THE HUB™

THINKING MARKETING FOR BUSINESS VISIONARIES™ | May/June 2005

THOUGHT LEADERS

In the CMO Suite

A roundtable discussion of chief marketing officers, featuring **Cathy Bessant** *of* **Bank of America, Dave Burwick** *of* **Pepsi, John Costello** *of* **The Home Depot** *and* **Russ Klein** *of* **Burger King.**

What does the CMO title mean at your company?

Bessant

Cathy Bessant: It means I do a lot of work! *(laughs)*. Actually it means three or four things. First, and foremost, it means demand generation across all of Bank of America's businesses, and the company as a whole. It's not just demand on the part of our customers, but also demand generation across investors, and across our own associates. It's about really driving demand and appetite for the company.

It's also about architecting the voice of the enterprise, across the company and across all of our constituencies. It really is about finding both the distinct and intersecting elements of messaging and voice, and then architecting what makes sense and what is the very best of what a company voice and brand—in the "little b" sense—can be across an organization.

Burwick

Dave Burwick: It means you're in charge of creating demand for Pepsi's brands. Basically, we own the brand strategies and all the executional tactics that come from those strategies. Our constituents include our consumer, but they also include our bottling and sales organizations.

So, we have multiple constituents that are pretty powerful, particularly the bottlers. We're marketing not just to consumers but also to the guys who drive our trucks and service a million stores every day.

John Costello: The most important thing I do is work with the various functions of The Home Depot to create a shopping experience that differentiates The Home Depot brand. That's critical because everything that touches the customer defines our brand. As a result, we implement a 360-degree integrated marketing plan.

That requires the CMO to be both analytical and creative, but also to forge close partnerships with other constituencies like store operations, finance, merchandising, and so forth.

Costello

Russ Klein: At Burger King there's a recognition among all the stakeholders—whether they be a franchisee, customers or the ownership at the Board level—that this is very much a marketing-dependent brand and business model. So, the CMO at Burger King is very much a broad-gauge business post that has a very wide span of control.

The CMO role involves all of product development, go-to-market activities—in terms of advertising, merchandising, and promotion—but also all of our performance analysis, pricing analysis and the supply chain. I sit on the board of directors of our supply chain. It's a fairly large wingspan.

Klein

What is the critical skill-set of today's CMO?

Bessant: The most important thing a CMO has to have is business →

About the CMOs

Russ Klein, as president of **Burger King** Brands and executive vice president, chief global marketing officer of Burger King Corporation, oversees consumer insight and strategic branding; product research and development; product and field marketing; and all advertising and media responsibilities. Prior to joining Burger King, Russ served as chief marketing officer of 7-Eleven, Inc., headed a small Chicago-based private equity investment group, and was evp, Foote Cone & Belding Advertising, Inc.

Dave Burwick oversees brand marketing, innovation, consumer promotions, sports marketing and consumer insights as senior vice president and chief marketing officer for **Pepsi-Cola** North America, the $4 billion refreshment beverage unit of PepsiCo, Inc. in the United States and Canada. Previously, Dave was senior vice president, marketing-carbonated soft drinks, leading marketing activities and advertising, including all line extensions.

Cathy Bessant is chief marketing officer for **Bank of America,** including responsibilities for brand, internal and external communications, customer analytics and research, electronic marketing, public policy, media relations and the Bank of America Foundation. Cathy joined the company in 1982 as a corporate banking officer in the National Division. She was most recently president of Bank of America Florida and national small business segment executive.

John Costello is executive vice president of merchandising and marketing of The **Home Depot,** and is responsible for the company's merchandising, marketing, branding, advertising, visual merchandising, public affairs, e-Business and global sourcing, including purchasing and the Company's China sourcing offices. John also works with the senior leadership team on long-term growth strategies.

← acumen. The CMO has to be rooted in business, business thinking and business decision-making. And then, a CMO must have the capability to both exercise good judgment, as well as hold people accountable for exercising good judgment.

Having really world-class integration and influencing skills is also very important. I do think the element of being decisive—which is a skill—is critical. There's a real skill in the CMO space around knowing the right balance of delegation. That's a tough one, but one that you have to have.

Burwick: I'd say three things. The first is really being strategic and visionary. Number two: strong creative sensibilities. And the third is a willingness to take risks and do things differently. CMOs are not necessarily expected to come up with the ideas to drive the business, but they're going to be the ones to champion, fund and to resource—and to encourage and empower people to come up with those ideas.

Costello: Today's CMO needs to make sure he or she is doing everything possible to create a unique point of difference for their brand. CMOs need to listen and learn first, then act. It requires a combination of analytical and creative ability while factoring in strong leadership, communication strengths and team-building skills.

Klein: Versatility, by far, is the single-most important skill. That's because of all the reasons that I just cited in terms of the CMO's wingspan, but also because the fluency of a CMO in areas like return-on-investment, in terms of making fact-based business cases for why we do what we do, as well as where sources of growth are for the future. So, it requires a versatility that goes far beyond the old school, classically trained marketing executive.

How are you using technology to support the marketing process?

Bessant: We are using technology in a couple of different ways; both are very simple. We use it to track our programs and we use it to move creative work through the system. I wouldn't say that we would be on the cutting-edge of the use of technology. But we use it increasingly as a tool for moving work.

We have tracking methodologies and use technology to create a process for logging programs, work and initiatives, logging the desired outcomes, and then measuring outcome against intended outcome. It's a place where we really deploy Six Sigma in the marketing space to actually create an understanding of how often we achieve the desired result.

Burwick: Any kind of consumer learning that we get is really enabled by technology. That could mean doing online testing around product concepts and ideas. Three years ago, if we wanted to test new product ideas, we would go to consumers directly, in focus groups and other one-on-ones. Now we can reach scores of people online, instantly.

We also use technology for sophisticated marketing-mix analysis, where we run models using consumption data to understand which levers seem to have the most impact on our business. That could be trade promotion versus television advertising versus out-of-home advertising versus consumer promotion.

Costello: Technology and research play an important part in marketing. At the beginning, they help us understand our customer's unmet needs and how we can do the best job of meeting those needs. We use analytics and technology throughout the process on everything from helping to assort new stores to measuring our marketing ROI. While technology has advanced quite a bit in recent years, there's still a need to develop even better tools to measure the effectiveness of the newly emerging marketing trends.

Klein: We engage our customer in many different ways through the internet—nutritional information, as well as some of the more proactive microsites that we use behind marketing campaigns.

We use the intranet heavily in terms of it being a resource for our stakeholders both in marketing and in operations. Technology enables collaboration and communication more readily. We certainly use technology for modeling the marketplace in terms of new products, and just overall forecasting for the brand and understanding sensitivities around pricing.

What is your vision of the future of marketing within your organization?

Bessant: More than anything, my vision for marketing is that marketing be accountable for, and recognized for, accelerating the slope of growth of the revenue and earnings curve of the company. So, the role of marketing is both in support of, and driving the businesses, to take what otherwise would be a business-as-usual growth capability and accelerating it.

Burwick: My vision involves using a far more complex set of tools. That means, not just your traditional marketing activities like TV advertising, but looking at reaching consumers in many different ways—from online to print to grassroots marketing, customer, in-store marketing, and so forth. Secondarily, the pace of innovation will continue to accelerate. That means packaging innovation, as well as new-product innovation, will continue to accelerate.

Costello: My vision is for marketing to partner very closely with all of the other functional areas at The Home Depot (*e.g.*, merchandising, store operations, HR, finance, etc.) to create the very best customer experience possible. This will differentiate The Home Depot brand, strengthen our relationship with customers and provide a return for our shareholders.

Klein: We're trying to breed an organization that has a nimble culture, a speed-to-market oriented culture, and a risk-taking culture. We think that those are components that will continue to put us in a position to be successful, competing against the likes of McDonald's, Wendy's, and all the other guys out there.

Does the CMO enjoy the same stature as the other titles in the CXO suite?

Bessant: When I first came into this role one of the things that really surprised me was the "complex" that existed among marketing professionals—the notion that somehow their status was secondary. That issue has always perplexed me. In my opinion, and in my observation, it's more a perception of marketing people than it is a reality within their organizations. It becomes, in some ways, a self-fulfilling prophecy.

At Bank of America, all of the roles in the company that report to Ken Lewis, the CEO, including the CMO, operate the C-level suite as an interdependent team. So, there are times when I play a support role. There are times when I play a role as driver. So, a CMO has to have the capability to play a number of different roles and to be able to flex in the deployment of their function.

Burwick: Without question, it is a very elevated role, in stature, within Pepsi. If you go back through the history of the company, you had Gary Rodkin, who was a marketer, who was CEO of Tropicana. Phil Marineau was a marketer. Roger Enrico was a marketer. Dawn Hudson. Brenda Barnes. Craig Weatherup was a marketer. You look at the suite of presidents of Pepsi-Cola North America—they've all been marketers. It's for a reason. It seems to work!

Costello: Our CEO, Bob Nardelli, has created a team environment where all of the functional areas (*e.g.* marketing, merchandising, finance, HR, etc.) work together to create the best customer experience and provide return for our shareholders. We equally share responsibilities to drive the business.

For example, Bob and his senior team meet for lunch every Monday where we review the past week and discuss what we need to keep driving the business forward in the future.

