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**marketing
in the
e-future**



**WHAT
SHALL WE
DISCUSS
TODAY?**

Winning Internet strategies for:

- **market/consumer research**
- **branding**
- **advertising**
- **selling**
- **customer services**
- **direct/database marketing**
- **1-to-1 marketing**



MARKETS
for the
NEW DECADE

**EVEN IN THE
21ST CENTURY -
EVERYTHING OLD
IS
NEW AGAIN**

**NEW WAYS
TO LOOK AT
NEW
ADVERTISING**

**New
e-businesses
for the
e-decade**

**TO DARE IS
THE BEST ROAD
TO SUCCESS -
BUT ONE MUST
DARE TO DARE**

**Managers and
companies who
want to avoid failure
are more prepared
to die slowly,
but inevitably**

**The faster
technology changes,
the greater demand
for boldness**

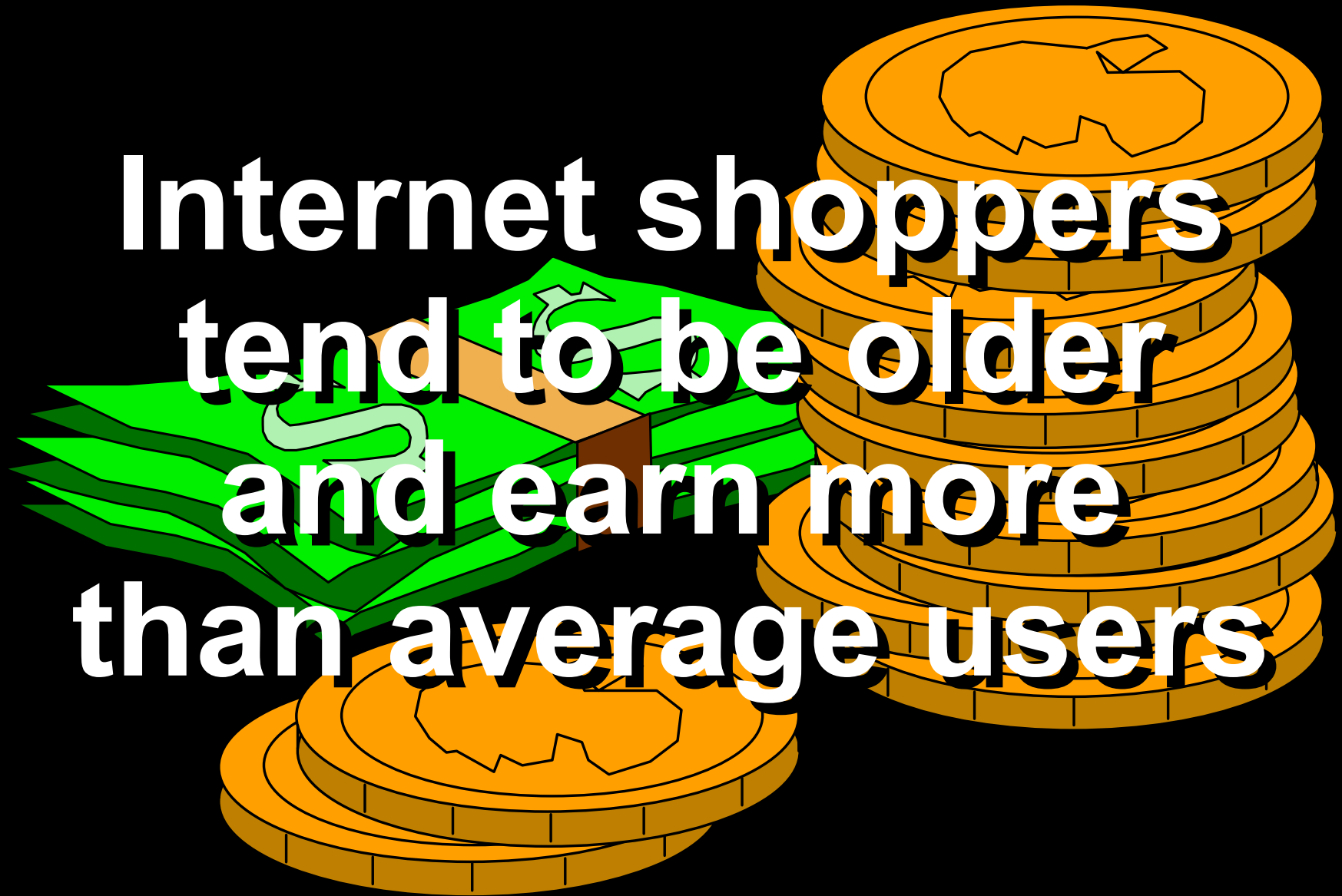
*“How will you fail” Rubin, H.
FAST COMPANY (USA). Sep. 1999 Online.*



WHO SHOPS ONLINE?

