that they need to complete the experience—the Sony camera, bag, printer—everything they need so that they have a complete solution.

That's actually one of the things I learned from Tupperware. You don't just buy one piece of Tupperware. You buy sets and you buy solutions. So we crafted the staff experience so they are really supporting what we are trying to do from a customer service standpoint.

How has high-fashion informed your development of the Sony Style stores?

We've created a store environment that wasn't so much driven by the technology and the "wow" of the technology, but that was more sophisticated, using cleaner palettes. Our graphics are changed out four times a year, depending on the hottest fashion colors. So, the raspberries were featured during the fall and holiday season. For spring, we'll switch into different colorations to support a fashion statement. So, immediately you start to see that there's a fashion statement.

We spent hours and hours and hours picking the right fabrications. I had eight people in a room for four hours, just to choose the right shade of maple. Some would say that's an ordeal, but in the fashion world, it's normal. It can take a week's worth of work just to choose the one fabrication. We went through the same thing with every other fabrication in the store.

If I were to walk into a Sony Style store—what would I see, what would it be like?

The first thing you'll notice is that the coloration is very soft, very inviting. Many of the surfaces have a very subtle pattern to them, so that you'll want to touch and feel comfortable around the entire environment. We also have scent machines in the stores to create a warm, inviting aroma.

The other thing you notice right away

is a concierge desk. We were the first to introduce a concierge desk to the front of the store. It's not a cash register; it's strictly there for service. If you move to the left, you'll see a "learning lab" area— where we use scrims, which is a high-fashion design element, that softens the ambiance and yet gets messaging out.

You'll see lifestyle settings, but not living rooms. So, for example, the plasma area has three plasmas on display. One is over a fireplace, and then there are two different sizes on either side in a living room environment on different stands. The chairs are all moveable, so the consumer can move them forward or back to configure what their experience would be like at home, and then make a decision about which one would be right for them.

How did you factor in that many of your shoppers would have kids in tow?

For one thing, we have very large aisles, so that people can walk in and out with their kids' carriages without a problem. We also put the PlayStation area near the main cash register because we found that the kids loved to play with PlayStation, but if the cash register was far away, the parents were freaking out. So, we created an environment where you can keep an eye on your kids and it's safe. We re-designed the store specifically for that. It's one of the key elements.

We've got a "what's hot" area in the center of the store after the concierge desk. It's all lit with kinetic lighting and it's very cool. Also, it's at adult height for about two feet and then it shifts down to child height for two feet and then it shifts back up to adult height. So, it encourages you to have your child right next to you.

Are all of the stores in suburban shopping malls?

We made the decision that if we were going to impact women and families, we had to go to malls—not strip centers, but malls. We chose the top metropolitan markets and took a look at the best malls in the country. Our very first store in South Coast Plaza—when we went to them all we had was sketches of what the concept

was going to look like. The fabrications had not even been decided yet.

We spent five or six hours in the mall, with their entire real estate team, looking at the various options of where we might be able to be placed in the mall. Our intent was to be placed near the fashion wing. The mall, of course, wanted to put us in the other wing, where the home furnishings and technology was—and where an Apple store was. We convinced them that this was a totally different concept and they should, in fact, place us in the fashion wing.

They did—they actually placed us next to Gucci, across from Versace, Ron Herman and J. Crew. It was a totally different approach. It was not lifestyle or home-style; it was, in fact, integrated into the fashion wing. And since then we've been able to place our stores next to Harry Winston—we're next to Tiffany's in a number of malls. We're next to Coach, Sephora. It really communicates that electronics can be a fashion item. It also supports the fact that we're exciting and new because we're an entertainment business.

Won't these stores upset other retailers that sell other Sony products?

We don't see it as such. We see it as an opportunity for us to support the branding and educate consumers about Sony products. The analog world moving to the digital world has caused huge confusion among consumers. HDTV, for example, is causing massive confusion among consumers. They don't know what it all means. They have no idea where to start. We, as Sony, being a leader in television, can take the opportunity to support education about our product, what it can do and what the benefits are.

In any case, we don't have a full product line-up at our stores. Because Sony Style is a fashion store, in presentation, you're not going to see every clock, PC or plasma Sony makes. Presentation is according to what's new, what's very exciting in the market, what's a smaller item that fits the female profile.

In fact, we make those decisions so that we can enhance the experience. So, if you're looking to see every single one of

the plasmas that Sony makes, you'll have to go to one of our dealers. We support that because you can come back to us and we'll teach you how to use it.

Is it fair to say, then, that the stores really are more of a marketing medium than a distribution channel, per se?

I think that would probably be fair. Although, I have a P&L and I can't have a loss at the end of the year. So, it's a combination of both.

How will you know that the stores have been a success?

They are a success already. I am getting approximately 350,000 to a half a million visitors per store location. That's almost an anchor.

Are there any other measures of success?

Yes—the individual customers who call me, or write me a letter, and say “This has been an experience like no other. This is incredible. Thank God you people have done this. Thank God we can come into the mall and experience all of your products and really get education and straight answers from you.”

Obviously, as I trend toward the P&L and make money, that's a success factor. But it's truly the number of bodies who are walking through the store and who are being impressed with who Sony is.

Our Las Vegas store that just opened about three months ago is trending to have a million shoppers in the course of a year. Now, Vegas gets 37 million visitors a year. So you're looking at close to two percent of every person who comes to Vegas comes into a Sony Style store. And, of course, 70 percent of that traffic is U.S. based. The other 30 percent is international. From my standpoint that is a success.

Our challenge, of course, is how to reach out and provide service. We are always working on that because when you have 3,000 people in the store over 12 or 14 hours, that's a lot of people walking in and out. Ultimately, you've simply got to come into a store and experience it to understand what a success it is. ■

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■ Brought to you by the editors of **Reveries.com** and **Cool News of the Day**, *The HUB* magazine is dedicated to exploring insights and ideas, and to promoting innovation as the ultimate driver of accountability in marketing.

■ Published bi-monthly since July 2004, *The HUB's* circulation is exclusive to Reveries' proprietary database of approximately 2,500 senior-level, client-side executives in *Fortune* 1000 marketing departments.

■ *The HUB* is supported by a small group of content sponsors, who commit to working with its editors to create case studies, white papers, research reports, trend reports and other thought-leading content.

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Jump Starting Top-Line Growth

By

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Today's renewed emphasis on growth has implications on all aspects of how brand marketers go to market.

While a comprehensive go-to-market plan involves a range of factors, rarely will a fine-tuning exercise in one or two areas create top-line growth. Shifting just one element without a broader consideration of opportunities and needs elsewhere is likely to fall short.

Consider "new product development" in consumer packaged-goods, for example. Although CPG companies are increasing their emphasis on new products to drive growth, their rate of sales growth is declining.

This inverse relationship between R&D expenditure and marketplace success does not reflect a dearth of research talent or an unusual abundance of new products in a given year. Rather, it reflects a lack of strategic integration among all the elements composing the go-to-market platform.

Achieving top-line growth requires a business management framework that fully integrates strategy, process, structure and execution.