Klein: It's always been a highly esteemed post at Burger King. Of course, the individuals who occupy it have some movement either up or down in that bandwidth. It has absolutely a highly valued post within the company. It's certainly on a short list on both the praise and the criticism when things are going on inside the business. ■

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Big-B to Little-B Marketing

America's small businesses represent a big business opportunity for marketers who know how to reach, motivate and build relationships with them.

By **Neil Metviner**
President
Pitney Bowes Direct Small Business Solutions

How to define "small businesses" is one of the greatest challenges facing big businesses today. If you put two marketers in a room and ask them the question, you'll probably get three different answers. It seems that no two companies define "small business" exactly the same way. In fact, it seems that very few people within the same company see eye-to-eye on this issue.

The United States Small Business Association defines "small business" as companies with up to 500 employees, including the self-employed. A major computer manufacturer says small businesses are companies with up to 200 employees, and doesn't include the self-employed.

A large NYC money center bank, meanwhile, identifies small businesses as those having a checking account that's domicile and in the branch (*i.e.,* if your checking account isn't in the branch, you're a big business). At Pitney Bowes Direct, we believe that if a company has fewer than 20 employees and/or uses one of our small machines, then it's a small business.

That's perhaps a somewhat imperfect definition of a small business, as well.

Clearly, a primary challenge of marketers is to define the market for small business. We all know it's important. In the United States today, there are 23 million small businesses with fewer than 20 employees, totaling some 38 million people. If you define small businesses as companies with up to 100 employees, the total number of people employed reaches about 55 million.

The number of small businesses is growing, too. Yes, a good number of small businesses close, but the total population of small businesses has grown by about 11 percent over the past five years. All told, small businesses generate some $4 trillion in revenues each year. Small business truly is big business in America today.

"Prosumer" Marketing

Marketing to a small business assumes many of the attributes of both consumer *and* business marketing. We like to refer to the intersection between the two as *prosumers*—or "professional consumers"—meaning professional business people who are also partly consumers.

To be an effective Big-B to Little-B marketer, it is imperative to figure out how to segment and market to these *prosumers*. Of course, many differences exist between marketing to consumers and marketing to small businesses, such as:

- **Credit History.** Most consumers have credit histories, while many small businesses do not. In fact, very small businesses generally do not show up in Dun & Bradstreet reports. When you provide credit to a small business, it's almost a blind credit, which is why so few small businesses are able to get credit that's not secured. Most banks will require a personal guarantee to provide credit to a small business.

When a consumer goes bankrupt, typically they carry on in some fashion. However, when a business goes bankrupt, it ceases to exist. The enterprise may start up again as another entity in the future, but not under the exact same name and address, etc., as they were before. In addition, consumers all have Social Security numbers, while many small businesses do not. Some of them have Tax ID numbers, but not all of them.

- **Location.** Consumers usually have a single address, while businesses can have multiple addresses. There may be different offices, or a ship-to address that's different from the bill to address. That's complicated for direct marketers. Where, exactly, do you send the solicitation?

On top of that, it's now possible to

transact on a 24/7 basis thanks to the web. While small businesses primarily transact during normal business hours, the internet is now enabling them to behave more like consumers. In other words, a small-business person can now transact for his or her business at-home, at-night, on-line, and that changes how we market to them.

Shopping Behavior. We believe that consumers often are spontaneous in their purchasing behavior. What we notice is that small businesses are more contemplative. Impulse buying does not seem to be as prevalent in small business as it is to a consumer. Consumers are more emotional while small businesses are more rational.

When consumers buy things it's because they *want* what we're selling, while small businesses buy because they *need* what we're selling. So, the buying response of a small business is much more like that of a big business than it is like that of a consumer.

Decision-Making. Typically, there is one decision-maker in the consumer market. A consumer may discuss a buying decision with a spouse or a friend, but at the end of the day there is one decision-maker. In a sense, that's similar to Big-B marketing, where we are primarily dealing with a procurement officer, whose job is to buy things. However, a small business may have partners who must consult with one another before making a decision.

In fact, you may have an owner, a business manager, an administrator, a human resources executive, and so on. So, you must understand all of your constituents in a small business, and keep them satisfied. If you make one of them upset—the buyer, the user, the payer, the owner—you could lose the customer.

Understanding Lifestages

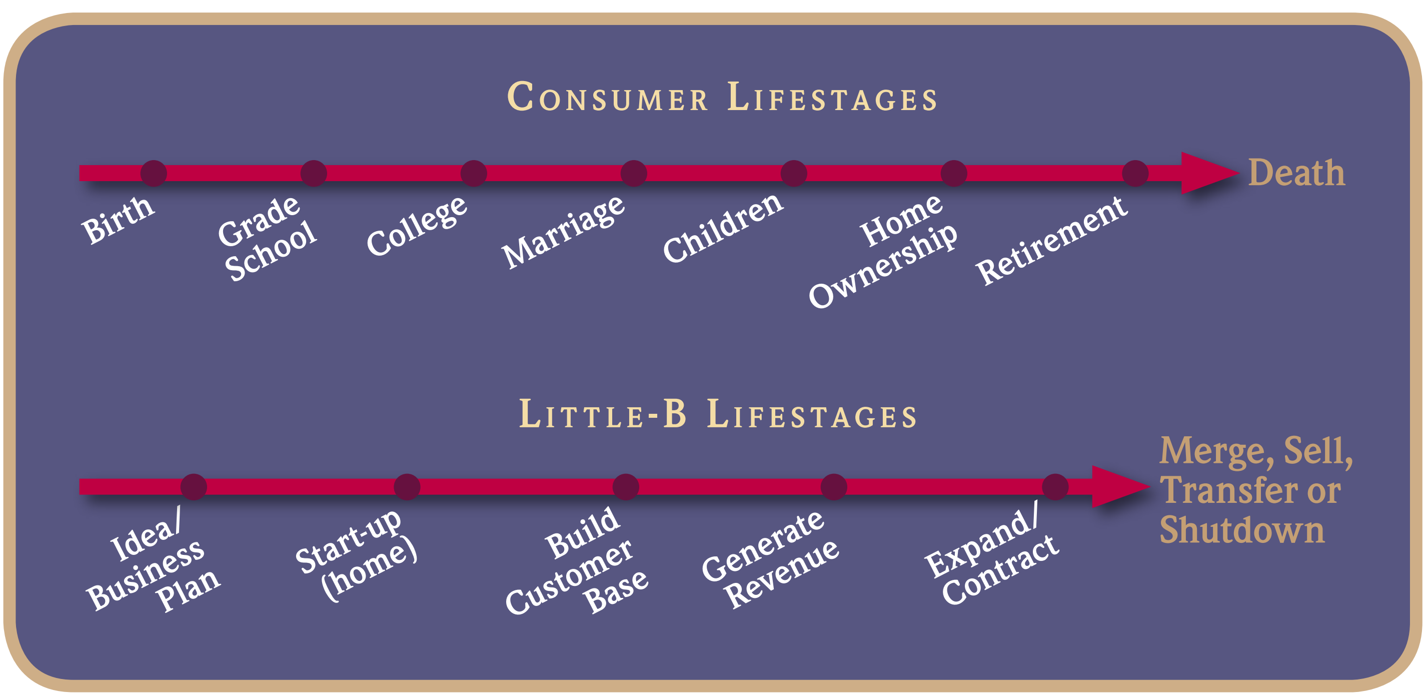
The key question, then, is: To whom are we really marketing? And, ultimately, why do they buy from us? This challenge is especially vexing because we are, in effect, "faceless" direct marketers. Most small businesses are local businesses, and they buy things locally, which puts the Big-B's at a distinct disadvantage when marketing to Little-B's.

A key to the answer is the knowledge that, despite many differences, small businesses, much like consumers, also pass through distinct lifestages. Of course, consumer marketers have embraced the concept of "lifestage marketing" for many years, particularly credit card companies and banks.

For example, when a baby is born, many banks will send a letter to the parents encouraging them to start a college savings account. When the child is in elementary school, they might invite him or her to open a savings account, and then in college the banks market to students for loans. Then it's onto mortgages, and so forth. Clearly, consumer marketers understand consumer lifestages from cradle to grave.

Small businesses have lifestages, too—beginning with a business plan to start up, to building a customer base, generating revenue, expanding and contracting. Finally, they end their lifestages either by merging, selling, transferring or shutting down. The point is that we can learn from consumer marketers about how to market →

Little-B, similar to consumers, has predictable lifestages, leading to buying events.



Understanding the lifestages and identifying triggers is key to successfully marketing against both bases.

to small businesses by acknowledging that they have lifestages as well.

For example, at Pitney Bowes Direct, we understand and manage the lifestages of the customer experience. We first acquire a customer who has been attracted via a "trial offer." At first they're a prospect, then they start using one of our machines on a trial basis, and then they receive their first invoice. That's usually a vulnerable period where they could potentially cancel, because we give them that option.

We actually have a "Welcome Experience Manager" who manages our customers through their first bill. We also have people who are responsible for the relationship after that point.