**Online shoppers
have a different
profile to
the average
Internet user**

**Internet shoppers
tend to be older
and earn more
than average users**



**They tend to be
convenience
shoppers,
not recreational
shoppers**

- **Innovative**
- **Less risk averse**
- **Greater variety seekers**
- **More positive attitude toward direct marketing and advertising than non-shoppers**

**Develop our
Internet sales
and marketing
strategies with
these factors
in mind**



MARKETS

as

CONVERSATIONS

**Markets
are conversations**

**Brands
are people**

CLUETRAIN MANIFESTO

**A company is a
metaphysical construct
standing between
people who want to
have a conversation.**

**Markets are conversations
between people.**

**The barriers that surround
companies hinder conversations
between people on the outside
and people on the inside, the
buyers, and people on the inside
who work for the company.**

**Brands are about people
because people bind the
process together,
make decisions about
processes and represent
the values that identify an
organisation as unique.**

One-to-one marketing and relationship marketing are only small steps in responding to the importance of people talking to people.

**Popularity worldwide
of the internet means
the company talking
to the consumer
is no longer the
dominant influence,
or conversation.**

**Company dominance has
been replaced by people
outside the company.**

**If a company doesn't
understand this, people
will laugh at the company.**

**As people become the brand,
we no longer need to buy
most products or services.**

**Now we buy experiences and
sometimes during the
experience we may buy a
product or service.**

Experience includes the interaction between customers as well as between the brand and the customer.

Some experiences will add value to an individual customer.

IKEA

**“assemble-it-yourself”
furniture adds value
through the experience
as well as cost savings
for buyers and IKEA.**



**Word-of-mouth today
travels faster than ever.**

**In this era of information
bombardment and
consumer cynicism, we
look for credible sources.**

When we believe we have found a credible source, we often suspend normal judgement and are even prepared to overrule messages we have received from a less credible source, eg: conventional advertising.

**Rational arguments
against rumours
often fail to
change opinion.**

PERMISSION MARKETING

Internet Marketing Pioneer Seth Godin says he wants to change the way almost everything is marketed today. Will you give him permission to show you the future?

PERMISSION MARKETING

TURNING STRANGERS INTO FRIENDS,
AND FRIENDS INTO CUSTOMERS

SETH GODIN VICE-PRESIDENT, DIRECT
MARKETING, YAHOO!



SETH GODIN
PERMISSION
MARKETING

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**Gain consumers' consent
to participate in the
selling process.**

**Web technology of
interactivity
makes this easier
and inexpensive.**

**In a cluttered advertising
and PR environment,
the old model
based on interruption
can no longer work as
powerfully as it once did.**

Even traditional direct marketing techniques are now too wasteful.

Waste is not an acceptable characteristic of modern business models.

**“Powerful (modern)
advertising is
anticipated, personal
and relevant.”**

“Interact with your prospects one at a time with individual messages, exchanged with their permission over time.”

Your reward:

**70% of your prospects
read your message
and 35% respond.**



**is a perfect example of
practical application of
permission marketing
techniques.**

**Base your own model on
Amazon experience.**

**Amazon's
permission technique
turns “strangers into
friends and friends
into (lucrative)
lifetime customers”**

**Learn from Amazon's
famously successful
technique and apply it
daily to development of
YOUR BUSINESS
on the Web.**

**Always offer an incentive
or benefit to prospects/
customers whenever you
advertise to them.**

**“The incentive must be
overt, obvious and
clearly delivered”**

**It's easy to
teach customers
about your product
when they have
AGREED
to pay attention.**

**Fine-tune your incentives
for EACH prospect
and reinforce incentives
regularly to ensure
attention continues.**

**With each reinforcement
of your incentive,
increase the
level of permission
granted by prospects.**

**Gain increasing
permission to gather
more data about
personal life, hobbies,
interests and to offer new
categories of product for
customers' consideration.**

