

MARKETING WITHIN THE CHALLENGE OF CHANGE.

The Social Media Revolution...it's all about the "Six Cs."
Convenience, Choice, Confidence, Community,
Collaboration and Connectivity.

Part 1: Convenience, Choice, Confidence



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In 1966 Alvin Toffler coined the term “Future Shock” to describe the effects on an individual created by the rapid acceleration of change. Change is unquestionably a major challenge for any manager. Few, however, are facing the challenges of today’s marketing managers.

Accepting Toffler’s assumption that the rate of change in the early 1960s was as much as 100 times greater than the rate of change in the 1860s is fairly easy. We can readily understand that the rate of change between the 1960s and 1990s – the era of the personal computer – was easily the same. But what can we make of the past decade? With Facebook, barely eight years old, now claiming more than 900 million registered users globally, and the iPhone, launched in 2007, challenging the whole concept of the telephone. (Who could have imagined that the iPhone – whose most talked about feature was its inability to keep phone calls connected – would have been such a success? We have entered a period of such accelerated change that the word “crisis” now seemingly describes daily events.

And what will be the result? We believe that future marketing success will not only be measured by one’s ability to deal with the challenge of change, but the speed with which one reacts to the elements of change, and seizes the opportunities that they present to effect consumer buying behavior.

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Convenience, Choice, Confidence, Community, Collaboration and Connectivity.

Lessons from the Past

In the early 1970s, Hewlett-Packard and Texas Instruments dominated the hand-held electronic calculator business, and each year they introduced newer, more powerful – and many said much more complex and difficult to use – models with prices to match. (The HP35, the first “business” model retailed for \$395, that’s \$1,720 in today’s dollars.)

Their user-centric research told them that that was exactly what their customers wanted. But of course they had asked the wrong question of the wrong audience. In the mid-70s, Casio of Japan entered the market; their research indicated that the vast majority of consumers wanted simpler, easier to use and much cheaper versions for educational, personal and professional use. When we created the ads introducing the product we asked the Client what the price would be? Casio said: “...give us ads from \$99 down to \$19 (\$430 to \$82 in today’s dollars.) Our first ad in The New York Times was for \$99 and it sold out in less than two hours.



**From the twinkle
in its eye to the
clock in its heart
...an intimate look
at small electronic
calculators.**

The cover story of the March issue of SCIENTIFIC AMERICAN takes you inside a typical small electronic calculator. While it is well known that the hand calculator's working turns on a tiny microelectronic "chip," few realize that the chip contains the major elements of a big computer - a control processor and active memory. And what about the twinkle (that lights the light-emitting diodes) and the read-only memories called in by the function keys and the 250-kHz main clock (12,000 clock cycles for a simple instant addition)?

"For millions of people," says Eugene W. McWhorter, computer engineer and author of the article, "arithmetic will never be the same again."

For the regular readers of SCIENTIFIC AMERICAN, McWhorter supplies the latest installment in a continued story. Starting with "The Transistor" in 1948, we have

informed our readers step-by-step of the advances in hardware and software that have culminated in this hand-held revolution.

The same is true on all the other frontiers of science. Our readers have kept up-to-date with such diverse and profound developments as the recognition of continental drift, the unlocking of the genetic code, the new close-up vision of the solar system, the multiplicity of elementary particles, the discovery of the toolmaking ancestors of man, the nerve circuitry that structures human perception.

SCIENTIFIC AMERICAN is the one magazine that offers the reader direct access to the contemporary work of science, written in the language of educated men and women by scientists who did the work reported. (No less than 63 Nobel prizewinners have written for our magazine, most often in advance of their recognition in Stockholm.)

That is why The New York Times calls SCIENTIFIC AMERICAN, "This country's and perhaps the world's outstanding forum for communications between scientists and the intelligent public."

And that is why you will want to join our more than 600,000 regular readers.

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New York, N.Y. 10017

**CASIO OF JAPAN'S
SMALL ELECTRONIC
CALCULATORS IGNITED
A REVOLUTION IN
PERSONAL CALCULATING.**

... "simpler, easier
to use and
cheaper" is almost
always more
successful.

Consider the
previously mentioned
iPhone, it's all
of the above.

The following week's ad was the \$19 version, and the rest is history. Within two years hand-held calculators were all the rage as our ad for the March 1976 issue of *Scientific American* will attest. As our ad pointed out: "For millions of people arithmetic will never be the same." Casio saw the future and capitalized on it. And clearly "simpler, easier to use and cheaper" is almost always more successful. Consider the previously mentioned iPhone, it's all of the above. Hard to imagine that a \$500+ iPhone is "simpler, easier to use and cheaper? That's because you're thinking of it as a phone. Think of it as a phone, web browser, pda and personal entertainment center (with a really cool cachet), and now what do you think? Fits really well for me.