Assuming the customer is satisfied, he or she starts purchasing supplies, continues to use the machine, and eventually renews the contract. We offer the customer different postage financing options along the way, or upgrade them to bigger machines. We overlay that process with the general lifestage of the customer: Are they a start-up company? Are they building a customer base? And so on.

Connecting with Touchpoints

At Pitney Bowes Direct, creating and nurturing positive customer experiences lies in integrating our competencies. That means that marketing is too important to be left to the marketing department. We integrate retention and product support, inventory management, etc., along with marketing. We drive our business in an integrated fashion.

It's incredibly important for any company to map out their many "touchpoints" with every one of their customers. A touchpoint could be anytime you interact with the customer. It could be online when they come to your website or when they go to your voice-response unit, when you send them a bill, or when you send them a change-of-terms notification. It could be a welcome kit. It could be anything—phone, mail, internet, face-to-face.

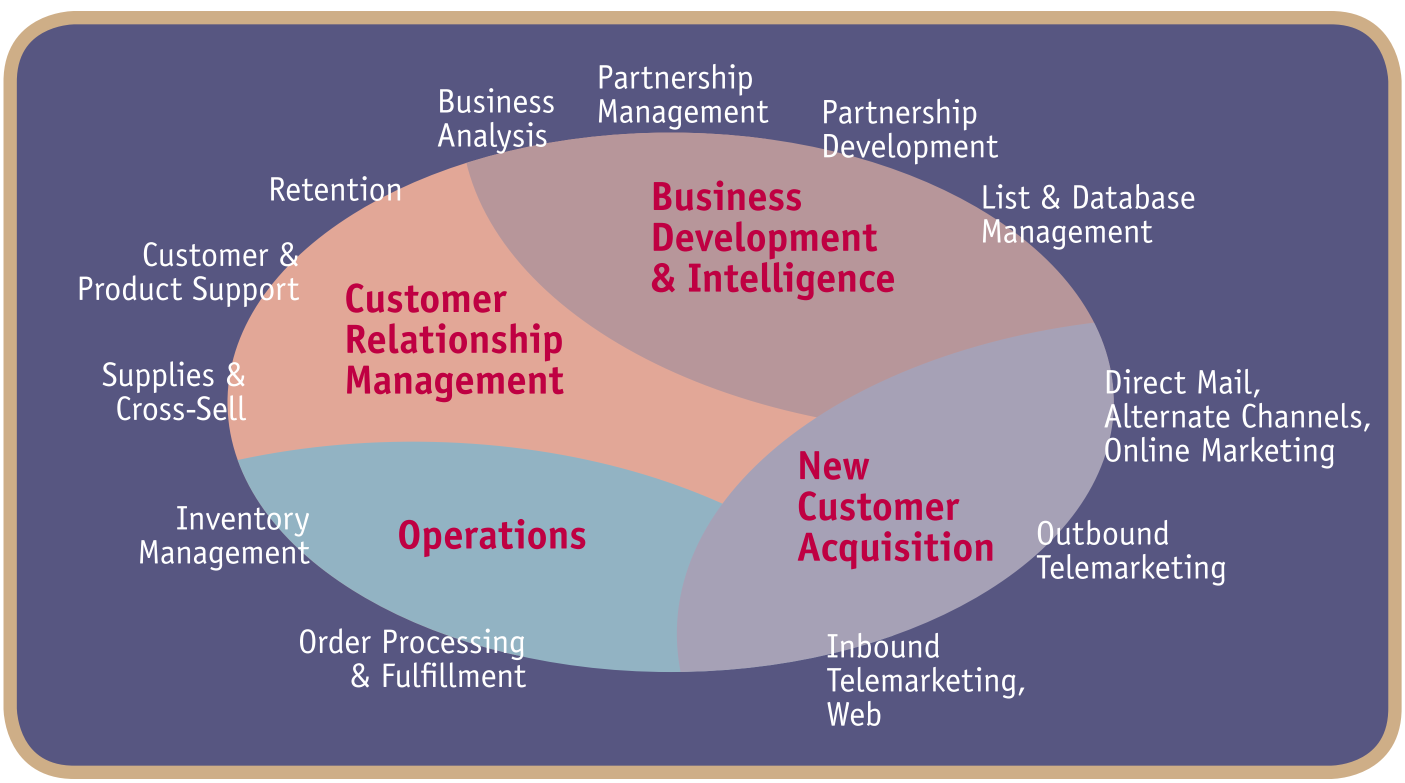
Many companies make the mistake of viewing their touchpoints as transactions: Send out an invoice; get a payment. Answer an inquiry. Change an address. Those are all transactions but we don't strengthen the customer relationship or build revenue until we understand these as touchpoints and start marketing through them.

A touchpoint should have two outcomes: We either sell the customer more things, or we solidify the relationship. No touchpoint should simply be transactional. Every touchpoint is part of the customer experience.

To achieve that, it's essential to understand how the touchpoints are now integrated. In the past, a marketer might simply send out a solicitation, and prospects would simply send back a card. It's not that easy anymore. Sometimes the customer might use three different channels: They might be solicited through the mail, after which they'll research the offer online, and ultimately they'll call to talk to us.

Today, at Pitney Bowes Direct, only 10 to 20 percent of all our direct mail solicitations actually result in a sale that happens only with mail. A business-reply envelope or card is becoming a progressively less attractive means of acquiring a customer. It's a combination of direct mail, the phone and the web.

Creating & nurturing winning customer experiences lies in the integration of competenices & activities by the providing party.



The Loyalty Factor

Small businesses do talk to—and seek references from—each other. There is a viral marketing effect in play, so marketers must deliver value. If you have products critical to running a small business, you must make sure that the product has great reliability. If your product is not critical, you must have a great value proposition or the customer will cancel.

It costs a lot of money to get a customer in a small business. It is hard. You need to spend money keeping your customers not only happy, but also loyal to you so that you are not viewed as a commodity. That means you must continuously offer value.

That can be accomplished by matching your offerings to a business's lifestage changes. Be more than just a provider of a product; provide a solution. Most things that you sell to a small business are not being used by that small business to directly run their business, particularly in the service sector.

How many products does a dentist buy that are actually involved with dentistry? Sure, the dentist buys certain equipment that is specific to the practice, but also buys a telephone system, a computer system, and a payroll system. The last thing in the world a dentist wants to deal with is not being able to send out bills. So convenience, peace of mind, trust and reliability are incredibly important.

Remember, small business owners are stressed out. They don't have enough time to deal with the PC not working, or the coffee pot not working, or running out of stamps. Big-B's role is to make it easier for them to do what they're in business to do—to be a dentist, an ad agency, an accountant.

The Bottom Line

Big-B to Little-B marketing is difficult, and while many of the rules of consumer marketing apply, not all of them do. In summary, here are some of the key points to remember to keep your relationships strong and the sales and profits growing:

Relationship-Building

- Unlike consumers, of which there are several hundred million (in the U.S.), there are finite Little B's. Generating profits from them requires developing their loyalty.
- Customer retention is both proactive and reactive.
- It is critical to keep each constituent satisfied—the buyer, the user, the payer, the owner.
- Every touchpoint is an opportunity to satisfy or dissatisfy a constituent.
- Like consumers, small business owners talk to and seek references from each other.
- If your product is critical to running their business, then someone else's livelihood depends on your delivery and service.
- If your product is not critical, then you need to have a strong value proposition and create a world-class customer experience.
- It is critical to view the value proposition from the customer's perspective.

Sales-Building

- Create need, not demand.
- Create marketing partnerships to leverage brands, strengthen value propositions, and gain access and touchpoints.
- Segmentation rules: Little-B is too diverse for one-size-fits-all.
- Lowering price attracts those who think your product is worth less or worthless—positive elasticity on the front end may mask negative loyalty on the back end.
- Expect multiple sales calls, and learn from them.
- Today many prospects depend on the web to research and transact.
- You can solicit in one channel and close in another, if you connect them.
- Businesses respond differently on different days and times.
- Knowing your gatekeepers and decision makers is critical.
- Understand your customer to identify your prospects. ■

Neil Metviner is President of **Pitney Bowes Direct**, a Division of Pitney Bowes Inc., with responsibility for Pitney Bowes' rapidly growing global small business customer base, its supplies operations and its U.S. customer care functions.

In November 2003, Neil received the Direct Marketing Club of New York's Silver Apple Award and in March 2004, he was named "B-to-B Marketer of the Year" by the Direct Marketing Association.

Prior to his current assignment, Neil served as President of Pitney Bowes Small Business Solutions, with responsibility for the management of 800,000 small business customers in the United States, including customers with its Internet postage product ("ClickStamp") and the award-winning Personal Post™, the world's first Postage Meter for the small office. Neil joined Pitney Bowes in July 2000 as President of its Office Direct Division, where he implemented creative ways of acquiring customers through direct response and media marketing.

Before joining Pitney Bowes, Neil was a Senior Vice President with Cendant Corporation (formerly CUC International) where he led its Sales and Account Management unit and later its Protection Products Group.

Before joining CUC, Neil spent 12 years with National Westminster Bank. He held a number of senior executive positions, including Senior Vice President and Division Head of its Credit Card Business; SVP of its Commercial Banking Division; SVP of Business Strategies; and Regional Executive in charge of the New York City Retail Branch Network.