**“Turn permission
into profits”
by using permission
to change
consumer behaviour
on an ongoing basis**

**View your costs
of acquisition of
customer permission
as a commercial
investment on which
you can measure
financial returns.**

**As time passes
and clutter becomes
even more intense,
your asset of permission
will generate
escalating profits.**

**Good things happen
when we focus.**

**“Focus on
share of customer,
not market share.**

**Fire 70% of your
customers and watch
your profits go up!”**

Segregate people into:

- **strangers**
- **friends**
- **customers**
- **loyal customers**
- **former customers**

**amazon.com builds
a permission asset
not a brand asset.**

**If Amazon changes
its business model
to become a book
publisher as well
as distributor they
will enjoy huge
margin advantages.**

**Amazon will become
proactive and
commission authors
to create books
for which they
already hold
paid pre-orders.**

**“To be so effective that we
are able to be helpful
to others”**



**GLOBAL
and
VULNERABLE**

**WORLD WIDE
WEB INVITES
GLOBAL PR
CATASTROPHIES
TO GLOBAL
BRANDS**

Example:

Global brand
McDonalds is
under world
wide attack by
activists drawing
from UK “McLibel” trial



**It is still far
from clear
how to respond
to this kind of
attack**

**As buyers demand
transparency,
managing trust
will be fundamental
to marketing
in the e-future**

Breaches of trust will be recognised and punished by consumers.

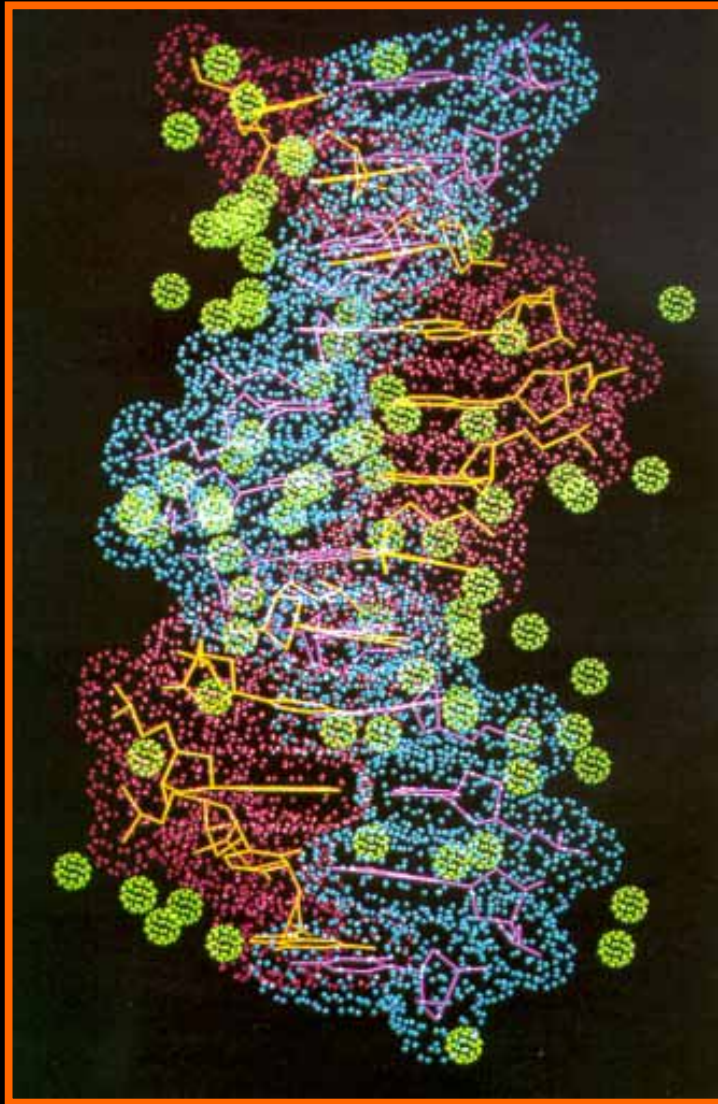
Issues that are controversial will be discussed by email and the community will decide whether an action breaches the trust bestowed on the brand.

