

THE MARKETING “TIPPING POINT” MIGHT BE JUST OVER THE HORIZON

by John J. Lewis

The battle for the time and attention of ultra-busy consumers is on—and the spoils will go to those who can look beyond traditional options

It was just after 5:00 a.m. one early morning when I hailed a passing taxi to take me out to O’Hare airport. Within seconds of planting myself in the back seat, a slick flat-panel advertising display coupled to a blaring voice-over promoting attractions around the Chicago area grabbed my attention.

Suddenly, my fingers were fiddling with the buttons to see if I might silence the nonstop chatter of the announcer telling me things about my hometown that were obvious to any local resident. All I wanted was a peaceful trip to my next flight. After all, can’t we just give peace and quiet a chance?

My early-morning taxi ride is only one recent example of the proliferation of new techniques companies use to grab our attention at every twist and turn of our daily lives. In fact, there should be no doubt

that we have entered an era of marketing sophistication and experimentation unlike anything we have collectively witnessed since the birth of the television in the late 1940s.

ADAPTING TO THE BRAVE NEW WORLD

If we gaze out across the broad marketing landscape, what we increasingly see are more and more firms experimenting with new approaches to cut through the clutter while they pull back on more-traditional techniques.

Business Week recently reported that McDonald’s now devotes a third of its U.S. marketing budget to television, down from two-thirds five years ago. Coca-Cola has signed up 6 million registered users to its Web site, and claims it is the third most



WHEN THE TIPPING POINT IS REACHED, THE SHIFT TO NEW-ERA APPROACHES SHOULD BE SWIFT.

popular site among teens. While other manufacturers fight for attention in retail stores, Dell simply markets and sells more computer and consumer electronic equipment through Dell.com.

Moreover, there are firms that have adapted beautifully to the new challenges and opportunities. Let's take a look at ESPN, the leader in sports media, and how it is charting a bold new course and exploiting new marketing integration opportunities.

ESPN is hard at work creating a seamless world between content and marketing. It is striving to ensure that its loyal consumers truly want its marketing messages, and that it can effortlessly encounter its consumers in the normal course of their desired activities. In short, ESPN is setting itself up so that no TiVo or TiVo-like system, audience fragmentation, or other technology will shut down or sidestep its marketing approach.

For example, ESPN has built its highly entertaining advertising campaign as a direct extension of its core product (i.e., *SportsCenter*). Its campaign not only promotes its business, but also engages loyal ESPN viewers to look forward to ads. While it may be easier for a media company to blur the line creatively between content and marketing, other marketers are using vehicles like product placement to the same end—sometimes deftly and sometimes awkwardly.

ESPN is also teaming with its advertising sponsors to blend advertising and content. Its recent partnership with Toyota features a tongue-in-cheek track and field competition between Toyota cars and real athletes, of course with ESPN commentators in tow. ESPN has also launched new programming of entertainment genres that broaden its appeal, like awards shows and sports soap operas, while still reinforcing the ESPN brand. It has also taken the brand outside of broadcast media by using ESPN in partnership with videogame marketers.

On the product side, consider the recent moves Apple has made to introduce and promote the wildly successful iPod. Looking at the relative business economics, one might easily conclude that rolling out the iTunes music downloading service is nothing more than a clever vehicle for stimulating sales of new iPods and other Apple gear. Even if Apple had consumers downloading at ten times the current volume, the total revenue from that activity once the music publishing and infrastructure costs had been paid would not be financially significant to this \$8 billion company.

It does not seem that Steve Jobs and the Apple leadership team would have spent so much money building the iTunes infrastructure, negotiating the deals with music publishers, and marketing the service solely to boost the top-line revenue growth offered by iTunes. However, selling millions of iPods at \$199 to \$399 or more is a different story, not to mention indirect stimulation

of other Apple G5s, PowerBooks, and related software as the iPod experience draws new customers into the world of Apple. One only has to look at Apple’s outstanding recent quarterly report to see that its strategy is working.

What really happened here is that an electronic music downloading service has effectively become an innovative new marketing vehicle for the company. Of course, Apple’s marketing effort isn’t confined to iTunes. Apple has simultaneously put forward innovative advertising campaigns that combine multiple posters and billboards (“the dancing iPod users”) spread out across urban settings linked to television commercials that animate the posters; this is an example of combining existing marketing techniques in new ways and beautifully reinforces the overall brand and product position. E-mail marketing campaigns reinforce awareness. On top of this proactive marketing effort, Apple has done a sensational job managing its PR and media outreach efforts, such that its products get tremendous free publicity from feature segments on morning television shows and in magazines. In all, this is integrated marketing at its finest hour.