CONSUMER INSIGHTS

9-to-5 Redefined

Five workplace truths are changing women's consumer behavior

Looking for new insights on the lucrative women's market but don't want to spend additional dollars to get them? You might be overlooking a treasure buried in your own backyard: Human Resources, the department whose core mission is human psychology. You may be surprised that your own experts on workplace behavior can forecast consumer behavior, especially among women. Open your mind and stop separating the work lives and the personal lives of your customers. They don't. Why do you? Here are five HR trends that affect your female consumers and what you can do about them.

1. There is no such thing as a non-working woman: Understand her multiple identities.

Whether in cubicles, courtrooms or at Mommy and Me, women see themselves as hardworking, most at double shifts. HR stats will tell you that 72% of women with children under the age of 18 work outside the home, as do 52% of women with children under the age of two.

Yet, women are torn between their career dreams and their hunger to be the kind of moms they believe they should be. Are your marketing strategies still separating working women from their sisters and forgetting the underlying drive to deliver that connects them all?

Financial services firms should be providing tools for women to manage their dual work and home responsibilities. Automotive marketers need to expand the visual definition of their target customers, rather than pigeon-holing moms as the carpool chauffeurs.

Remember, each night, most women kick off their heels and careen between whipping up dinner, and checking homework alongside late night emails. Are you recognizing that or reverting to an imaginary work/life separation?

2. She's overworked, yet she's working 'under' time: Don't contest her stress.

Ask your HR department about the national increases in productivity and the commensurate increases in stress-related absences and accidents. Ask for a copy of the March 2005 study, "Overwork in America" from the Families and Work Institute, *www.familiesandwork.org,* which reveals that one in three Americans is chronically overworked.

What are the implications? In a study Just Ask a Woman recently conducted with Yahoo!, we discovered women furtively trying to squeeze in their personal responsibilities during their ever-longer days. It's called working *"under"* time. Women are opting in and out of work duties and incorporating personal tasks, including researching products and shopping during the work day.

Now think about using your media dollars to reach elusive women from nine to five. She's tuned in online. It's a pervasive and permissible way to reach her...if you do it right.

Your websites must be easy and discreet (to foil over-the-shoulder spies). Make them consistent to the store experience so that women don't have to "re-learn" your brand in a hurry. (Compare Gap's store window and home page. Identical!) Make it simple to "file" her activities for later reference if she has to duck out for work.

3. Multi-tasking is no longer an asset: She wants focus.

That same Overwork Report noted that a big stress contributor is the constantly changing focus in the workplace.

You know that women are inveterate multi-taskers. Unfortunately, her ever-changing priorities, jet-fueled by technology, are maxing-out her circuits. Indeed, recent studies indicate that frequent multi-tasking actually depletes her brainpower. Do you know how frustrating it is for women to discover that a natural, unconscious talent to do more is contributing to their ability to do less?

Why does this matter? Many marketers still approve ads that show her as the consummate multi-tasker. It would be more effective to laugh with (not at) her about the way she's over-stimulated by work, family and life. Help her regroup at work, as Campbell Soup did with their sippable "Soup at Hand." Show her that your products can be multi-dimensional so that she doesn't have to be.

Focus comes from simplicity. The cellphone of the future will likely be the one with the fewest bells and whistles. Coffee pots only need one button. Teeth whiteners should freshen breath and antacids should supply more than calcium to play into this desire to simplify.

by **Mary Lou Quinlan**
with **Jen Drechsler** *and* **Tracy Chapman, Just Ask a Woman**

4. Her work choices can restrict her life choices: Are you fueling her inner vigilante?

Another study that should concern any marketer is "Off- Ramps and On-Ramps" from the Center for Work/Life Policy in the April edition of *Harvard Business Review*. It quantifies the greater numbers of women leaving to raise their children. Although 93 percent desire to return to careers, these on-rampers find themselves stymied by the lack of re-entry options, with many accepting part-time work.

Are you projecting a shift in spending by these women whose income drops from full to part time levels? As one woman told Just Ask a Woman, "We made the choice to give up some 'luxuries' in order to be at home with our children." What does that mean to your product and pricing? Her changed agenda changes her access to you. Your ordering department has to be awake when she is. Like Overstock.com, have you wisely added a pop-up concierge feature so she can ask questions around the clock?

If you are in service or sales, be certain that your staff doesn't dismiss a "casual mom" as a casual shopper. Assume that she is not only more educated and has done her homework, but that she is carrying her "managerial" work skills from office to home to stores.

Meet the Vigilante Shopper: an experienced consumer who resents the persistent problems of retail, from the crowded lines to the untrained floor associates. She retaliates by closing her wallet and even walking out. Stores like Bath & Body Works thwart vigilantism by training friendly staff to demonstrate and anticipate questions. Apple has a Genius Bar to answer questions on the spot.

Remember that your own staff is overworked too, and without intervention, they will compound the problem by commiserating with customers.

5. She'd love some time off: Give it to her and she'll spend it with you.

Did you know that a third of Americans are not taking their vacation time? A 2002 survey from Expedia.com reports that Americans are giving back $21 billion of untaken vacation to their employers annually. Yet, one in five 35-49 year olds fantasizes about taking time off daily.

The marketing implications? Mini-breaks—products and services that create the illusion of time off—are in high demand. P&G's Mr. Clean Magic Reach bathroom scrubber has created "Take Back Your Saturday Morning" events held in spas, including manicures, workout sessions and product demos.

The phenomenal growth of spas proves the point. Even business trips become respites when hotels behave like spas, with features such as Westin's Heavenly Bed, spawning huge sales of take-home amenities.

A current ad campaign from Universal Studios in Orlando takes advantage of this trend, with a faux CEO thanking viewers for not taking their vacation, instead putting in 'quality time' at the office, enriching their companies' bottom lines. The ads don't specify women as the targets, but they're responsible for the majority of family leisure travel bookings. What a brilliant way to get her attention!

Take your favorite HR colleagues to lunch. Ask what trends they are seeing among women, the ones they hire and the ones who leave. Check out their knowledge on broader societal trends. Realize women's behavior is often the precursor to men's, many of whom feel the same anxieties.

HR can be your new secret marketing weapon right down the hall. Just ask. ■

Mary Lou Quinlan is a nationally recognized marketer and speaker on women's issues. She founded **Just Ask a Woman** after a 23-year career in communications and marketing, including Avon Products and her role as CEO of NW Ayer advertising. Based on the insights of the consultancy, she wrote "Just Ask a Woman, Cracking the Code of What Women Want and How They Buy," in 2003 and in January 2005, published a new book addressing issues of women's overwork, "Time Off for Good Behavior, How Hardworking Women Can Take a Break and Change Their Lives."

Jen Drechsler and **Tracy Chapman** are co-directors of brand consulting for **Just Ask a Woman.** Jen, *(top left)* formerly with BrainReserve, brings her talents as a trend watcher and "expert on experts" and Tracy's *(bottom left)* planning experience from FCB includes ethnographic and documentary skills.

Just Ask a Woman is a strategic marketing consultancy dedicated to building business with women. Known for its pioneering techniques for listening to women, including an innovative TV talk show style of qualitative research, **Just Ask a Woman** partners with dozens of major national and global clients including GlaxoSmithKline, Procter & Gamble, Best Buy, General Motors, CitiGroup and Yahoo and is based in New York. Just ask mquinlan@justaskawoman.com

Insight from the Inside Out

By understanding the *why* of shared media experiences marketers can move beyond disruption into an engaging relationship with their consumers.

by **Stacey Lynn Koerner**
Executive Vice President, Director of Global Research Integration
Initiative

It seems everywhere we turn these days, marketers and advertising professionals are talking about "putting the consumer at the center." They speak of understanding the consumer's needs and desires, crafting finely-tuned segmentation studies and using equal parts art and science to accurately pinpoint the right media environments for brand messages. Gone are the days when advertising told consumers what they needed and *why* (remember simple chronic halitosis?).

So why have marketers begun to prick up their ears? Although advertising has always focused to some degree on modeling (if not outright manufacturing) consumer behavior, today's emphasis on the value of consumer preference is less about competitive edge and more about survival. Technology's advances have given rise to a cacophony of amusements that compete for attention amid increasingly facile tools for avoidance.

The result is an ultra-savvy, self-indulgent consumer who moves nimbly between a state of continuous partial attention and complete immersion in highly relevant media experiences. Today, consumer interaction with media (and thus brands) is self-styled, and marketers who capture consumers in their immersive moments win. True?

Well, partly.

Every effort to understand the consumer's lifestyle, patterns of consumption and media habits culminate in a well-crafted creative campaign and a selective media plan which will be both effective and efficient. This is typically where the rationale for consumer-centric research ends. The problem is that the effort we typically pour into "holistically" understanding the consumer in a "360 degree way" culminates just short of the critical insight we need today to truly connect. Identifying the relevant, engaging media vehicles is only half of the equation.

Consumers have come to expect us to know who they are and what they like. Playing on that level is simply the price of entry. However, when we demonstrate that we understand *why* they like it, we are welcomed into a relationship. The *why* is the critical second half, and marketers who embrace and activate this knowledge win.