Lessons Unlearned

Seeing the future clearly, however, is not always a path to success. Advances in technology – like the Sirens of Ulysses travels – can lure the adventurous marketer into dangerous and oftentimes fatal waters. Just because you can do it, does not mean that you should.

Take the case of Online Shopping. Everybody knows about Amazon.com, but how about the first Online Shopping company? No, it was not a '90s dot com failure, it happened in the early 70s. That's right, the 1970s, 20 years before the birth of the WorldWideWeb.

The company was Comp-U-Card International (later Cendant), and the service was "Comp U Store." It sounded like a great idea, for only \$25.00 per year you could go online 24/7, shop for brand-name products, and either buy them online at a discount or use their low, advertised price, to get a better deal at your local retailer. What could be wrong with that? For one thing there were not enough people online ... no WorldWideWeb, no America Online (AOL), just Prodigy, CompuServe and a few others.

But the biggest negative factor was that even when folks signed up the online experience was horrible ... most screens were black & white, or black with green type, and the fastest modems were 1200 Baud (that's 1.2k, today's cable modems are around 25,000 times faster). Assuming you had a color monitor, you could download a picture of a refrigerator in about 20 minutes. The excitement of seeing that happen wore off pretty quick.

...novelty will only take you so far, sooner or later you have to deliver.

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**COMP-U-STORE ...
BRILLIANT CONCEPT,
HORRIBLE TIMING,
POOR CUSTOMER
EXPERIENCE**

The Client, of course, initially blamed our Agency's direct mail package for the failure of the test, but the 2nd and 3rd attempt by other agencies did not do as well as ours and they finally abandoned the service. The problem clearly was not the concept...online shopping is in line to overtake brick & mortar retail in many categories (think Blockbuster & Borders). Their real problem was two-fold. First, there were simply not enough people online to make it economically feasible. And second, and perhaps most importantly, it was boring.

In 1996, a quarter century later, Online Shopping re-emerged. At a Jupiter Marketing Forum in New York a group of panelists posited how their "New" Online Shopping concepts would revolutionize retailing. When I asked from the floor how this "New" paradigm would avoid the mistakes of the past, the response was enlightening: They all agreed that ..."no one had ever tried this before, it's an entirely new concept." Some years later, of course, five of the six panelists were in Chapter 11.

What this example points out is that even in an era of rapidly accelerating change, the historical major drivers that effect consumer attitudes, and behaviors Convenience, Choice & Confidence and the more recently identified Community, Collaboration & Connectivity matter, and marketers that ignore them do so at their, and their organizations peril.

CONVENIENCE

Convenience has always been a major driver of customer behavior. Sony spent untold millions trying to convince the world that the quality of Beta was more important than the convenience of VHS (VHS recorders were capable of recording up to 2.5 hours on a single cassette [an entire movie] vs. only 30 minutes on Beta). Do consumers want quality? Of course they do! But given a choice they are almost always willing to sacrifice quality for convenience.

Quality will continue to be an important issue for consumers, but they are rarely willing to pay for it in time (convenience) or money. "Improved quality and easier to use, all at the same low price" is a headline that has worked for the last 100 years, and will work just as well 100 years from now.

CHOICE

Choice is an issue with many dimensions. In direct marketing, reducing the number of choices a consumer has to make generally increases response rate. In retailing, decreasing the number of choices generally reduces sales (a lesson that WalMart recently learned as it's "Project Impact" reduced the number of items in their stores and watched various category sales plummet, a problem they are now struggling to correct).

... lots of Choices equals lots of sales, or sometimes almost no sales at all.

But totally eliminating choice, at times, can lead to dramatic success. Perhaps our biggest success as an agency was in our work for MetLife in its Asset Retention Project. Each year MetLife paid out billions of dollars to its insurance policyholders beneficiaries. Payments were almost exclusively made in the form of a check.

Working together with the staff at MetLife, we helped to create the "Total Control Account." (TCA) Now with a TCA beneficiaries receive a checkbook instead of a check. The account is guaranteed by MetLife, pays money market rates and is protected from the claims of creditors.



FOR LIFE INSURANCE BENEFICIARIES THE METLIFE (R) TOTAL CONTROL ACCOUNT REMOVED THE QUANDRY OF TOO MANY CHOICES, AND MADE CHOOSING EASY.

Sounds great, and it has been a monumental success. But was choice a factor in its success? It was THE factor in its success! When offered to beneficiaries as one of many choices (a check, monthly payments, etc.) fewer than 2 in 1,000 (.02%) chose any option other than a check. The answer: Do away with choice. Now all beneficiaries automatically receive a TCA account, and while a great many, almost half, cash out immediately, the bottom line is a 2,500% increase in asset retention (more commonly called cash).