GETTING PREPARED FOR THE ULTIMATE TIPPING POINT

Companies like ESPN and Apple are demonstrating how to pull both traditional and nontraditional levers to create a real buzz in the market. Of course, we have yet to reach the real “tipping point” in the shift to a new class of marketing programs: namely, the time when it becomes clear that developing

a relationship with a consumer will not work solely through traditional advertising and promotion efforts.

When we reach this tipping point, we should expect that a substantial portion of the current \$400 billion in advertising spending will be reallocated to new-era marketing approaches. We believe that the fundamental strategic question is not *if* this revolution will happen, but only *when* it will happen and which set of techniques will absorb the reallocation of spending. Like the rapid migration of consumers from vinyl records to CDs, when the tipping point is reached we expect this spending shift to be swift and irrevocable.

But think about the following for a minute: What if you are among the segment of marketing and advertising agency executives that believes these predictions are just hype?

Perhaps you believe the traditional mass media, marketing, and promotional vehicles will be with us for decades, and will long overshadow other techniques. Even if you believe the future marketing environment will not be radically transformed, wouldn’t you be much better prepared if you were up to speed on every important new marketing technology, tool, and technique that is currently available?

Armed with this knowledge, your company would be unstoppable, wouldn’t it? You would have full command of all the traditional marketing vehicles, but could also exploit and extract value from the new approaches much faster than your competitors could. What is most important, we believe you would also sense the difference between a



great new opportunity and something that might simply be a passing fad.

FOUR STRATEGIES TO PREVENT TIPPING OVER

How do you navigate through this new world, and make the right choices for your marketing mix? How do you do this before, during, and after we approach the marketing tipping point? There are four fundamental investments every company must make to sustain growth through the impending transition:

Never forget the inherent power of offering a truly distinctive and valuable customer experience. The difficulty and volatility of connecting with consumers is pointing toward a paradigm shift back to primacy of product (or service) innovation and leadership. We have gone through an

era in which it seemed product parity and great marketing were enough. However, all good things in the new marketing world will resonate from product or service success.

Earlier we talked about the marketing success that has driven the iPod to be the most talked about new product of the decade; but let's not forget that it is primarily a truly great and innovative product. The best marketing in the world couldn't have made the iPod a success if there had not been a great product behind the promise.

Delivering a great product explains why the producers and distributors of the new *Seinfeld* DVD predict that consumers will spend more than \$100 million this holiday season buying a \$120, multi-DVD set that covers the first four seasons of the program and adds in some bonus material. Why

would consumers pay so much for a show that runs in syndicated repeats several times every single day in every major market in the country? Because it is a really good show with passionate customers who simply can't get enough of their favorite episodes. End of story.

For many companies, a hidden opportunity rests in uncovering the blockbuster within the firm. While this requires both art and science, the science for developing something truly innovative has advanced substantially in the past decade. There are many powerful and proven techniques you can apply today to disentangle which parts of your experience are really most important and valuable to your customers, which are merely the “price of entry,” and which could be scaled back to free significant investment for other programs.

Continue to make targeted, relationship marketing programs effective and efficient. Where and how do consumers connect with your brand, product, and/or service? How are you maximizing these opportunities to shape your customers' view of your brand? Connecting and creating dynamic customer “touch points” was enthusiastically branded Customer Relationship Management (CRM) a few years back. Unfortunately, CRM seems to have failed to deliver on its important mission and has been reduced to a more reachable goal of increasing the effectiveness of the selling process.

This scaling back is unfortunate, as the power of a sophisticated CRM approach is more important than ever. Have we as

marketers broken down our consumer processes and worked each aspect of them to create clear and reinforcing messages, as well as benefit to our customers? Our record as

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marketers is actually not very good, though there are exceptions.

BMW is one of those exceptions, where it has integrated all parts of the marketing and relationship process to reinforce the same critical consumer messages. Its marketing clearly supports an overall thrust that every touch point must work very well to support the premium nature of the brand, starting with the actual look and feel of every car in the lineup. On top of offering cars with distinctive driving experiences, BMW rolled out architecturally interesting dealerships, aligned financing programs and service programs to meet the needs of its customers, and created advertising and promotional vehicles across television, print, Internet, and other means—that enliven the consumer relationship with BMW.

On the other side of the ledger, perhaps nothing is a better example of the miss than the proliferation of “loyalty cards” across every sector of the economy. Many industries have them, from grocery retailers to movie

Marketing: Now Available in 100 Different Flavors

Affinity marketing programs

Automated ticket machines

Billboards, displays, and signage

Bus/taxi/train advertising

Celebrity product endorsement

Chat rooms

Cinema advertising

Coupon packages and inserts in newspapers

Direct mail and direct response programs

E-mail marketing

Front-line service representatives

In-bound call centers, cross-selling

In-store promotions

Internet

Loyalty programs

Mass trial events

On-line cross-selling

On-street product samples

Out-bound telemarketing

chains. However, most of the card issuers don't really provide any important benefits to their consumers, leading to a sense of holding just another coupon or discount vehicle in your wallet. In fact, the data is overwhelming that in most cases, loyalty programs have not increased loyalty. Still, these loyalty programs can pack potent potential if marketers tap the information within them and innovate to provide benefit to card holders.