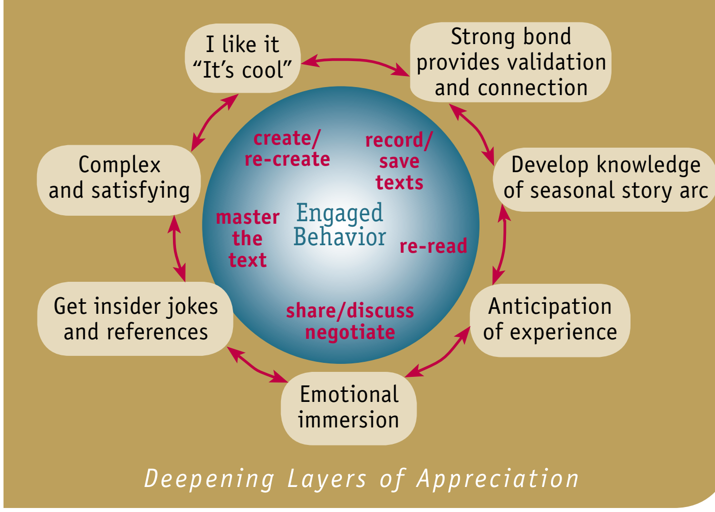
Fan Cultures: Insight from the Inside

Initiative has done extensive research around fan cultures in recent years for the express purpose of unlocking the *why*. Taking a step back from the conventional observations of our technologically-enhanced world today reveals a series of paradoxical relationships:

1) Technology impedes communication almost as often as it promotes it. The fact that we can email an important file to our colleague next door at the touch of a button never fails to supersede the logic of printing a hard copy and walking it over when our corporate network servers are down. How many of you have spent hours waiting for IT to solve your problem, while you remain staunchly less productive in defense of technology's promise?

2) Technology speeds our ability to connect to the world, while simultaneously disassociating us from the neighbor next door. Today, everyone is a member of a global village, but woefully disconnected from the local infrastructure that historically defined "community." We're intimately involved in events happening millions of miles away because we can manage the routine aspects of our daily lives—banking, bill payment, shopping—without ever

FIGURE 1 **Engaged Fan Cultures—What's Going On?**



Source: Initiative Expression Research, 2002

making contact with a real person. The extreme example is the global citizen who'll step over the neighborhood homeless on the way to the ATM to empty his pockets for the tsunami victims. We are at once connected and disconnected. Humanity in this context is a fascinating study in and of itself.

So what's the media insight for marketers in these paradoxes? Our "faith" in technology combined with our desire for connection set up our media experiences in today's world as proxies for "community." The very technology that allows the choice and control to personalize our media experiences and avoid what is not relevant to us, can simultaneously provide the depth of experience and interpersonal connections we crave as a result of our fractionalization. Understanding how and why media communities (fan cultures) form and what drives their engagement is the critical insight—the *why*—that marketers can activate to move consumers from consideration to purchase.

The plain truth is that when we sit down in front of the TV set or we open up our magazine, we want one of two things—to be informed or to be entertained. What we don't want is to be advertised to. The technology at our fingertips—DVRs, VOD, etc.—makes irrelevant content a disruption to our engagement with the content we seek. The marketing challenge today is to not only communicate the brand without disruption, but to harness the insight from inside the fan culture in a way that actually *enables* engagement.

Let's look for a moment at what fan cultures do with media texts (Figure 1).

At the center, fan cultures operate like interpersonal relationships. They are bolstered by shared experiences that are cherished, revisited and ultimately re-affirmed through personalization. Through the media lens, the behaviors provide a roadmap to better planning strategies that not only allow us to identify the most engaging properties, but to co-opt them in ways that enable richer experiences.

The insight of fan culture behaviors moves from the generic to the specific. For example, the media industry typically values the 30-second spot placed in an original episode of a television program more than a repeat episode because originals generate larger audience levels. Consider, however, that fan cultures make a priority of "re-reading" their favorite media texts (in this case, a TV episode). What generic media insight is to be gained from such an observation? Repeat episodes have an inherent value to advertisers. In fact, if you were to compare the relationship of commercial minutes to program minutes in an original episode versus a repeat, you would consistently find, across genres, that repeats retain a higher percentage of the audience in commercial minutes.

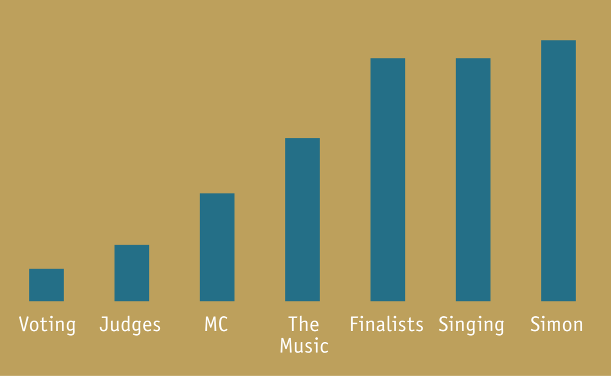
Why? Because the audience of a repeat episode of television is one of two people—(1) someone who has never seen the episode, or (2) someone who has made the conscious decision to view it again. In essence, repeat episodes may have a higher concentration of engaged fans in the average episode and therefore provide more attentive audiences for marketers' messages.

On the more specific side, fan cultures seek opportunities to personalize their connection with content and, in many respects, make it their own. From personalized web pages to publishing of alternative episode versioning, fan cultures respond to creative applications of their knowledge around the content they love. This is perhaps the richest area for marketers to explore in the new media environment. Brands win with consumers when they enable engagement through tools that enhance their experiences. This can be as simple as a 30-second spot that appropriately co-opts the primary content or as complex as offering related gaming experiences, mobile-phone episodes, new communication channels or the like. As long as the brand content is true to the *why*, it will succeed in its communication.

Which brings us to the converse of the argument. If you're not true to the *why*, how badly can you lose? The problem is that in today's marketplace, knowing which media to use to reach your target in the most relevant, engaging way is just enough information to get you into trouble—because if you're in the right environment with the wrong message, it's worse than if you'd done nothing at all.

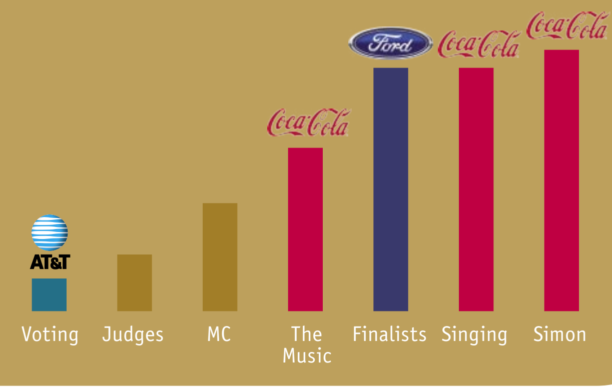
Consider the case study of *American Idol 2*. In exploring the drivers of engagement, Initiative conducted a multi-tiered quantitative and qualitative analysis of the show's fans. Critical to our analysis was understanding the *why*. What was it about the show that fans connected to the most? How did the marketers associated with *American Idol 2* successfully or unsuccessfully harness the *why* to communicate their brand messaging? ➜

Figure 2 Attributes of Engagement—American Idol 2



Source: Initiative/MIT/Fox/Hindsite—April/May 2003 Expression Research

Figure 3 Leveraging Program Inequities—American Idol 2



Source: Initiative/MIT/Fox/Hindsite—April/May 2003 Expression Research

← Figure 2 identifies the core engaging elements of *American Idol 2*—as told to us by 15,000+ fans of the show over the course of the final five weeks of the series. In a surprising twist, what we would have considered the most "engaging" proposition—the interaction via a voting mechanism—was not the dominant element. In fact, it was the *least* engaging element. The personalities of the judges and the bonds established with the contestants proved to be much more powerful connection points with viewers.

In Figure 3, Initiative mapped the major marketers to the core engagement drivers, highlighting the fact that Coca-Cola and Ford accurately tapped into the most resonant elements of the show, while AT&T focused on the least engaging element, the voting. Both Coca-Cola and Ford used the core personalities of the show within their creative. AT&T, on the other hand, used a *Legally Blonde*-esque actress as the core character in an *American Idol* Voting campaign spot.

Each week, the young blonde character would deliver a feverish, high-pitched appeal to the show's viewers to vote for their favorite contestant through AT&T SMS Text Messaging—and the core fans of the show translated the "ditziness" of the AT&T character as an affront to their commitment to the show and their "fanhood." They felt as though AT&T was making fun of their entertainment choice. The AT&T spot became clutter. The proof, of course, is in the data (see Figure 4).

The American Idol 2 Case Study is but one example that points out the return-on-investment (ROI) of enabling versus disruptive communication. Initiative calculated the two marketers' performances along its proprietary Brand Value evaluation system which measures the impact of marketing actions on a brand's core value statements. While both marketers made the same on-air marketing investment around *American Idol 2*, Initiative's tools scored Coca-Cola at a +64, while AT&T delivered a -16. Doing nothing at all would have generated a 0 score. In other words, doing it wrong was worse than doing nothing at all.