**Employees are absolutely
critical in creating brands
for the e-future.**

**As communication barriers
come down through the
Internet, people outside
companies will have
conversations with
those inside.**

**Corporate relationships
via Internet will be based
on fundamental values
such as those that define
“friendship”.**

**These developments
demonstrate that
size and power
will no longer
protect a brand**



DOUBLE HELIX AD MODEL

Huey B. - Journal of Advertising Research (USA) 39:3, 1999

**A useful reflection
of real life, where
advertising through
different campaigns
adds up over time**

**The two strands
represent the message
and the media.**

**The helix revolves
around a spine that
represents time.**

**Double helix model
suggests that
advertising works
through interaction
between receiver,
message and medium
over time.**

**This accounts for
advertising sometimes
working, sometimes
being ignored and
sometimes being
stored.**

**The interaction will
reflect the state of
the receiver, e.g. is
he in “attention”, or
“desire” mood?**

Double helix also suggests that each new ad does not start from “zero”.

**A new ad for a brand begins
with parts of previous
campaigns; it takes some
of its genome from brand's
past advertising and melds
it with the new
environment and situation
to create a new being -
the ad**

Double helix model allows us to think more widely about how advertising works.

Acknowledges advertising does not work in a linear persuasive way.

**The process is non-linear
and draws on the brand's
past activities as well as
the current ad.**

Double helix model also acknowledges that advertising has an effect over time. It also reinforces that a new campaign does not start from zero for receivers.

**Double helix model
encourages advertisers
and researchers to
re-examine advertising
from a multi-dimensional
perspective.**

CREDIT CARD SIZED CD-ROMS

- print ads meet
the web





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**Modern communication
takes many forms.
A CD-ROM the size and
shape of a typical
business card provides
marketers with a 30 megabyte
website for their wallets.**

A CD-ROM of this familiar shape and size provides a link between traditional printed paper communications devices and 21st Century electronic media.

**CD's can now become part
of direct mail campaigns
because this shape fits in
a standard postal envelope -
no extra cost.**

**Swing tags on
high price/high margin
clothing and other products
are now 30 Mb websites
with hyperlinks to
companies main websites
or other locations.**

**For example cricket gear
can be sold with all the
records of a national
cricket team and
star performers for the
entire 20th Century.**

Huge added value!

**CD-on-a-card
can also bring
conventional print
magazine ads
alive.**

**Attached as a “coupon”
to a single page magazine
ad, readers now receive
6 minutes of video,
30 minutes of audio
or thousands of pages
of information with
which to interact.**

Bar-coding on the printed surface of CD-on-a-card permits advertisers to identify customers who have been generated by a specific ad in a specific publication.

ATTEND ONLINE



**Indexing technology
has generated a new
business with global
revenue potential.**



Conference librarians!

Web technology permits development of thinking entrepreneurs, no matter how remotely located geographically, to build profitable businesses as new extensions of existing industries.

Established 110 years

420,000 students p.a.