Commit to a program of continuous, careful experimentation. Advertising products in movie theatres. Viral marketing. Targeted e-mail campaigns. Ads in taxis. Sports sponsorships. Product placement in videogames. Internet chat rooms. The list of new places to reach customers really does seem almost endless sometimes (and for an even longer list, see our sidebar). Where do you start? As importantly, where do you stop? If there is an operative word that describes how marketers will survive and thrive in this new environment, it is *experimentation*.

Just as we have all learned that CRM and loyalty programs work best when you can leverage reams of detailed customer information (e.g., as is the case in financial services and airlines) and that a sports sponsorship clicks when the product truly fits the lifestyle of the person who enjoys the sport, it is certainly the case that many of the new techniques coming to the fore will require the right level of testing and experimentation. Does this vehicle really produce results for your organization, or is it better suited for another industry? If it does fit your industry, how do you get

the maximum return on investment in a given situation?

Naturally, with so many options available and easily accessible these days, the challenge is to create a leadership framework that allows your distributed marketing team to first prioritize the bets you wish to make across the fifty available techniques.

At the same time, it is worth paying attention to the new forms of experimentation that can be unlocked from new technologies. The QVC home shopping network can give instant feedback into the ear of the people who are pitching products on the show. If they are selling a cardigan sweater—and if sales start to spike when they talk about the “cashmere-like feel” of the material—they can adjust their pitch in real time to use the word “cashmere” twenty more times during the next few minutes. Microsoft Windows XP users receive periodic messages that new updates are available. While this allows users to continuously update the product functionality, it is also a targeted and trackable advertising vehicle that promotes Microsoft's product benefits. These are just two examples of how technology changes the nature of marketing and experimentation.

Getting these programs to work correctly requires substantial perspiration, such that you simply can't afford to cover all bets. Just as your television commercials weren't perfect right out of the gates, you must commit to the fact that it will take many attempts to get the most out of these new techniques. Of course, testing and experimentation without measurement and monitoring

won't get you very far, which brings us to our final insight...

Remind everyone in your marketing organization that what you measure is what truly gets managed and substantially improved. In a world filled with myriad new and nontraditional vehicles available to today's marketer, the two key elements to measure and manage are the *independent fit* of various techniques (“the bottom-up view”) as well as the *overall integration* of your entire set of programs (“the top-down view”).

As for independent fit, the specific vehicle should be able to reinforce product benefits, brand news, and other messages critical to the marketer. To the extent that none of these are tied very closely, and the vehicle is not clearly reinforcing anything particularly, the effectiveness of the marketing tactic will suffer.

Many organizations are experimenting with or even rolling in changes in the marketing mix without the proper focus on measurement and evaluation. This will certainly lead to a suboptimal result. The evidence already abounds, as in the case of sponsorships where many marketers are chasing success with tie-ins that have almost no fit other than at a very high level of demographics. These types of inappropriate sponsorships are not reinforcing anything particularly about the brand or the consumers who use them, and will provide little return.

The solution lies in not only developing valuable research and tracking programs to

understand return on investment, but also finding new and better ways to adapt research techniques to the new era of marketing. Marketers need answers at the “big picture” level about how the entire marketing mix is driving brand value, as well as a better handle on how specific tactical vehicles are working.

THE OPERATIVE WORD FOR SURVIVING AND THRIVING IN TODAY'S TRANSFORMED MEDIA ENVIRONMENT: EXPERIMENTATION.

Getting a handle on the new marketing mix is possible, but only if senior marketing management builds this discipline into the leadership processes right from the start.

There is no doubt that we are at a critical turning point in the history of marketing. Consumer behaviors that have guided us since post-WWII times are now almost completely altered; our strategies and tactics must change with the times. Those among us who will win in this new game will understand the new landscape and will turn this understanding into ground-breaking approaches for their brands, products, services, and marketing programs. ■

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PDA and mobile phone messaging
 Premiums/Gifts
 Print advertising
 Product packaging
 Product placement

Product tie-ins
 Public relations
 Quasi-public spaces (e.g., airports)
 Radio advertising
 Sales force
 Sponsorships
 Television advertising
 Text messaging
 Tie-ins to non-profits
 Trade shows
 Vending machines
 Viral marketing
 Web advertising
 and many more...