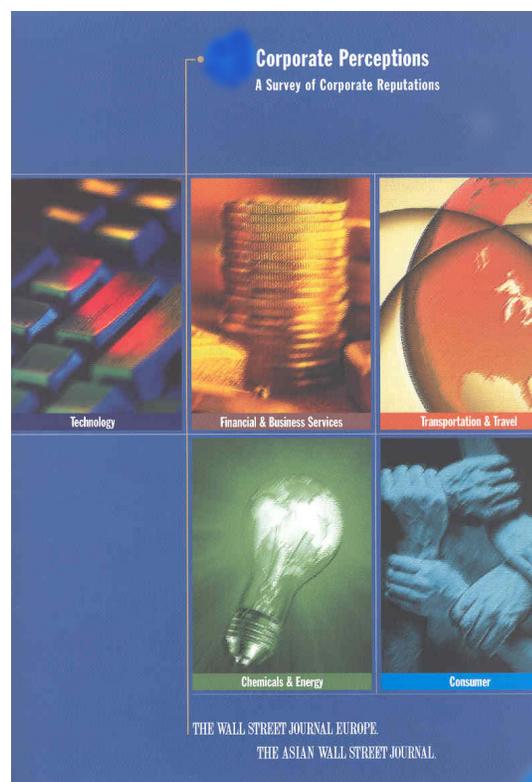
Confidence

The buzzword of the 21st Century is Branding. Everybody knows that they need “it.” Hundreds of vendors are eager to sell ways to either get “it” or get more of “it.” But nobody seems to know what the definition of “it” is. Some will say that “it” is high consumer (customer) awareness. Is it? I think not! BP has never enjoyed higher consumer awareness ... nor is it likely that Lehman Brothers, Bear Sterns or Madoff Investment Securities has either.

Branding is little more than the ineffable quality that every mother warned their teenage daughters about... “their Reputation.”

Can you create positive branding with advertising? Or public relations/ publicity? Not really, they can all help but in truth Branding is little more than the ineffable quality that every mother warned their teenage daughters about... “their Reputation.”

Can you measure company reputations? To some extent. For many years we were privileged to work with the folks at Dow Jones & Company in packaging a study of corporate perceptions by the readers of The Asian Wall Street Journal and The Wall Street Journal Europe. The study clearly indicated that a company’s reputation can dramatically shift from market to market globally, and provided clear direction for those companies in targeting their future “Branding” efforts.



THE DOW JONES STUDY INDICATED THAT A COMPANY’S REPUTATION CAN DRAMATICALLY SHIFT FROM MARKET TO MARKET GLOBALLY,

But, can you really measurably discern which company is in third place, and which is second, or first? Absolutely not.

Reputations are not quantitative – although aspects can be quantified within specific audiences – they are qualitative. Harking back to the MetLife Total Control Account example we spoke of earlier, to test the validity of the program as well as to protect the name of the company in our focus groups, we created a fictitious company called “Global Life Insurance.” The focus group participants universally liked the concept, but when asked if they would leave the proceeds with Global Life, they universally said: No!

We then asked: “Suppose it was not Global Life, but MetLife or John Hancock?” Not surprisingly the overwhelming majority went from No to Yes. Was it MetLife or John Hancock’s reputation that led to the focus group participants to have confidence in them?

Without question. But when asked specifically why, the answers ranged from the seemingly silly ... “I like the Snoopy Blimp.” To the imminently practical ... “When my husband died I had three policy’s MetLife paid my claim in a couple of weeks, the others took many months.”

How do you build and maintain a company’s reputation, it’s brand if you will, and create a positive perception of your company and its products and / or services? The same way you maintain a forest ... pay attention to each of the trees.

Convenience, Choice and Confidence

We started this exercise with Convenience, Choice and Confidence, not because we view them as more important than Community, Collaboration or Connectivity but simply because they have been around much longer, and have survived, and survival generally speaks to truth in the world of marketing. (When’s the last time you used paradigm shift? And if you can remember, shame on you.)

So how do we put all these lessons in practical use? As you review all of your marketing efforts, simply ask yourself:

·Will this Product / Service / Solution make my prospects life simpler, easier, more convenient? And, if not, will it have the cachet to overcome these marketing drawbacks

·Can my marketing messaging make the clear case that it is the only, best, most expensive, least expensive, choice? (Sound contradictory? It’s not, most or least expensive are equally compelling choices)

·What can I do to make the prospect have more confidence when making the purchase decision?

It all sounds very basic and simple, but solutions to complex issues often are, and should be, simple. That is a lesson that has withstood the test of time, from Occam's razor in the 14th Century (One should not increase, beyond what is necessary, the number of entities required to explain anything), to the Pennsylvania Dutch saying of the 19th Century (Smart is simple and simple is smart, but simple is always better than smart), to the fave of the 20th Century... (KISS: Keep it simple stupid).

Come to think of it, some things never change.

We would welcome the opportunity to discuss these issues, or any other marketing communications issues that concern you. As Social Media continues to dramatically effect the worlds we live and work in the need to stay abreast of its impacts will only grow over the near-term.

Give us a call, or drop us a note, we look forward to hearing from you.

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