**32,000 remote
education students**

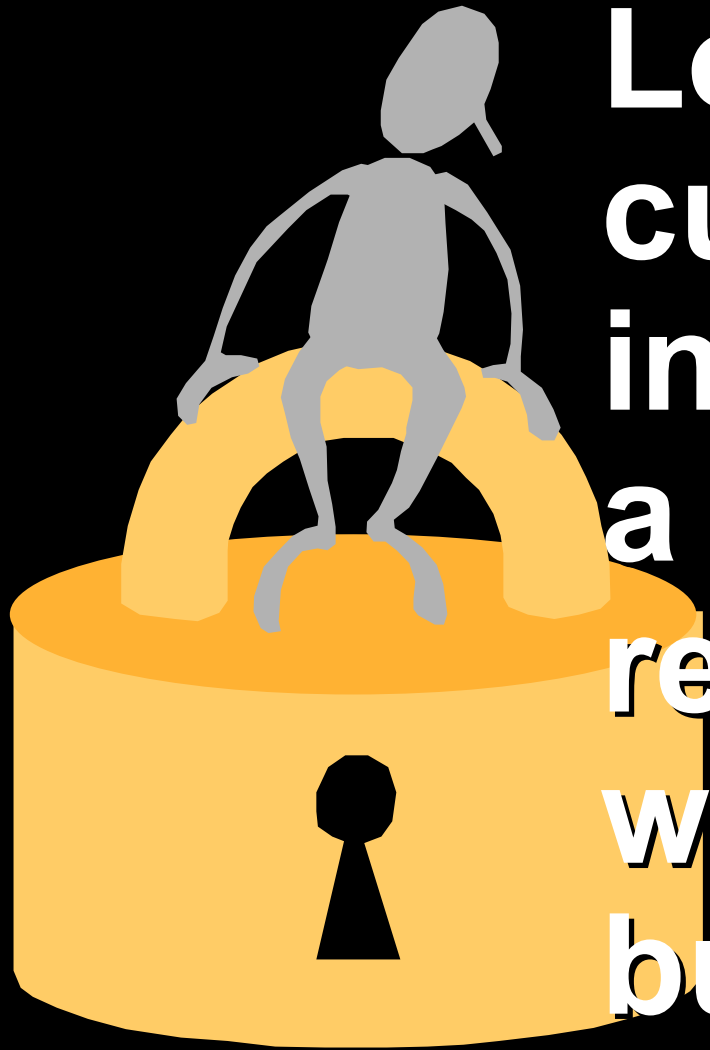
4,000 courses

**The Knowledgeable
Consumer
and
One-to-One
Marketing**

- **Concept of knowledgeable consumer as specified for development of OptiMark supercomputer search engine is based on notion that “you know ahead of time what would satisfy you, in order for you to be satisfied by it”.**

- **If consumers are knowledgeable, they learn to become not just cash dispensers for their own goods and services, but shrewd brokers for whom buying becomes a new two-way street.**

- **Knowledgeable consumers will drive the market. They will precisely use the expression languages of the new supercomputing search engines such as OptiMark to say:**
 - **what they want;**
 - **when they want it, and;**
 - **how much they are willing to pay**



**Lock
customers
into
a learning
relationship
with your
business.**

**What can you do to make
a specific customer's
specific experience
better next time he deals
with you?**

You learn, he learns.

Earth's biggest bookshop,



**offers a continual
learning relationship
with customers: customers
become extremely loyal and
enthusiastic buyers.**

***amazon.com* makes it
easy and pleasant to
do business.**

**It is constantly
reassuring customers
whenever they visit.**

**You can pick the books or videos
you want,
try to get a better deal on their option
service,
be totally confident of credit card
security,
check your past orders to avoid
duplication,
always receive email
acknowledgement of your order,
know how long it will take for your
purchases to be delivered.**

Amazon.com
never wastes
your time, always
remembers who
you are and
customizes their
services for
you alone.

**Spend half your time
doing whatever is
necessary to make it
easier for customers
to do business
with you.**

Always offer clients clear privacy policies as personal reassurance that you will respect any information they share with you.

Example: Dell Computers at www.dell.com/policy/privacy.htm

What Contributes to Value?

- The value equation influences purchase behaviour:
 - pre-disposition increases amongst prospects
 - loyalty improves amongst customers
- Value = $\frac{\text{Brand Equity}}{\text{Price}}$

(An increase in Brand Equity or a decrease in price increases value)

Sidebar consideration

- $$V = \frac{Q}{P.T.S}$$

Where Q = Quality of Manufacture + Brand Equity + Experience of ownership + KNOWLEDGE + Pride of ownership + pride of being known as a customer of a particular distribution chain (e.g. Tiffany)