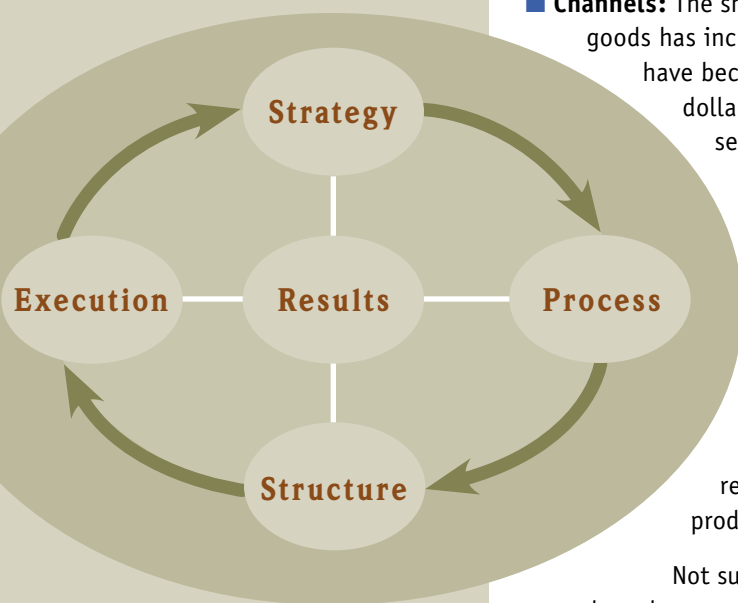
1. Strategy

Brand marketers begin with well-established sources of growth. Marketing departments continue to focus their attention primarily on driving share and secondarily category growth. Their colleagues in Sales are focused on increasing revenues by deploying customer teams and reallocating resources to their "top 10" customers.

However, brand marketers are being forced to diffuse their focus because of market fragmentation on three fronts:

- **Channels:** The sheer number of channels through which a consumer can purchase goods has increased, particularly as category killer formats and online shopping have become more prominent. So, as brand marketers have concentrated their dollars on the top customers in top channels, they have often found themselves too narrowly focused to capture emerging opportunities.
- **Competition:** Brand marketers also face increased competition from smaller players who are taking advantage of the expanded channel options. The internet, for instance, has drastically lowered the cost of demand creation and fulfillment, allowing start-ups to pull consumer dollars away from traditional products in traditional channels.
- **Consumers:** The fragmentation of consumer segments is a natural outgrowth of the increase in channel and competitive variety. The result is "micro-targeting" of consumer groups and the development of product offerings tailored to increasingly niche market segments.

Not surprisingly, brand marketers are giving greater attention to new channels and usage occasions—although entering new channels is a challenge that is consistently under-estimated. To succeed, brand marketers must develop a strategic channel process to understand new customers and their key drivers.



Even when staying within current markets or categories, brand marketers must transcend the traditional four Ps (product, price, promotion, placement) to drive growth. Service offerings represent a key opportunity to do so, although the nature of service offerings is evolving.

A recent example of the new definition of services at retail is evident in the collaboration between Katz Canada and L’Oreal. A new store prototype, introduced in June 2004, features a unique retail environment with a cosmetician, interactive technology and displays, a skin-care tester bar, and other value-added elements.

Finally, a key next step for brand marketers is to expand their focus beyond traditional “master-branding,” to include a broader definition of services that enhance the overall consumer shopping experience. This demands the development of insights beyond the few, tightly defined categories in which they compete and establishing a broader understanding of the business.

What are the primary sources of growth from your product portfolio?

“Masterband” extensions of your key brands into other categories **51%**

Acquisitions in current categories **46%**

Launch of new brands in your categories **44%**

Launch of new brands into new categories **38%**

Acquisitions in new categories **35%**

Existing SKUs and close-in line extensions in your current categories **27%**

Source: GMDC/Meridian Consulting Group

2. Process

Translating a top-line growth strategy into action requires a process often referred to as “reinvention.” This involves a broad- →

Despite more ads, new products, aggressive pricing, and other efforts that have traditionally brought results, many brand-marketing organizations are struggling.

Not coincidentally, the strategies pursued by many brand marketers over the past decade have tended to look the same. By and large, they are based on an understanding of their own categories and channels, but demonstrate scant application of business models or approaches outside their immediate frames of reference.

In response to the imperative to drive growth, organizations must take a broader view of their go-to-market approach and basic capability needs.

To illuminate these issues, and develop a pathway to solutions, the GMDC Educational Foundation and Meridian Consulting Group conducted a broad-based industry survey. The study included an initial screener survey of 180 organizations, including senior management and mid-level executives, across CPG and related industries. A detailed quantitative study, as well as one-on-one interviews, was conducted as follow-up. The study revealed that manufacturers view retailers as a key means through which to achieve growth. However, it also revealed significant gaps between retailers/wholesalers and manufacturers in terms of how to achieve that growth.

How will your sources of growth change 3 years from now?

Retailers	Manufacturers
Take share from others in my channel 59%	Develop/grow new channels and additional consumer usage occasions 68%
Take share from others outside my channel 42%	Take market share 48%
Incremental consumption 37%	Help retailers in current channels capture volume from other channels 27%

Which business insights are required to drive growth?

Retailers	Manufacturers
Understanding of consumer and retail dynamics within an aisle or department 83%	Understanding of consumer and retail dynamics within an aisle or department 70%
Insight across total store 78%	Strong category as well as brand and competitive knowledge 69%
Strong category knowledge 78%	Insights across departments 61%
Insights across departments 73%	Insights across total store 56%

Which capabilities and knowledge are critical to success?

Retailers	Manufacturers
Understanding approaches for business reinvention 72%	Customer-specific consumer research 69%
Consumer usage 58%	Attitude and Usage tracking studies with consumers 51%
Understanding business models from other categories, industries or countries 51%	Understanding approaches for business reinvention 50%
Category level research 45%	Understanding business models from other categories, industries or countries 41%

Source: GMDC/Meridian Consulting Group

← scale look at all aspects of the go-to-market approach. It is easier said than done.

Because the immediate business frame of reference tends to be close-in, “business myopia” is the key issue impeding the implementation of reinvention. To make progress, brand marketers must be prepared to:

- Understand business models broader than the immediate industry and competitive frame of reference. This is essential to innovate, differentiate and develop a broader knowledge base.
- Apply new research tools to evaluate business models and shopping dynamics that extend beyond current business practices.
- Ensure that “change” is part of how business is done every day. Unless reinvention is formally integrated into ongoing business operations, it will be seen as “someone else’s” project and will ultimately fail.

3. Structure

Top-line growth strategies succeed when they are supported by capable organizations. This can mean abandoning traditional personnel management structures.

Our research, conducted in collaboration with the GMDC Educational Foundation (see sidebar) highlights three principles to consider:

1. Create innovative, outside-the-box thinkers by giving them experience across multiple areas of responsibility. Further, develop a work blueprint that defines the multi-disciplinary work of the organization needed to deliver against growth-focused strategies.
2. Include the marriage between internal and external resources in organization structure designs. The multi-discipline employees created by matrix reporting and department rotation are still prone to intra-industry thinking at best and intra-company thinking at worst.
3. Recognize that a change in structure, by itself, will not drive the organiza-

tional change needed to generate top-line growth. Structure is part of the overall business model framework and must follow innovative strategies and well-designed processes.

