

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

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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.

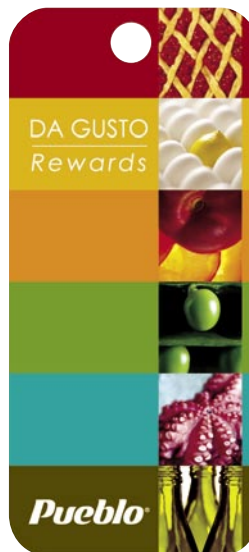
Our team was invited by the new advertising agency, Badillo, Nazca, Saatchi & Saatchi, to try our hand at reinvigorating the business.

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.



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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.

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