Where P = Price

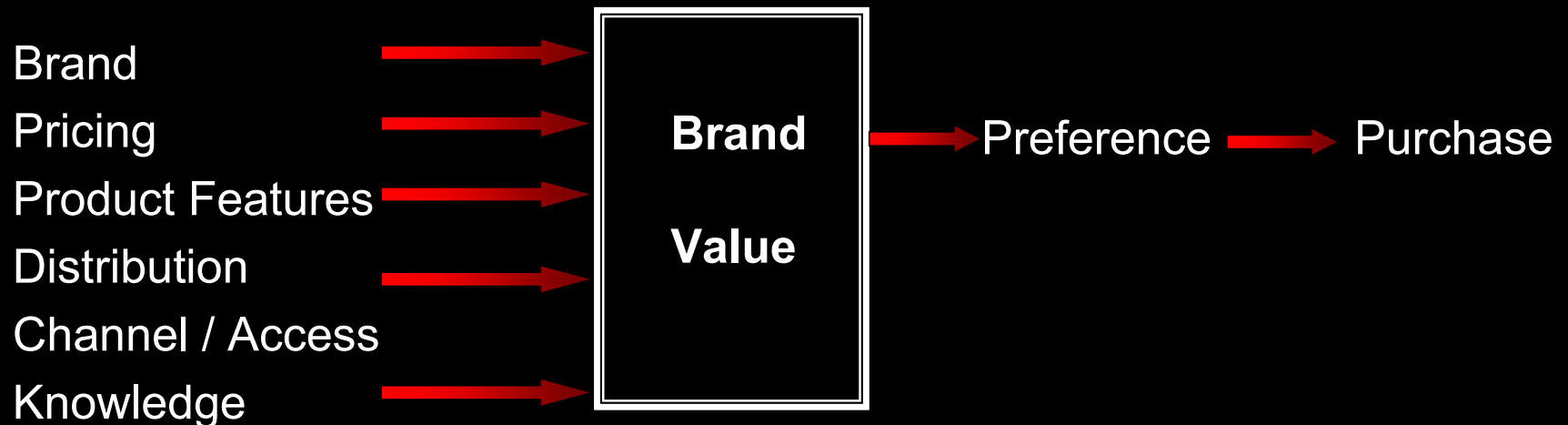
Where T = Time taken to acquire the product sought

Where S = Stress endured by customer in acquisition process

Where V = Value for Money

Can we measure the contribution of various elements to Brand Value?

- Conjoint or trade-off analysis enables us to measure the relative utility of brand value, pricing and product features to overall choice.



We trade off a superior brand against a lesser brand at a cheaper price. Often specific features (e.g. size, method of propulsion) override price or branding, if they are unique and desired

What is a Decision Support System (D.S.S)?

The D.S.S is a model which is built from research data to enable us to identify at what level of any given attribute (brand, price, features, distribution channel) consumers will trade-off one choice against another.

At what price discount will consumers move from XYZ to ABC for a product with similar features?

- What price premium can XYZ charge its customers and still retain them?
- If another major brand changed its features or pricing what would it take to move XYZ customers and what is the profile of those who would move and those who would stay?

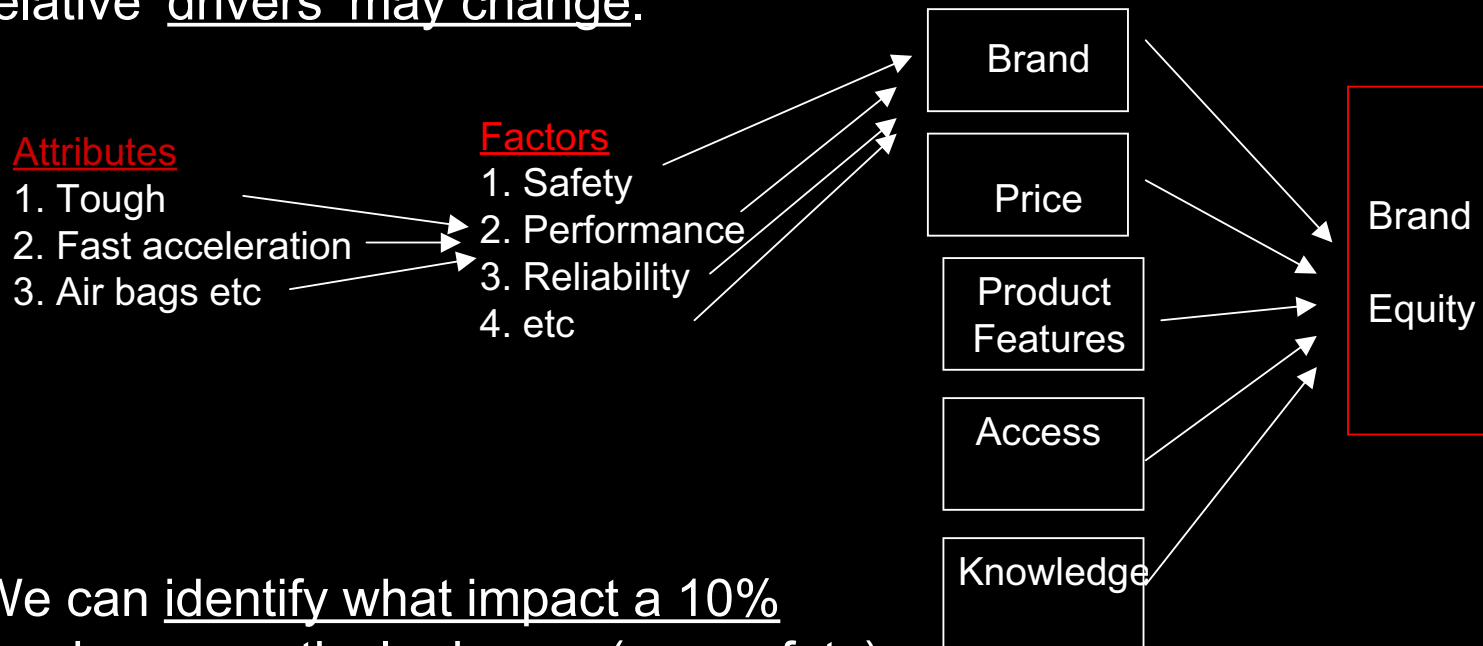
D.S.S cont.