4. Execution

Brand marketers are finding that successfully executing a growth strategy relies on marketing through the retailer. In fact, when asked to rate the marketing vehicles growing in importance, “marketing through the retailer” rises to the top of the list.

Which of the following marketing vehicles are growing most in importance?

Marketing through the retailer **50%**

Buzz marketing **45%**

Internet **37%**

Mass media **28%**

PR **25%**

Direct mail **12%**

Other **7%**

Source: GMDC/Meridian Consulting Group

Clearly, this reflects factors such as increasing media fragmentation and the percent of purchase decisions made in the store. However, what “marketing through the retailer” involves is still largely undefined, even by the most sophisticated brand marketers.

Those brand marketers who did offer a definition generally boiled it down to “promotion.” As a result, there are several untapped strategic and thought-leadership opportunities waiting for brand marketers who more broadly interpret marketing through the retailer—such as the addition of services, creation of consumer “need state” knowledge, and an active reinvention process.

In addition, savvy brand marketers will exploit the shift in retailers’ marketing vehicles. Increasingly, retailers are

bolstering their mainstays—circulars, TPRs, features, displays and demos—with alternative vehicles such as the internet, in-store technology and presence marketing.

A point worth noting is the expected growth in importance for “buzz marketing,” which has played a major role in categories like beverages. Good examples include SoBe (ultimately bought by Pepsi) and Mountain Dew Code Red (launched with no media initially). The resurgence of Pabst Blue Ribbon Beer (which largely happened on its own through presence/buzz marketing) is also noteworthy.

Focus of Ethnic Marketing

Retailers=R, Manufacturers=M

Incorporate ethnic products into mainstream variety opportunities **R/53% M/43%**

Evolution of ethnic strategies to reflect acculturation **R/47% M/50%**

Dedicated advertising for key ethnic groups **R/43% M/56%**

Line extensions or new brands for key ethnic groups **R/NA M/41%**

Source: GMDC/Meridian Consulting Group

In addition, ethnic marketing holds great potential as part of a top-line growth strategy. For example, ethnic offerings can provide mainstream shoppers with new variety tastes and experiences. While this ethnic strategy is clearly not applicable in all categories, it is very relevant for food, wellness and related products. It is a trend all industry players should be aware of, particularly as they explore broader potential store opportunities and synergies.

Igniting Growth

Our research suggests at least three key ways in which brand marketers can start taking action to stimulate top-line growth:

1. **Annual Planning Process.** Incorporate

the “Action Steps” as outlined (*see sidebar*) into your annual planning process. An ideal scenario might be to explore the applications of this report to your business in advance of your traditional process in order to bring new learning and insights. Broaden your scope of investigation, and translate learning into new applications.

2. **Immediate Business Issues.** Evaluate your current position versus best-in-class growth strategies: Is your growth at least equal to “best in class” in your industry? What are your top three business issues and do you have a proven plan for each? Have you identified the areas where you can bring more innovation to market? Where are there ROI upsides with spending? Does your focus on growth use a fully integrated approach? Are you fully leveraging internal/external resources to bring “what’s next”?
3. **Overall Organization Assessment.** Conduct a detailed qualitative/quantitative assessment of your organization. Incorporate input from within your organization and also key external business constituents. Use metrics that will highlight strengths/weaknesses, which benchmark progress over time, and most importantly, are actionable.

Success depends on taking a broader view of the business; a fresh look at the go-to-market approach; building an organization that supports the strategy; and developing an eye for innovation when it comes to implementing the plan.

Through the disciplined integration of strategy, process, structure and execution, brand marketers can re-ignite top-line growth. ■



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Strategy: Create a Path to Growth

- Develop expertise in the “need states” of consumers beyond your categories so as to redefine your products in terms of a larger shopping purpose. Your expertise should encompass retail and consumer metrics which highlight business upsides.
- Create a strategic plan for channels. Brand marketers consistently underestimate the requirements for success in new channels. Your winning plan should include channel rules-of-engagement, non-traditional competition, the customers’ desired selling process, and also a clear definition of how you will add strategic value to the channel.
- Assess how services can be applied to drive growth. Quantify consumer involvement and convenience opportunities across categories. Utilize best-in-class examples from other categories and industries.

Process: Institute a Formal “Reinvention” Process

- Develop in-depth learning of best-in-class models from within/outside your industry and from best-in-class retailers. Incorporate this learning element into your ongoing planning process to stimulate new thinking and to drive key planning steps.
- Create research tools that expand your range of reinvention solutions. Test ideas which extend beyond today’s accepted usage and shopping patterns and which address the larger consumer need-state or shopping occasion.
- Define a reinvention implementation process that translates learning into application and “how business is done everyday” across the organization and with key retailers.

Structure: Create an Organization To Achieve Your Goals

- Develop a work blueprint that defines the “work of the organization” needed to deliver against growth-focused strategies. This needs to be a multi-disciplined focus that also defines roles and responsibilities.
- Get an independent assessment of your organizational capabilities compared to the work of the organization developed to achieve growth.
- Build your organization through capability enhancement. Use training, employee rotation, matrix management, new hires, internal leaders and external subject matter experts to help fill in any capability gaps.

Execution: Translate Plans into Growth

- Develop tactics which “market through the retailer” rather than “promote at retail.” Address the need states and larger shopping purposes identified in your strategy through non-traditional vehicles such as presence marketing, as well as through the full range of retail options including promotion.
- Incorporate cross-industry best practices into your trade promotion plans. Your learning on business drivers and promotion in categories/industries outside your own should be integral to your planning process and should inform discussions on data, systems, and training needs.
- Use learning from ethnic programs to boost mainstream business. Identify the specific attributes and elements of ethnic activities—both your own and retailers’—in your category which can be leveraged against the larger population.

Raising Promotion's Idea Bar

The promotion business is known for a lot of things, but originality is not one of them.

by **Steve Rotterdam**
Chief Creative Officer
EastWest Creative

At first glance, it would appear that most marketers think promotions and creativity don't even belong in the same sentence.

A resounding 77 percent of the 325 respondents to a *Reveries* survey said that most promotions are not based on new ideas. Just two percent said promotions are known for their "creativity."

This one-two punch lands hard. Marketing—regardless of discipline—is supposed to be a business of new ideas and creativity. That promotion appears to be the white elephant in the marketing family is inherently disturbing. Even more troubling is the rigid thinking that appears to gird the prevailing outlook.

Promotions, offered one respondent, "should be based on objectives." Absolutely. No argument there. But does that mean they can't also be creative? Of course not, but one gets the sense that many—if not most of our respondents—are perhaps a little too comfortable in the belief that new ideas and creativity are all but irrelevant to promotional success.

A similar sort of rigormortis set in around our question about media. It was not surprising that the internet topped

the list of favorite media for promotions (25 percent), followed by in-store (22 percent), with mass media (17 percent) trailing.

Again, the accompanying comments revealed a certain lack of imagination about the potential of media to inspire new ideas and creativity in promotion: "Media don't create ideas; they serve them," said one respondent. "New promotional ideas won't come from media—they'll come from new concepts," echoed another.