Know Me, Know My Desires…Just Don't Invade My Privacy

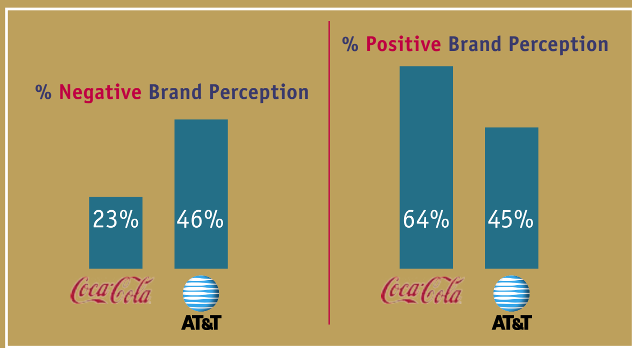
The problem with getting at the *why* is that it requires extensive, qualitative consumer research at a time when "Do Not Call" lists are gaining traction. Syndicated research is battling dwindling cooperation rates each year while fragmented consumer segments demand bigger and better respondent samples. And we're not even sure we're always getting accurate information. Survey data, in any form, carries some degree of bias. From questionnaire design to focus group "leaders," bias can be introduced into the process at almost any access point. If the industry is to turn itself toward a larger scale of softer, qualitative research methods to get at the *why*, then new research methods need to be explored and supported.

Additionally, consumers are well aware of marketing efforts to track their behaviors and purchases, and in many cases they will gladly give up privacy for convenience and personalization. The slippery slope is knowing when and where the line is. The personalization versus privacy debate illustrates the increasingly dichotomous world of marketing efforts to serve and communicate with consumers. In response to an increased demand from consumers for personalized attention, companies are providing greater choice, convenience and customization in all types of products and services.

The trend spans all levels of technological integration and is evident in media (satellite radio and pod-casting), online commerce (frequent shoppers now expect Amazon-style recommendations), and even in-store (Wendy's allows consumers to choose one of three sides with their value meals).

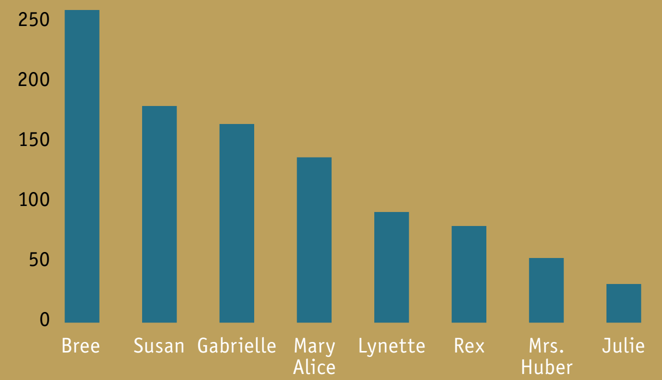
The fact that this high level of personalized service and communication requires that consumers share with marketers richer data about their needs and preferences creates the second diametrical aspect of the consumer-marketer relationship: consumers are increasingly wary of providing too much information for fear that their privacy will be compromised. The consequences of decreased privacy in today's world can mean, at best,

Figure 4 **Doing it Right Makes a Difference—American Idol 2**



Source: Initiative/MIT/Fox/Hindsite—April/May 2003 Expression Research

Figure 5 **Desperate Housewives Character Mentions (10/3-12/31/04)**



Source: PropheSEE. A joint venture of Initiative, TVtracker.com & Trendum Ltd.

an over-stuffed email inbox with unsolicited offers for "natural male enhancement" products, to, at worst, identity theft and a crippled credit rating.

Companies that exceed customers' expectations for personalized service and use appropriate timing and personalization in their marketing communications are richly rewarded. Isn't that what consumer-centric research is all about, after all? With email, internet, cable, broadcast and print advertising, the relevance of the content to consumers and the extension of the brand deeply into the experience is the home run we're looking for. The right combination of marketer-collected data sets and contextual qualitative analysis should yield a complete understanding of the *why*.

Quality in Quantity: New Windows on Practical Applications

One of the more exciting avenues for research has become the vastly unexplored intersections of online consumer communities. Twenty years ago, media scholars pointed out that Main Street had been usurped by the suburban mall as the point for the intersection and exchange of ideas. Today those intersections exist robustly on the Internet in web logs, discussion groups and chat rooms. In those spaces that are not password-protected, and thus "open to the public," a wealth of passive, free-form consumer sentiment is waiting to be mined.

Initiative has put that premise to the test in one of its newer tools, PropheSEE™. Based on sophisticated search technology, PropheSEE scans public conversation areas on the web for conversations about new television programming. While touted recently as a "Hit Predictor" (the tool correctly predicted 6 of the top 10 new primetime broadcast programs this season—one of which the advertising industry under-valued by over 100%), the inherent value of PropheSEE is the contextual relevance it provides for marketers considering integrated deals with content.

Imagine, for example, that a women's clothing retailer was seeking an integrated relationship with ABC's *Desperate Housewives*. Which character should they outfit? (Figure 5) What concepts are most closely associated with that character and how can a marketer incorporate them into its creative? What opportunities exist to extend and enable a fan's experience outside the principal program in ways that are relevant and engaging? PropheSEE can answer those questions by mining its conversational database about the show and synthesizing the results. Not a single consumer need be asked his or her opinion. These data emerge from a passive, unbiased focus-group of thousands.

Consumer-centric understanding is the right approach for marketers to find the most resonant placements for their brands in today's cluttered, tech-driven marketplace. The key to success, however, is to focus as much energy in stretching beyond psychographic targeting to unearthing the *why*. Only through understanding the contextual relevance of shared media experiences can marketers hope to move beyond disruption into an engaging relationship with the consumers they seek. ■

Stacey Lynn Koerner is the executive vice president, director of global research integration at **Initiative**. Initiative is a leading worldwide independent media and marketing communications network. The company brings together media expertise, global research and technology to deliver media communications solutions for marketers to grow brands and build business. Stacey is a key member of the global research team charged with the integration of Initiative's leading research endeavors. Her research skills are applied to a wide array of critical research issues, with an emphasis on understanding consumer media behavior. For more information contact Stacey at stacey.koerner@us.initiative.com or visit www.initiative.com.
Note: Jason Hehman, Senior Research Analyst contributed to this article

BRAND IDENTITY

Why Did the Kids'

Growth may go to brands that allow our ever-changing

In a typical weekend, my 15-year-old daughter and I both will crave a Starbucks pit stop, shop separately under one roof at the Gap, and download off our master iPod account. The line between kids' brands and adult brands obviously has been erased in my world.

Can you remember shopping with your father in the same store? I can't. Did he ever wear or buy brands to make him seem younger or "cool"? I'm afraid not. He purchased for value, for quality and for a semi-annual shot at "luxury." He may have dealt with an occasional "keeping up with the Jones'" scenario, but never did he attempt to keep up with the Jones' kids. He lived and shopped in a separate adult world. I may have had input, but it was limited.

by **Steve Gold**
Chief Creative Officer
GoldnFish Marketing Group

But, over time, kids' voices have grown louder and what they have said has been overheard by grownups. Thus the blurring begins—and with it the opportunity for kids' brands to crossover to adults, and vice-versa.

The possibility was made abundantly clear in a *Reveries* survey on the subject. Sixty-eight percent of 254 respondents said the potential of kids' brands to appeal to adults was "good", "very good" or "excellent." An exactly equal number—68 percent—said the same of the potential of adult brands to cross over and appeal to kids.

What is age anyway? Kids are growing up faster, seniors are staying active longer, and parents are waiting longer to have kids. These realities lead to the point that age parameters no longer make as much sense. When is a kid no longer a kid? When they vote? Drive? Graduate? Today, it is much more about attitude than it is about birth certificates. People slowly pass through life stages more seamlessly than ever before.

If a young male plays video games into his 20s, does this make him a kid who won't grow up, or an adult who shuns responsibility? Perhaps neither. Maybe he's simply drawn by content that has been created to match his ever-changing interests. Companies like Nintendo see themselves less as a provider of Pac Man, and more as a network that provides different programming to different audiences.

Growth may go to brands that allow our ever-changing society to gradually push them up or down the age chart.

Meanwhile, more than 40 percent of 15-year-olds carry cell phones. Does that make them adults? Of course not. The cell phone is now viewed as a safe communication mode that allows parents to connect with their kids at will. The category has expanded its target by capitalizing on this socially acceptable benefit. The point is, before marketers can discuss the power of a brand's ability to expand either up or down in age, it's imperative to clarify how a brand might be relevant across cohorts.

Essentially, there are two ways to view crossover potential. Under one scenario, the brand is accepted and consumed in much the same way by kids and grownups alike. For example, Starbucks attracts kids to drink the same products they sell to adults. The acceptance of coffee as a drink, combined with the sociability of coffee shops, is as compelling a message to kids as it is to adults, and has connected them to Starbucks brands.

Alternatively, Starbucks might develop a line of kids'

survey

Which of the following **kids' brands** do you think has potential for development among grownups via new products or line extensions?

Responses	Number of Responses	%
Fischer-Price	34	3.8%
Play-Doh	58	6.4%
Thomas the Tank	12	1.3%
Nintendo	205	22.7%
Yugi-Oh	11	1.2%
Power Rangers	11	1.2%
Jacadi	6	0.7%
Osh Kosh	69	7.6%
Crayola	125	13.9%
Hot Topic	55	6.1%
Legos	138	15.3%
Gymboree	22	2.4%
Matchbox	123	13.6%
Other	33	3.7%
Source: *Reveries*	902	

Brand Cross the Road?

society to gradually push them up or down the age chart.