- If access to very detailed knowledge about XYZ products is superior to competitors will prospects' preferences change?**
- If the distribution channels changed, what would it take to hold customers in the traditional channels?**
- If the distribution channels changed, what would it take to shift customers to the new channels? How many would move?**

How do we use a D.S.S to understand the Brand?

- In the same way that we can trade-off brands, prices and product features, we can trade off brand attributes and distribution channels.
- We need to identify which attributes are the greatest 'drivers' of Brand Equity.
- We need to measure the relative utility of differing attributes. If we increase brand image on five low-order attributes it may not contribute as much to the brand as increasing image on one high-order attribute.
- This has implications for advertising and public relations strategy and for measuring advertising and P.R. effectiveness (focus on the attributes which generate greatest Brand Equity - these enable you to charge a premium or retain customers in the face of competitive price discounting)

- Model focuses on the attributes and image factors (both functional and emotional) that drive the XYZ brand and each of its competitors
- The model stays the same for differing target groups, but the relative 'drivers' may change.



- We can identify what impact a 10% rise in any particular image (e.g. safety) will have on choice of the brand at an increased price.

Does this approach impact the Bottom-Line?

- **Very definitely! XYZ can command a premium of over A\$2,000 per leading product line over its ABC competitors.**
- **A decline in Brand Equity would mean this premium would drop. An increase in Brand Equity would enable XYZ to raise the premium and still represent better value.**
- **For example, in Australia alone, 36,000 of a particular leading product line are sold a year: $36,000 \times \$2,000 = \$72,000,000$**
- **If we assess the value of this increased profit on a multiple of 20 (most stocks are assessed this way), the value of this annual profit can be capitalised at A\$1.44 billion.**
- **What then is the value of the XYZ brand across all its product lines sold in Australia?**
- **What is the worldwide value of the XYZ brand?**

Quality of Sales (QOS)

- A proxy for overall Brand Equity known as “Quality of Sales”.
- This measures the EMPATHY, TRUST and WAY IN WHICH A BRAND REFLECTS CONSUMERS VALUES.
- There is a high correlation between high “QOS” and purchase behaviour.
- Using “QOS” measures in research help identify which attributes are driving “QOS” or Brand Equity.
- This enables a professional to MANAGE the BRAND, BUILDING ON THE ATTRIBUTES THAT MATTER!

SUMMARY

We have examined:

- **Need for courage in approaching our e-future**
- **Who buys on-line?**
- **Markets as conversations**
- **Permission Marketing**
- **On-line incentives**
- **Problems of Global PR**
- **Brand equity**

We have examined:

- **New ways to look at advertising**
- **New challenges to advertising basics**
- **The concept of “the knowledgeable consumer” and 1-to-1 marketing**
- **Extraordinary power of word of mouth communication**

CONCLUSIONS

- **The more things change, the more they stay the same**
- **Web consumers are different, but only require treatment in the old-fashioned way of village businessmen**
- **There is a great deal of money to be made from application of old-fashioned community principles**

- **Brands in our e-future must create a strong, relevant web presence in harmony with their conventional approaches**
- **Modern Internet measurement tools already exist and are freely available from professional services**

- **We can learn much and easily build our own e-commerce models by observing existing players (such as amazon.com) and immediately apply that wisdom to our own new business models**

**KNOWLEDGE PLUS EXPERIENCE
EQUALS WISDOM**