Well, then, what about Starbucks? The Starbucks brand is really just one big promotion, and it was the result of a fresh perspective on the potential of retail stores as a medium for marketing—promotional and otherwise. The notion that media amount to little more than empty vessels for promotional messages could help explain why there is so little creativity in this business.

The outlook turned a little bit lighter, if not brighter, with our open-ended questions. Many of the responses showed that promotion people at least have good senses of humor! Ideation devices mentioned by our respondents included: caffeine, →

Are most promotions based on new ideas?

Responses	Number of Responses	Percentage
Yes	41	13%
No	250	77%
Don't know	10	3%
Other	24	7%
Total		325

1. Provoke Consumers.

Years ago, Taco Bell did a promotion that remains one of the best examples of how a simple promotional offer can provoke consumers to invest more than the 20 seconds it takes to zip-clip coupons out of their Sunday papers. It was a promotion for Star Wars featuring heat-sensitive promotion pieces. The instructions were to peel a game piece off a cup and hold it to your forehead to reveal whether you had won a prize.

Reality was, the prize could be revealed by holding the game piece in your hand. But consumers played along. You saw people walking out of Taco Bells with game pieces stuck on their foreheads! It was fun, benign—and simple. It worked because it provoked consumers to become involved in the brand—in this case a little bit of harmless insanity.

2. Rivet Retailers.

In the old days, it was possible to get retailer support by plying the buyer with a cool, leather jacket. However, riveting retailers requires so much more than leather (or lace) these days. Most of all it requires listening—and responding to—retailers.

The dialogue should transcend making a sale to include building a relationship. For example, promotions are often flagged right on the packages. Problem is, when the promotional period ends, the outdated packages remain on the shelves. This frustrates the consumer and makes the retailer, well, look stupid. The brand looks pretty irrelevant, too.

3. Forge Alliances.

Why did Baskin-Robbins make “Shrek” sundaes? That strategic alliance was so obvious we don’t even need to bother explaining it here. To ensure that the potential of strategic alliances is maximized, it is essential that the brand team remains abreast of new opportunities for alliances

and maintains an active dialogue about the possibilities.

Truly forward-thinking organizations proactively research and catalog opportunities. This involves a daily review of all news and information sources and then compiling the intelligence into a searchable database of strategic alliance opportunities.

4. Embrace Technology.

That the best promotional ideas require open communications goes without saying. The broad acceptance of email as a communications vehicle certainly has helped improve the kind of “multilogue” that’s so essential to the creative process.

All the advertising, promotions, direct and public relations can be digitized and stored online for ready access by those charged with making sure it all lines up and adds up. Such an environment also sets up the potential for greater cross-pollination—bigger and better ideas—not only in promotion but also between all of the disciplines.

5. Explore Media.

The marketing mix for promotions has changed dramatically; the balance of marketing power has migrated from a finite media set to vehicles that reach consumers at myriad “touch-points”—at-home, in-store, and elsewhere. Ideas in promotion are often only as big as the media selected to convey them.

At-Home. This cultural change in the consumption of media to a more active mode is tailor-made for promotions. After all, promotion is all about participation! The rise of participatory media suggests a whole new array of ways to involve consumers in brands and motivate them to purchases.

In-Store. Retail is not just for distribution anymore; stores are marketing me-

dia in their own right.

The ability of marketing programs through retail channels to accelerate business growth is easily explained. Retail stores simultaneously carry marketing messages and complete sales transactions. Few other media can claim so large a role in both marketing and sales.

Elsewhere. Satellite technology is driving real-time communications to consumers via elevators, ATMs, taxicabs and sports arenas. Cellphones-as-media is just beginning to be explored. And, of course, good old-fashioned person-to-person marketing (whether in the store, on the street, at the stadium, in the bar or at the beach) is a powerful pathway to fresh—and effective—ideas.

6. Think Simple.

In promotion, as is true so often in life, the simplest ideas are usually the best ideas. Consumers see it, get it, appreciate it, and buy into it. Think about some of the truly great, all-time promotions. The Pepsi Challenge. McDonald’s Happy-Meals. Frequent-Flyer Miles. Cracker-Jack prizes and Bazooka-Joe comics. So powerful are these promotional ideas—simple that they are—they often become part of the permanent equity of the brand.

The big idea can be as simple as a sticker on a package. The challenge is—what do you do with a sticker to make it provoke consumers, stop them, and engage them in the brand? There are so many things you could do. Unmask Batman. Solve the murder. Crack the code. Find the pony. Don’t get us started!



Are promotions best known for:

Responses	Number of Responses	Percentage
Building brand image/equity	71	22%
Coupons	16	5%
Creativity	5	2%
Eroding brand image/equity	3	1%
Increasing sales	144	44%
Changing consumer behavior	36	11%
Trinkets and trash	37	11%
Other	15	5%
	327	

← tequila, a crystal ball, sleep deprivation, magic mushrooms, the shower, sushi and “large craniums.”

Thirty-three percent of respondents specifically mentioned “brainstorming” as the primary way in which promotion ideas are developed. However, many acknowledged that they don’t follow a specific process and rely more on past experiences or even their intuitions for guidance. Many respondents readily admitted to re-hashing or re-constituting old ideas, either their own or those of others.

Perhaps most encouraging of all, more than 200 of the 325 respondents picked “favorite” promotions, and the range of responses belied the premise that promotion isn’t creative. We had mentions of everything from the S&H Green Stamps redemption program and the secret decoder rings of the ‘50s, to the more recent “I Found Your Wallet” promotion, where one of the wallets in question was Warren Buffett’s.

Of “favorite” promotions cited, “The Guinness Win Your Own Pub” promotion

received the most mentions, followed by The Barq’s “Soviet Union Going out of Business Sale,” M&M Color of M&Ms promotion, the Pepsi Challenge, and McDonald’s Monopoly. Airline frequent flyer promotions were mentioned as admired loyalty programs, however no retailer frequent shopper programs received specific mention.

The dogma that business objectives and creativity are somehow mutually exclusive needs major revision. Some of the all-time great promotions—the Pepsi Challenge and, more recently, the blue M&M’s promotion—were just as creative as they were business-building.

Rubbing your tummy while patting your head may not be easy to do, but it sure would help put an end to all of the “monkey-see, monkey-do” in the promotion business today. Those who venture along will realize significant competitive advantages for their brands:

Integration. Brands that invest as much in promotional ideas as they do in

advertising, direct and public relations ideas are far better positioned to deliver against the promise of integrated marketing communications.

Collaboration. When promotional ideation is extended to include the retail trade, the result is closer relationships between brands and retailers. The payoff is a far more effective brand presence in the retail environment, where ultimately purchase decisions are made. Similarly, collaboration between alliance partners fosters ideas that usually are bigger than any partner could have realized on its own.

Motivation. While getting consumers to do something has always been central to promotions, a stronger emphasis on ideas multiplies the effect. Not only do consumers stop and take action, the overall experience is richer and therefore more lasting. The promotion not only motivates the sale, it also builds the brand’s image and equity.