Frappes (like a McDonald's kids' menu) extending the brand into an incremental product line. For Starbucks, either approach would probably work, but would result in very different outcomes. However, the potential rewards are greater with line extensions, including distribution gains, new SKUs and revenue streams, and greater overall opportunities (*e.g.,* Toys R Us frappe bars, vending machines, or a place on the McDonald's kids' meal board).

But before H&R Block runs out and introduces a line of retail math high school tutoring classes, it must be noted that these satellite businesses are not always as stable as the mothership. Someday, in the near future, tea may become today's coffee forcing the shut down of such "kid" initiatives and causing a total reversal in the process. Such shifts are not necessarily permanent, and must take into account the ever-present fad factor.

Whatever the approach a brand may take, there are specific reasons why some brands succeed at crossing over:

› **Relevance:** Try making Tums cool. Good luck! Antacids lack relevance to the younger group and would never cross over in appeal. A brand must have a reason to cross over.

› **Innovation:** It doesn't really matter which age group Apple had in mind when it created the iPod—it's an ageless product that is must have for kids of all ages.

› **Transition:** Going from chasing Pac Man to hunting down drug dealers is a natural evolution that works for game players as they grow up. Similarly, going to the movies is a lifelong event that transitions from "G" to "PG13" to "R," with content gradually adjusting to the viewer. Some brands can navigate the same path.

There are limits here, of course. It's hard to believe that anyone would ever buy a Lego drill and drill bits, for example. The Lego brand is so far etched into our brains as a product that was part of our earliest memories that it's hard to see it ever making that transition. For that reason, Play-Dough tile grout is also a bad idea. The same holds true for brands that are clearly defined as products for seniors, such as Depends, for example!

However, too many categories are marketed under the pretense that this conversation could never be applicable to their brands. This self-fulfilling prophecy makes it impossible for some marketers to imagine success in some cases, which is too bad. Categories like deodorant for teen boys, and Hello Kitty Debit Cards, demonstrate that a simple lack of vision may be a marketer's biggest obstacle.

What we do know is it's a different world. Girls wear their older sisters' jeans to look older. Upstairs, mom tries to squeeze into the very same type of pants. Culturally, we are now motivated to get invited to that "cool party" as early as possible and clearly want to be the last to leave.

In the end, growth may not be the exclusive purview of the brands that spend the most, but rather the brands that best define themselves in the marketplace, and then allow our ever-changing society to gradually push them up or down that age chart. ■

survey

Which of the following **grownups' brands** do you think has potential for development among kids via new products or line extensions?

Responses	Number of Responses	%
Tide	**32**	**3.8%**
Miracle-Gro	**53**	**6.4%**
Ernst & Young	**6**	**0.7%**
Pitney Bowes	**7**	**0.8%**
IBM	**103**	**12.4%**
Benjamin Moore	**45**	**5.4%**
Wal-Mart	**121**	**14.5%**
C-SPAN	**25**	**3.0%**
Citibank	**55**	**6.6%**
Sharper Image	**157**	**18.8%**
Starbucks	**168**	**20.2%**
The Economist	**19**	**2.3%**
Other	**42**	**5.0%**
Source: *Reveries*	**833**	

Steve Gold is chief creative officer of **GoldnFish Marketing Group,** an Armonk, NY-based agency that helps marketers transcend "the common boundaries of demographics, focusing on people too old to ride in shopping carts and too young for home equity loans." Clients include Banana Boat, Bubblicious, Certs, Chiclets, Kellogg's, Sour Patch and Swedish Fish. Steve can be contacted at: sgold@goldnfishmarketing.com

STRATEGIC PLANNING

What's Your Return on Innovation?

Has marketing's focus on accountability stifled its spirit of innovation?

How do you build a marketing department that is both innovative and ROI-driven?

A roundtable discussion follow-up to a *Reveries* survey featuring:

Chris Arnholt *of* **Carnival Cruises**

Lisa Baird *of* **IBM**

Kellie Krug *of* **Visa**

&

Jim Holbrook *of* **Zipatoni**

Most of the Reveries survey respondents said the marketing industry's focus on ROI has tended to inhibit innovation. Why do you think they said that?

Kellie Krug: It's actually something that we've been spending time thinking through at Visa. We're trying to find the balance between ROI and staying committed to the ROI process, but also maintaining some flexibility and some creativity and innovation.

It's hard, primarily because when we think about being innovative we are often in new, uncharted areas that typically don't have the kind of metrics that are required to complete the ROI analysis. That's where we struggle—in terms of not doing the same thing over and over just because we know the metrics behind those activities.

Chris Arnholt: People want guaranteed results, and if you have no risk, you run the risk of not innovating. Part of it has to do with the company culture. I feel very blessed to be at Carnival Cruise Lines, where, right from the top, we have stable management that makes great, sound business decisions.

You need that kind of supportive environment, and the right people in place that think things through and, with great alacrity, respond to market conditions. Even if you don't hit a home run every time, you reduce the risk by having the right people with sound business backing them.

Lisa Baird: Think about today's complex marketplace. It's global, and with different channels depending on where you are—internet versus stores, if you're a retailer. How do you bring all of that data together and put it together in a simple fashion that creates ROI? It's really frustrating. In some senses it was easier to come up with great products in a vacuum—the idea of the "garage inventor."

But when you think of innovation from a true impact standpoint, I keep going back to that visceral, that incredible, relentless focus on customer needs, customer "pain points." The best ideas come from an understanding of who your customer is, what they're buying, what they're doing, what they care about, and planning innovation against that. So, I think this focus on ROI has helped innovation. It's helped it become real, and important and market driving.

Jim Holbrook: Innovation can happen if you're on a journey, but it doesn't happen if you've got a fixed deadline. When you need results by the end of the month, or quarter, that limits the ability to experiment, explore, ponder or dig in.

The planning process is all about incremental improvement over last year's plan. Very few people do zero-based budgeting. So, it's: "80 percent of what we did last year worked, so we'll just do a little bit more of that. We'll drop out the 20 percent that didn't work, and we'll just stretch what did work a little further." All of a sudden you're left with a lot of stretched stuff, and not a lot of new stuff.

To access the results of the Reveries survey on "Innovation and ROI," please visit: reveries.com/reverb/research/innovation_roi

What steps should marketers take to ensure that innovation becomes a driver of ROI?

Baird: Up front in the process we have research, and our consultants are really working with our clients to fundamentally understand needs. When you tap into that need and combine it with business understanding, you win. That's been proven time and time again across every single industry, and across every single country in the world.

If you, as a marketer, conduct fundamental research, combined with people either within your own company or outside business consultants who can frame a strategic plan against those needs, you are going to make innovation a driver of ROI.

Source: Zipatoni

Holbrook: You need to look at marketing in four quadrants along the sales/brand axis and along the now/future axis. If you look at all four quadrants, you can stretch beyond what you're just doing today. So, if currently all of your budget and activities are in the sales/now box, look at brand/future and what you might do there. It's a gap analysis around what you're not doing. Explore the uncharted territory. We have a poster of a chart that captures all of this at Zipatoni and I'm happy to mail a copy of it to anyone who emails me at *jim@zipatoni.com*.

People need to experiment more. That's what this is about. The planning process really inhibits experimentation because you can't submit a budget that says, "Oh, ten percent of this I'm just going to do something with, but I don't know what it is." Every penny has to be accounted for, six months or three months in advance of the fiscal year. But if you've got to account for it, you can't experiment with it.

Arnholt: You have to make sure the team has what it needs. I have meetings every year where we put together a formal budget. But budgeting is a process that ebbs and flows every day based on what happens. You reconsider things that you may have planned a year ago.

One of the things we like to do when we're putting the budget together is to look at things that are tried and true and that work, but also re-think everything. We don't just do it because we did it the year before. We consider what's going on in the market, what upcoming trends might be, and factor some of that in. We have some money set aside for things like that.

Krug: From a process perspective, innovation really needs to be instilled from the top down. There needs to be the ability to take some level of "risk" from an innovative and creative perspective—exploring a new channel that is a little untested, like 'blogs for instance.

There also needs to be some flexibility in the ROI analysis of innovative programs. On occasion, you need to be a little less rigorous from an ROI perspective sometimes because that's really how breakthrough ideas happen.

How would you go about designing a marketing department that is both innovative and ROI-driven?

Arnholt: It all goes back to the people. I hire people based on their attitudes. You have core skills that you need, but you've got to hire based on attitude and the team. If you've got the right people in place and embrace challenges with good, sound business judgment, it's hard to lose.

It goes back to my answer on the budget, too. You set up a piece of it based on tried-and-true elements that you're going to keep doing because they work. But then there's another piece—a new distribution channel or whatever it is—where you should set aside some money to explore.