When ideas replace tactics as the driving force of promotion marketing, the results often transcend the stated objectives. Yes, the promotion delivers everything it was supposed to deliver—but it also delivers something extra.

That “something extra” might be an enhanced image. It might be a closer relationship with key retail accounts. It might be a more engaged consumer. We call that “something extra” the success dividend, and it is the true bottom line of accountability in marketing. ■

Steve Rotterdam is Chief Creative Officer of **EastWest Creative**, www.ewcreative.com, a New York City-based promotion marketing agency, whose clients include Applebee’s, Discovery Kids, Kobrand, Kraft Foods, Labatt Breweries, Lego, Reckitt Benckiser, Universal Studios and Warner Brothers. Steve can be reached at srotterdam@ewcreative.com



A Q&A on *creativity* with Nike's Bryan Finke

Be a
Sponge

How does Nike encourage creativity?

Nike was founded on creativity. The company began as a group of runners who set out to create better running shoes. They talked to other runners, got feedback, translated that into performance innovation and delivered that to the marketplace. It's what we're still doing today.

The culture of this place is heavily built on that kind of fundamental process—get out, be a sponge, gain insight, translate that into innovation in everything you do.

We actually have a maxim here—be a sponge. One of the things that every Nike employee is challenged to do is to learn—to spend time talking to consumers, traveling to different places, gaining new experience and, as I said, learning and gaining insights.

It's amazing to watch some of the product designers and product developers go out to the marketplace and just sit down and start talking to athletes and gather insights. It's amazing to see that—season after season—creative performance innovation in products that you didn't expect.

That spreads throughout the whole company, regardless of whether it's product development or marketing communications. We're constantly trying to discover new things and come up with new and better ideas and products.

How do new media give rise to new creative approaches?

It is a very exciting time for the world of digital marketing. But new media—whether it is digital or utilizing books, DVDs, or different kinds of media—are absolutely going to create new forms of communication and marketing, and really challenge companies like Nike to come up with new, creative approaches to reach and inspire consumers.

If you had to make a choice between building a database or launching a mass media campaign, which would you pick and why?

That depends on the objective. If you were driven to use a database, you'd still need outstanding creative to connect and inspire consumers. Typically at Nike, we lean towards the creative side. Even when we choose to implement tactical tools like database marketing, we're still placing a very heavy burden on the creative.

Which brands today use creativity to greatest competitive advantage in their marketing programs, and why?

The brands that use creativity to the greatest competitive advantage today are the ones that are able to do so in a way that is relevant to their consumers. Apple is a great



example of a brand that not only delivers creative products and communication, but that also is able to do so in a way that is broadly accessible and relevant to consumers.

I also think that the functional experience associated with brands is becoming more and more important and is creating new opportunities for brands like Google and Tivo to be seen as creative and valuable. By functional experience I mean the extent to which the brand becomes part of a consumer's life and has greater relevance to them.

I'm also impressed with artists and musicians like U2 or Madonna who have reinvented or evolved themselves many times while managing to stay creative and connected to their consumer bases. They're using creativity in a very connected way.

How do you make sure creativity pays off at Nike?

If we continue to listen, make better solutions and tell our stories, our creativity will pay off.

Bryan Finke leads Business Strategy for Nike U.S.A.'s Global Content & Partnerships team. In this role, he is guiding Nike's strategy in the gaming space and in digital content distribution via broadband, mobile devices and video on demand. He is also engaged in original programming and publishing projects in the areas of film and print publications.

Bryan previously served as director of digital brand marketing for Nike, with responsibility for websites, online advertising, e-mail communications, instant messaging, mobile marketing and game integration. The group's interactive work has been recognized with more than 100 awards. Bryan began working with Nike in 1996 as a consultant on the company's first consumer website project developed for the Atlanta Olympic Games.

Bridging the Sales &

by **Gordon Wade**

Principal, EMM Group

At its worst, the conflict, or divide, between sales and marketing is diagnosed in disrespectful terms by both groups. Marketers see “Sales” as knuckle-dragging, troglodytes whose idea of strategy is scheduling a golf game with a buyer. Sales, for its part, regards “Marketing” as impractical, bottled-water-sipping academics dwelling out there “where the rubber meets the sky.”

At best, the two functions peacefully co-exist by building their own silos and then jealously protecting each from the other. Each agrees to stay out of the other’s territory, and by so doing diminishes the company’s effectiveness with customers and consumers.

CEOs should not tolerate this dysfunctional behavior. Shareholders certainly won’t. They will reward those who develop ways for these two functions to collaborate effectively for the common good. They will punish those who maintain the status quo.

The external environment is creating intense pressure for change. In the B2C world, power is shifting dramatically away from the traditional weaponry of the marketer—the mass channels of TV and print. At every venue where he speaks, Jim Stengel, the Global Marketing Officer for Procter & Gamble (the “marketer of the century,” according to *Ad Age*), decries the “collapse of the mass marketing model.” Mr. Stengel consistently points out three facts:

- ▶ The long-term rise in the cost-per-thousand customers reached by advertising and the concomitant decrease in ad ROI.
- ▶ The long-term drop in advertising recall and persuasion scores.
- ▶ The long-term drop in Brand Equity scores.

As if this weren’t enough, everybody in B2C businesses feels the inexorable increase in the power of the distribution channel. The response has ranged from the tactical to the strategic, including:

- ▶ The continuing increase in trade spending to the detriment of the consumer side.
- ▶ The re-allocation of personnel to the retail interface.

are moving to a new supplier or demanding re-bidding—because a cheaper supplier has created the perception that their product or service is a commodity that should be purchased on the basis of price alone.

The answer in both B2C and B2B is the same. Neither marketing nor sales can survive in their current forms unless they abandon the idea that winning the struggle with their internal adversaries is what’s important, to the detriment of

Business is suffering a serious global epidemic of organizational schizophrenia... the internal, dysfunctional, self-defeating backbiting between sales and marketing.

Unless executives from both disciplines find a way to collaborate productively, all patients in all sectors—B2C and B2B—will become infected.

- ▶ M&A consolidation to increase channel clout to balance retailer and distributor power.

None of this is working extremely well to get at the root cause of the problem, so both marketers and sales are under pressure in B2C to do something.

B2B is under the same pressure. The marketers feel it when the CFO asks them to prove the ROI of their latest campaign. Sales feels it when the CEO and the CFO ask them why old-and-honored customers

are moving to a new supplier or demanding re-bidding—because a cheaper supplier has created the perception that their product or service is a commodity that should be purchased on the basis of price alone.

Both can win if they understand they are allies who serve the shareholders. For the good of the shareholders to whom both functions are morally obligated, they must develop a belief set that enables them to work for the common good.

Here is the essence of that belief set:

- ▶ Both of you are in the business of changing attitudes to effect a sale.
- ▶ The technical name for this attitude changing activity is “Marketing.”

Marketing Divide

- ▶ Sales is a channel for changing attitudes; sometimes it is far and away the most important channel for changing attitudes, but it's a channel.
- ▶ Someone must interpret data to identify needs and benefits, target consumers and develop selling messages; that is the marketer's job. Sales delivers a message crafted by marketing.
- ▶ Sales owns the interface with the customer and therefore does a better job than marketing of collecting and delivering the real-time data that is critical to success in needs identification.
- ▶ Stop worrying about who is higher on the totem pole, because while you are trying to shinny higher up the pole to beat your opposite number internally, the competition is about to steal the whole damn pole.
- ▶ Instead, both marketing and sales must align around two key ideas:
 - ▶ The need to build brand equity.
 - ▶ The need to make the consumer/customer the "boss."
- ▶ To meet these needs you need a process.

Turn Insights Into Equity

That process starts with understanding the critical insights regarding the behavior of the common consumer/customer. Don't think for a moment that you really do have sufficient insight into your customer, because you probably don't. If you do it's probably not shared by everyone in the value creation stream—and if it is, it's probably changing hourly such that what was true yesterday is half true or less relevant tomorrow.

If you need proof of this, let's revisit Procter & Gamble for a moment. Here's a company that started the concept of con-

sumer research back in the 1920s. But two years ago, when P&G started focusing on the concept of "marketing through the retailer," it realized it knew virtually nothing about "shoppers" as opposed to "consumers." The company promptly spent \$20 million dollars to fill this hole below its intellectual water line.

If P&G realized that it knew virtually nothing about its shoppers after spending billions in research over the past century, how much do you think you know about your consumers/customers at all touch points?

Understanding isn't enough; you need a process for turning that understanding into brand equity—that unique set of beliefs that causes buyers to value your product or service more highly than the competition's. Both marketing and sales must share the belief that higher brand equity will solve most of the issues between you and consumers, you and retailers and you and your B2B customers. Margins will be higher, marketing ROI will be higher, shares and volume will increase.

Having said that, we are ceaselessly amazed that most companies—B2C or B2B—have no process for building brand equity. They may have a desire, a hope, or an intent, but no process.

This is unacceptable.

By the way, the failure of marketing to convince CEOs of the primacy of brand equity and the related failure to have a measurable process to build it is the reason marketing is held in such low esteem, especially in the B2B environment. If you could convince the CEO that brand equity was really important, that you owned it and that you had a process to enhance it, your budget might not get cut every year in the last quarter and you might get invited to fly on the corporate jet more often.

Gain CEO Support

But Marketers and the sales function have another very practical problem even when they want to collaborate to build brand equity and have a common process. It's called "management ignorance."

No CEO or COO is going to embark on the mission of curing the marketing-sales divide without understanding that it exists, that it needs to be fixed and that there's a sensible way to fix it. The inertia of management ignorance is massive. Change requires an active strategy of information and influence to overcome this inertia.

The problem that we have exists in two forms, both of which relate to the experience base of the CEO/COO. Each of us is in some ways a prisoner of our own experiences. Corporate leaders can be placed in one of two experience piles: 1) Those who rose to the top with no operational experience in either sales or marketing; or 2) Those who came up through either sales or marketing.

The former type (those with neither sales nor marketing experience), have little understanding of the importance of brand equity and no appreciation of a marketing process. To them, marketing is something that happens in the dark of the night, performed by exotic creative types huddled around steaming cauldrons brewing mind-altering substances. These people make "commercials."

CEOs do not see the outcome of this alchemy as amenable to process any more than herding cats. They believe that what these strange folk do is only tangentially related to something called "brand equity" which isn't even shown on the corporate metrics dashboard.

In a way, however, it is often easier to convince this type of executive that →

Neither marketing nor sales can survive in their current forms unless they abandon the idea that winning the struggle with their internal adversaries is what's important.

← process and brand equity is the prescription for healing the marketing/sales wound and winning in the marketplace. That's because many of these CEOs have come up through finance, manufacturing or operations— where process is paramount and measurement is essential.

If you are trying to heal the divide with that type of CEO, wave the flag of process and metrics. Suggest that building brand equity may be amenable to a Six Sigma approach once you have a process in place. This will get the attention of the CEO and that of the CFO, because both want more out of marketing.

The problem with the other type of COOs/CEOs (those with some marketing and sales experience) is that they are still dealing with an old set of tapes. These tapes deny the existence of process and underestimate the importance of brand equity in the demand-creation side of the business. The prevailing attitude is: "I didn't need a process; I had no brand-equity building process; I rose to the top with social skills, goal setting and lots of sweat, why must I create massive change that will only upset the organization?"

This marketing-and-sales type of CEO instinctively realizes that healing the divide takes more than process. It takes metrics; it takes some new technology; and (God forbid!) a new organizational capability. It requires that the new orga-

nization must create *smarketers*—part marketers; part sales types. They understand that creating *smarketers* takes time and discipline.

Create a "Smarketing" Organization

The organization must hire different types of people, train them differently, and reward them differently. Most important, the company must develop and install new career pathing scenarios so that employees develop the holistic vision of the marketing process that will allow them to respond effectively to their real boss, "the customer."

In the B2C world, P&G started down this path over ten years ago. Other CPG companies began putting "marketing" people out on retail "sales" teams about five years ago. Most have failed because the marketers billeted to these assignments resisted furiously, thinking that such an assignment was an exile sure to ruin their real marketing career.

When they could be convinced that the future belonged to those who actually understood Wal-Mart or Tesco and could market their brand in concert with the retailer, they were frustrated by the limited financial backing given to their marketing activities at the retail interface.

Why? Because the internal brand-marketing function at headquarters regarded these retail interface activities as a "sales cost" that should come from the trade marketing budget, and sales regarded these same activities as a "marketing cost" that should come from the brand marketing budget.

This kind of shortsighted turf protection will continue as long as there are the old silos at the top, as long as there is no process for building brand equity and as long as ignorant or timid top management allows it to proceed.

In our book, *The New Marketing Mission*, we present a process that allows "sales" and "marketing" to work out their internal problems to solve their company's common problem. This process involves concepts such as the integrated market-

ing strategy, task identification, cascading choices and sufficiency.

These concepts are based upon the conviction that the long-term goal of marketing is to build brand equity; that building equity will lead customers and consumers along a brand commitment pathway which has both affective and rational mile posts; and that advancing from one mile post to another represents varying challenges, which require different solutions offered by various functions within the company.

If you could convince the CEO that brand equity was really important, that you owned it and that you had a process to enhance it, your budget might not get cut every year.

Establish an Integrated Marketing Strategy

The essence of this process is the "integrated marketing strategy"— the combining of the skills, capabilities and funds of "marketing" and "sales" in a zero-based approach. It looks at the imperatives of the business and identifies the initiatives that can deliver against those imperatives.

The process assumes that the optimal overall result can be achieved through the deliberate creation of powerful synergies rather than the "perfection" of a specific function. At this point, non-marketers may hear the echoes of the synergistic approach of Total Quality Manufacturing, where the super-ordinate goal was opti-

mizing total systems output—not the output of a single step within the process.

The process we advocate asks every function and every participant in the company's value creation stream to take a fresh, unbiased look at what task needs to be performed to achieve success. Tasks are defined as specific responses required from specific target audiences, whose short- and long-term value to the brand's franchise has been established by rigorous analysis.

For example, a specific target customer or set of customers can be moved from contributing X volume to X + Y volume by engendering a certain identified behavior (such as increased trial and conversion, increased usage, greater loyalty, etc.).