Baird: I'd have to say it in one word—"headlights" into what the future's going to hold. It's not just about what your consumers are needing. Marketers today are pretty good at true customer research. But where's technology going? Where's the market going? Where's demand going? What's happening in whole new areas where you can have those headlights in the future? ➜

Kellie Krug

Chris Arnholt

Lisa Baird

Jim Holbrook

I'll give you an example of one that's captured my imagination. Think about weather. People have treated weather as if it's pretty unpredictable. It just happens. But so many things can be impacted by the weather. Now, think of what people are doing in industry today to forecast weather and put together entire programs against weather risk management.

Krug: There needs to be the ability and commitment from the top that it's okay to take some risks. That's what it's all about to come up with truly great ideas. The marketing organization needs to be committed and continue to talk about driving innovation. People need to be measured on their innovativeness. It needs to be dimensionalized for people.

There's a lot of value in sharing internally within an organization so that other people can see that innovation is happening throughout the organization. Reading publications like *The Hub,* attending seminars, looking at what other brands are doing and understanding that thought process are also very important.

Holbrook: The pendulum is always swinging. At first marketing is the driver, and if the results aren't good, the pendulum swings the other way and sales is the driver—or manufacturing, or whatever. And then that's not working so it swings back again. There's this constant shifting going on because you can't ever get it quite right.

In my mind, it's not as much about the organization as it is about alignment around the goals. If there's a clear alignment around the goals, it doesn't matter so much who's where. It matters if you're aligned with working on the goals. But at most companies, the goals are squishy or they contradict each other. So, alignment is the key, but that's hard.

In your experience is innovation most often a result of internal or external resources, or is it a combination?

Baird: I think it's both. Short answer is that your internal resources know the company strategy. But you need to mix it up with good external thinking and open your mind to true collaboration from the outside. Today's environment is too complex, it's too big and it moves too fast to be totally insular.

Particularly if you are in businesses that are global, you've got to create alliances or what we call an "eco-system" of internal and external constituents to help make your business happen. For ten years, we've had one strategic partner —Ogilvy & Mather—who goes to market with us in every market around the world with all of our marketing communication.

Krug: Some of the most innovative brands and ideas come tangentially from ideas that have been used either in other countries, categories or industries and have been slightly transformed to be part of a new way of looking at a category.

At Visa, our agencies are such a part of all of our efforts. They really and truly are team members. But that goes without saying that agencies are a great place for innovative, objective thinking. But I think they also can—and need—to be part of the process, and truly measured as well. The way they're measured and evaluated needs to include innovation.

Arnholt: It's always a combination. It's like what they say about great advertising—that it's the result of not only a great advertising agency but a great client. It takes two partners. Our advertising agency is really like an extension of our marketing team.

There's a real art to opening your mind and always trying to look at things. Some people sort of have boxes around how things should be done. But if you can give a person the respect to hear out an idea and see if it makes some semblance of sense, you might achieve a real breakthrough.

Holbrook: Innovation has to be championed internally and fostered and stimulated externally. Insular groups are less innovative than groups that are stimulated by outside resources and thinking. That's absolutely a fact, no doubt about it.

There needs to be an internal champion who has the clout and the *cojones* to champion innovation, to set aside budgets, to foster that, to take risks, and to look for good ideas. That person has to be relatively high up in the organization. They have to have the right resources to feed the flame.

The survey respondents overwhelmingly picked Apple's iPod as the brand that's done the best job of driving ROI with innovation. Are there other brands that deserve the recognition?

Baird: IBM is in the B-to-B segment, so the way that we look at innovation and ROI is more in terms of how we are helping our clients innovate every day at every other point of their business. In the consumer segment, I too, would join everybody in saying that Apple's iPod is a tremendous success.

Apple is a company that embraces using research as well as business thinking to tap into new needs. What they do in terms of doing that up front in the marketing planning process is good. They seem to do that very well. What is equally admirable, and that we can all take lessons from as marketers, is not only the product itself, but the process of creating innovation.

Krug: Apple has a phenomenal track record, and they have had it for years. They just continue to stay fresh and innovative. I also think Target is really innovative. The wake-up call program they did the day after Thanksgiving was really, really innovative in terms of taking that brand and really bringing it to customers, literally into their homes.

Starbucks continues to make coffee much bigger than coffee. They keep coming out with new products and new ways to look at coffee. Over the last couple of years, people have gotten really focused on ROI and a lot of folks feel like it's become kind of a straightjacket. You scratch your head and think: "Apple, Starbucks and Target—do they have to do an ROI anaylsis?" They are all really successful businesses.

Arnholt: The reason that iPod stands out is not only because they hit a home run with a product, but also because they remain true to who they are. Any brand that sticks to its core values and is true to itself, and listens to the customer, will hit a home run.

The Carnival product has become such an incredible quality product, and our mission statement is to exceed our customers' expectations—to fulfill their vacation dreams. If we stay true to that, we're staying true not only to the customer, but also to the brand and how it impacts the customer.

Holbrook: One of the classic examples recently is Benjamin Moore, which created a paint can that has a pourable, drip-proof spout. Okay—how hard was that? Duh. Why didn't I think of that? To me, that's really what innovation really is. Nextel is incredibly innovative. They've done a great job with their push-to-talk service, which is unique in the marketplace. The list goes on and on.

The real question is, how do you move beyond ROI? And I think that's what people are coming to now. If you simply live by the rules of ROI, that's necessary, but not sufficient. You will keep your job but not get promoted. So, how do you deliver the ROI you need to deliver, but also deliver more? Eighty or 90 percent of the people in the marketing profession are sweating ROI, and ten or twenty percent are trying to think beyond ROI. Those are the people who are going to succeed going forward. ■

About the Panelists

Chris Arnholt is vice president of marketing services for **Carnival Cruise Lines,** with responsibility for all aspects of Carnival's marketing communications, including advertising and promotions, as well as partnership marketing (travel agency co-op program and compensation/commissions). She also oversees Carnival's in-house desktop publishing/creative department and develops marketing strategies for the company's site on the World Wide Web.

Lisa Baird is vice president of worldwide integrated marketing communications for **IBM,** with responsibility for strategic brand, product and services advertising, media strategy and agency operations, direct and interactive marketing, and event and sponsorship marketing. She is responsible for overseeing all marketing communications activity in IBM's business units and geographies.

Jim Holbrook, president and CEO of **Zipatoni,** began his career at Procter & Gamble in the early 80s, later becaming chief executive of the Beech-Nut baby food subsidiary and assistant to the Chairman of the Board of Ralston Purina. In 1996, Jim became enchanted with the lure of Zipatoni (having been a long-time client) and helped lead the agency from a 60-person creative boutique to a 200-person force in the industry.

Kellie Krug is vice president of merchant marketing services at **Visa USA**. Her team is focused on working closely with large-volume merchants to develop marketing efforts to meet mutual goals and objectives. Kellie's background includes developing strategic marketing programs that include integrated marketing elements including promotions, direct mail, advertising, point-of-sale and partnership activation.

Resource Center

The Hub's **Brain Trust:**

Digital View The future of digital media networks.
23 W 18th Street, 8th floor | New York, NY 10011 | 212.675.7820 | digitalview.com | Stuart Armstrong

EastWest Creative Great ideas make a difference.
401 Fifth Avenue | New York, NY 10016 | 212.951.7220 | ewcreative.com | Chris Bragas

EMM Group Transforming marketing…driving growth.
77 Terrace Avenue | San Rafael, CA 94901 | 513.608.9461 | emmgroup.net | Gordon Wade

GoldnFish Marketing Group Crossing the boundaries of conventional demographics.
53 Old Route 22 | Armonk, NY 10504 | 914-273-1995 | goldnfishmarketing.com | Steve Gold

Initiative A leading worldwide independent media and marketing communications network.
One Dag Hammarskjold Plaza | New York, NY 10017 | 212.605.7000 | initiative.com | Alec Gerster

Insight Out Of Chaos CRM & Database Marketing: Our name says it all.
220 E. 23rd Street, Suite 600 | New York, NY 10010 | 212.935.0044 | iooc.com | Spencer Hapoienu

Inspire Your World The first consumer magazine on volunteerism and philanthropy.
10 East Willow Street | Millburn, NJ 07041 | 973.788.2000 | inspireyourworld.com | Gary Schneider

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1010 Washington Blvd. | Stamford, CT 06901 | 203.352.0728 | jbrown.com | Bernie Trueblood

Just Ask a Woman Women talk. We listen. You get answers.
670 Broadway, Suite 301 | New York, NY 10012 | 212.725.8251 | justaskawoman.com | Mary Lou Quinlan

Marketing Management Analytics Market smarter. Sell better.
15 River Road | Wilton, CT 06897 | 203.834.3300 | mma.com | John Nardone

Meridian Consulting Group Building organizational equity.
274 Riverside Avenue | Westport, CT 06880 | 203.221.8033 | meridianconsulting.com | Mike Shinall

Pitney Bowes Direct Engineering the flow of communications.
23 Barry Place | Stamford, CT 06926 | 203.326.6180 | pitneybowes.com | Neil Metviner

Yellow Pages Association Virtually Omnipresent. Never underestimate the power of the Yellow Pages.
Two Connell Drive | Berkeley Heights, NJ 07922 | 866.882.8997 | buyyellow.com | Barbara Bender

Zipatoni What's your return on innovation?
555 Washington Avenue | St. Louis, MO 63101 | 314.231.2400 | zipatoni.com | Jim Holbrook