Once the desired response has been defined, the process uses a concept called "cascading choices" to help planners arrive at an action step. Cascading choices involves the identification of spending alternatives from across the marketing/sales "divide." The company team then arrays the alternatives from the one recognized as the most efficacious to the least. Ranking the choices presents real challenges to many marketers because they have failed to capture appropriate response analytics.

Some use this failure as a reason not to employ the cascading choices approach. The only problem with this rationalization is that the cascading choices approach is being very effectively used in

places such as China, where little data exists and sophisticated response analytics are extremely difficult to develop. In their place, successful marketers in China are using simple hypothetical models to discriminate among options and drive dramatic improvements in volume and share.

Focus Sufficient Resources

A necessary supplement to the cascading choices concept is "sufficiency"—that is, the focus of sufficient resources on each cascading choice to insure it has the desired result. This is similar to the concept of "effective reach" in media planning, where an audience appears to require a threshold level of frequency before any change in awareness or behavior occurs.

"Sufficiency" assumes that brand-owners must spend above some threshold level to change customer or customer attitudes irrespective of whether the activity is a "marketing" expense (such as advertising) or a "sales" expense (such as a sales call or a trade show).

The "sufficiency" principle often results in the complete elimination of lower ranking cascading choices to insure that the more important choice is adequately funded. Here again, brand-owners report that these complementary approaches of cascading choices and sufficiency are having an unexpectedly positive effect in the market place—at least in part because they force all members of the marketing team to align around basic options to realize a shared goal.

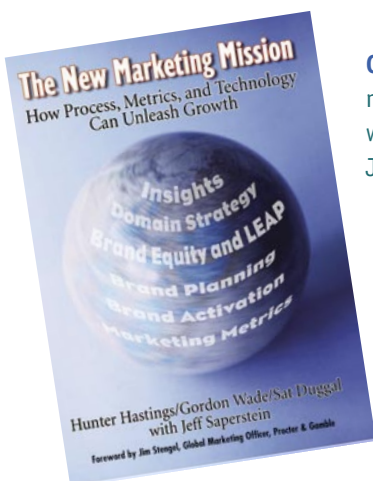
As in much else in life, a solution requires two things: the knowledge of what is right and the courage to fight for it.

In other words, this process-based approach can bridge the marketing and sales divide where management has the courage to apply it for the common good.

But the sales and marketing divide—this schizophrenia which paralyzes B2C and B2B marketers—will persist until top management realizes the answer is *smarketing* and not "sales or marketing"; that the goal of these *smarketers* is building brand equity; and that the way to build equity is to use process, metrics and technology, with a dash of organizational capability building.

As in much else in life, getting to this solution requires two things: the knowledge of what is right and the courage to fight for it.

If you're experiencing the problems of the sales and marketing divide at your company, sneak a copy of this article to your COO and CEO. Let's see if they can face up to the need to change. ■



Gordon Wade is founding partner of **EMM Group**, www.emmgroup.net, a world leader in enterprise marketing management. With more than 35 years of deep marketing experience, Gordon has worked with more than 75 major companies (including Procter & Gamble, DuPont, IBM, Citicorp, Johnson & Johnson, Unilever, BAT, Nestle, Gillette, Dollar General, Seven-11) in more than 100 categories.

EMM Group applies software tools to provide a comprehensive system of metrics and proven best practices. EMM Group's services range from addressing a single process to end-to-end transformation of the marketing function within the enterprise.

Gordon is co-author, with Hunter Hastings and Sat Duggal, of *The New Marketing Mission: How Process, Metrics and Technology Can Unleash Growth*, published by the Association of National Advertisers. He can be reached at gordonwade@emmgroup.net.

The Golden Age of Marketing

A fictional conversation with David Ogilvy



D.O. I know I've been gone awhile now, but how can you possibly claim that this is the golden age of marketing? After all, I presided over the golden age of marketing.

With all due respect David, you presided over the golden age of advertising. The '50s through the '80s was a time when your brilliant print ads and heart-stopping commercials were the principal drivers of marketing and business. As you were leaving the scene, you may recall the explosion in technology and the ensuing fragmentation, which unfortunately made advertising less dominant.

We believe now is the golden age of marketing because for the first time, we have the tools to identify who our customers are as individuals based on their actual purchasing behavior and we can talk to customers as individuals, making the brand offering relevant to each customer. We can create a customer experience that channels knowledge about their behavior from communications through customer service and interaction that elevates the brand to another level in the customer's eyes.

D.O. Really? How can you get all of that information and put it to use in a practical way?

First, let us say, it's not easy. By inviting customers to become members of a brand's family through a loyalty program or membership program whether at retail or on the web or through events, we ask customers to give us their permission to collect and track their purchasing activity. We can then segment all customers according to their purchasing habits and create communications and offers that are relevant to each customer.

D.O. What proof do you have that this is any more effective at building brand equity than the way we did it with advertising?

As a researcher, you were committed to learning as much as possible about the consumer. You would be excited by the depth of knowledge we now have available. For example, while you still might use the man in the Hathaway shirt with an eye-patch as the singular image of the brand, today you might create 6 or 600 versions where the shirt and shirt selection reflect the buying patterns of the Hathaway shirt customers.

One of your favorite clients, American Express, is expert at using data about their different customers to communicate to them in the mail and on the web in a differentiated fashion. Because we have all of this information we can measure everything we do.

D.O. Imagine that! It took us months and years to measure a simple campaign.

We know what the return on investment is for every dollar we spend in marketing. But more importantly, this new way of thinking about marketing is a new way of thinking about business. Everything is centered around the consumer or customer.

Marketing's role no longer ends when the commercial hits the air. By knowing so much about the consumer and being the consumer's advocate, marketing is now intimately involved in customer service, merchandising, packaging, as well as advertising, in all forms. Transferring

By **Spencer Hapoienu**
and **Nicole Jonas**
Insight Out of Chaos



knowledge about the customer to all those who interface with the customer empowers brand champions based on the consumer's needs and wants.

This new energy based upon customer-specific information has the potential to galvanize the entire organization and focus the attitude of the business to one where the customer always comes first.

D.O. I must say this is fascinating. What examples do you have?

Surely you remember Tesco.

D.O. Never my favorite store.

Well, things have changed. Tesco is one of the shining examples of total commitment to customer-centric marketing. They initiated a loyalty program years ago. Analyzing the data revealed information about customer segmentation and purchasing habits unknown beforehand. Mining the data on a continuous basis and bringing marketing tools to bear, Tesco now is one of the best examples of a one-to-one marketing organization.

The overwhelming response from customers has transformed Tesco not only to the number one ranking among UK supermarkets (up from number three), but also to one of the largest retail companies in Europe. Tesco now sells everything from groceries to financial services.

D.O. [Speechless with arched eyebrow]

One of our clients is a business you'll remember from your days handling the Puerto Rico tourism account—Pueblo Supermarkets. Pueblo is the largest supermarket chain in Puerto Rico and has been for fifty years. Three years ago Wal-Mart opened seven supercenters and purchased the number two supermarket chain in Puerto Rico. As you can



imagine, this has had devastating results for Pueblo. Pueblo lost a third of its business and struggled to find an answer by rotating senior management and advertising agencies to no avail.

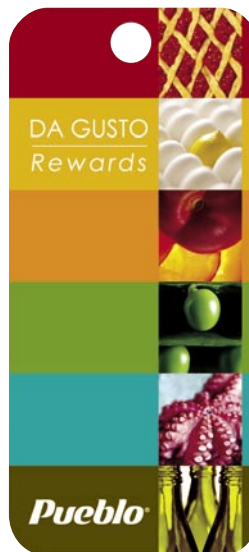
Our team was invited by the new advertising agency, Badillo, Nazca, Saatchi & Saatchi, to try our hand at reinvigorating the business.

Pueblo had a loyalty program that offered little in customer satisfaction. Our team created an interactive CRM [Customer Relationship Management] program that provided the customer with targeted communications, better perceived pricing and improved customer service, in addition to rewards and benefits that are all part of the program.

After eight months of intensive CRM marketing and customer service improvements, Pueblo was able to reverse the sales declines and ended the year with a positive sales increase. This was done by allocating all marketing funds behind the Pueblo Da Gusto Rewards Program and reducing traditional newspaper and television advertising. Not only did sales increase, but so did margins. There are other examples of successes like this: in the casino industry there's Harrah's, in office products there's Staples, in hotels there's Hyatt.

D.O. Why is it you seem to talk only about retailers? Are manufacturers still in business? Do you mean to tell me that Unilever and P&G are standing still while this is going on?

Well, David, it's hard to explain. We wouldn't say they're standing still. P&G in particular has been aggressive about tearing down the old advertising model and replacing it with a marketing model for today's marketplace, as we've described. It's obviously much harder for manufacturers to build a relationship with customers; they have to go through retailers to do so. →



“Manufacturers are still wary and distrustful of retailers and retailers are disdainful and too busy to develop new practices with manufacturers.”



← While most manufacturers have recognized the need to work in partnership with retailers, the fact remains that manufacturers are still wary and distrustful of retailers and retailers are disdainful and too busy to develop new practices with manufacturers. Quite frankly, even successful retailers haven't been persuaded there's something in it for them to invite manufacturers into their tent.

Yet, we've had a number of positive experiences using data from our retail clients and involving manufacturer brands. Smart retailers are doing a great job of building a customer-focused business. Manufacturers need to create opportunities to use their brand to uniquely satisfy the needs of the retailer's customers. Manufacturers need to demonstrate a total willingness to commit themselves to the retailers' framework for running their business. Manufacturers need to persuade retailers that their talents in analyzing data and creating marketing programs and events can be done in a

way that will benefit both the brand and the whole store.

For example, Dove has added line extensions beyond just dishwashing liquids and soap, expanding into body care. With retail transaction information we know which consumers buy Dove products; how many purchase multiple items and how many continually switch between Dove and its competitors. Think about the opportunities to send different messages to each of these different consumers, rather than one lowest-common-denominator commercial or print ad.

The 20-80 rule is a universal principal. The top 20 percent of customers accounts for 80 percent of the volume or profit of the business. In the yogurt category, the top 16 percent of customers accounts for 84 percent of the volume. Among Diet Coke buyers, the top 8 percent of customers accounts for 80 percent of the profit. This phenomenon has become extreme over the last 25 years as a result of fragmentation.

D.O. Do you have examples outside of the grocery industry?

Yes, you can find examples in every other business. Another client of ours is True Value Hardware stores. True Value is an organization of more than 6,000 independently owned businesses. Like many other retail sectors, the independent hardware store has suf-

fered declines as a result of the big box stores like Wal-Mart, Home Depot and Lowes.

True Value was seeking new ways to invite customers back to their stores. We created a unique program that allows each individual store owner to access their own transaction data and to make individual decisions about their marketing all on the web. We designed a data and marketing warehouse that allows store owners to analyze different customer segments and to target different offers accordingly.

For example, using the website, a store owner can access customer information across many different metrics, such as purchase frequency, purchase amount, departments and items. Store owners can select different departments and dissect customer responsiveness to offers and promotions and advertising. This has dramatically improved the effectiveness and efficiency of True Value marketing.

However, the most important part of the experience of working with True Value and Pueblo has been the remarkable turnaround in employee enthusiasm, interest and service. The combination of improved marketing with relevant communications and a higher degree of personal service has changed the brand experience for both the customer and the business. For many of the True Value stores in the program, this has reinvigorated their business, turning a limping business into one that is growing smartly.

If you could only meet Jeanenne and Jim Tucker, who own the Plantation True





Value store in Richmond, Texas. While their store is located in an explosive growth area, their business was drifting and declining as customers went elsewhere.

These are hardware people, not marketing experts, yet they've become experts at CRM. The Plantation Hardware story is a case study of how to do it right. The Tuckers introduced True Value Rewards, which rallied their staff to newfound customer attentiveness, but that wasn't enough. They also created customer service incentives.

According to the Tuckers, this change in customer service resulted in a personal connection with their staff, their store and the community that transcended the business of hardware. This, combined with smartly using data about their customers to target communications and offers selectively and customizing events tailored to customers' interests has significantly increased sales. The Tuckers' growing confidence enabled them to expand their store by nearly double, adding new departments along the way. ■

Editor's Note: Insight Out of Chaos traces its roots to SAGE Worldwide, a subsidiary of Ogilvy & Mather. David Ogilvy was very supportive of the developments in one-to-one marketing, which began as SAGE in the mid-80s at Ogilvy & Mather. We like to think that Mr. Ogilvy would view CRM as an intelligent evolution of his respect and appreciation for the customer.

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Previously, Spencer was founder and for five years President of SAGE Worldwide Inc., a \$75 million technology and promotion subsidiary of The Ogilvy Group.

Spencer organized SAGE after spending two years developing diversification strategies for The Ogilvy Group as Director of Corporate Development. Spencer was also a member of The Ogilvy & Mather U.S. Management Board.

During his 20 years in advertising Spencer worked in many areas of the industry from media planner to agency head, and on brands from American Express to Uniroyal. He won an Effie award in 1981 for his work on Coca Cola brands. He won a Fortitude award working with Ted Turner on the launch of CNN Headline News. Spencer did his graduate work at Syracuse University where he received a Master's degree in journalism and advertising. He received a Bachelor's Degree in Communications from Ithaca College. Spencer can be reached at spencer@iooc.com.



Nicole Jonas is vice president and co-founder of **Insight Out Of Chaos**.

Nicole began her career consulting to *Fortune* 500 companies at Decision Base Resources.

After working on organizational and marketing projects for clients such as Johnson & Johnson, Wal-Mart, Bell Atlantic, Church & Dwight, Ameritech, Drake's Snack Cakes, and Seagram's, Nicole became a partner in SAGE Worldwide. Nicole was Vice President of Analytics at Market Imaging Systems prior to co-founding Insight Out of Chaos in 1995.

Nicole graduated from Columbia University, Magna Cum Laude, with a BA in Economics and was elected to Phi Beta Kappa, prior to attending the Ph.D. program at MIT. She can be reached at nicole@iooc.com.



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