



## August 2005 Issue

This month's issue features a provocative look at branding from name identity and branding guru Naseem Javed; a look at the new resource from *Optimize* that explores the mindset of the CIO; inimitable Economist style, a compelling and sweeping overview of how the customer is now king, thanks to digital marketing; and much more.

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## Editor's Cut



If you haven't read "Freakonomics" yet, I encourage you to pick up a copy. In it, economist Steven Levitt and co-author Stephen Dubner make clear-headed use of collected data to answer some important, and rather unimportant, questions.

You can easily apply Levitt's premise that data doesn't lie when it comes to measuring marketing performance. Granted, the questions you might ask, like "How many qualified leads were generated yesterday?" or "How many hits do we have on Web campaign X today?" are less provocative than Levitt's queries in "Freakonomics": "What do schoolteachers and sumo wrestlers have in common?" and "Why do drug dealers still live with their moms?" for example.

Nevertheless, the answers to your questions are critical to your marketing organization's success. From our polls we know that marketing performance measurement is a top priority, and therefore it's been a front-and-center topic of ours for the last two years. MPM remains a hot this summer, with the continuation of our MPM Forum series and the fielding and subsequent release of "Measures and Metrics: The European Marketing Measurement Audit," an extension of our North American study that began in 2003.

The European study reveals that less than 14 percent of European companies polled have a formal comprehensive MPM system in place—a number on par with the North American survey. Surprisingly, almost 20 percent said they have no measurement system—formal or informal—in place at all, twice the level reported by North American firms. To read a summary of all the European survey results, download the white paper by visiting [http://www.mpmforum.org/PDF/Eur\\_MPM\\_Report.pdf](http://www.mpmforum.org/PDF/Eur_MPM_Report.pdf).

These results will also be discussed at our next MPM Forum in New York City on Sept. 7. This event features a stellar "Only in New York" lineup of panelists from brands including Avaya, Eastman Kodak, Factiva, Konica Minolta and Sterling Commerce, to name a few. Throw in Billy Joel plus the Rockettes and you'd really be in a New York state of mind. Unfortunately those last two brands are unable to attend.

This is your last chance to catch an MPM Forum in the States this year, so I urge you to attend this important and highly interactive event. To register for MPM Forum New York, to be held at host Thomson Financial's downtown headquarters, go to <http://www.mpmforum.org/register.html>.

One more item: We've just posted our "Renovate to Innovate: Building Performance-Driven Marketing Organizations" survey, and we invite you to take a few minutes to complete it. Your expert input will go a long way in determining best practices in transforming a marketing group into a high-yield and accountable juggernaut. Take the survey here: <http://www.surveymonkey.com/s.asp?u=722051240059>.

Enjoy the rest of your summer!

*Scott Van Camp, Editorial Director of the CMO Council and Editor of Marketing Magnified, can be reached at [scottvc@globalfluency.com](mailto:scottvc@globalfluency.com).*

## Get to Know a CMO: Dave Scott, VP of Global Marketing at Intermecc



Dave Scott leads the marketing group of 140 at Intermecc Technologies, a leader in supply chain information products, services and systems, such as bar coding and the booming market of RFID technologies. Scott, who has been with Intermecc for six months, was formerly VP of marketing and strategy at PeopleSoft. He faces a big challenge at the Everett, Wash.-based Intermecc, but one the many marketers would relish: building a marketing organization essentially from the ground up.

### **Marketing Magnified: What's the biggest challenge you're facing at Intermecc?**

Dave Scott: I'm the first official VP of global marketing the company has had in its 39-year history. Engineering has historically run marketing at Intermecc. So in some ways I feel like I'm starting from scratch. It's kind of like being at a billion-dollar start-up!

### **What are your three top goals for going into 2006?**

First, we have to build the brand for the company, because even though we're well respected in the industry, our brand doesn't have the reach. Second, we need to work on the product development process, which I oversee as well. And third, we will work on stabilizing our pricing practices and make them more strategic.

### **In terms of measurement systems, what do you have in place?**

We've outsourced that to an organization that measures inquiries to leads to close. But it's not integrated into our ERP system, which is a priority for next year. What I want to do overall is measure cost per lead. The trick is how do you make the data really meaningful for the executives? We have no ability in-house to measure our marketing right now, real-time or otherwise. But that will change.

### **How would you describe marketing's alignment with sales at Intermecc?**

I'm lucky because I work really well with all the operating divisions because we spend so much time together, and that's what we need to succeed. I look at sales as our customer, so I've been really attentive to lead-generation efforts. You normally hear about sales not needing the marketing group. Ours is just the opposite of that. They're saying, "We need branding!"

### **A couple of CMO Council studies, Define & Align and Renovate to Innovate, deal with the marketing organization's standing with the C-suite. How would you describe your organization's alignment with the top brass?**

It's good. My boss wants this to be a marketing-driven organization, and that is a huge endorsement for our group. Since I'm involved in many areas, I tend to get drawn into strategic discussions. I'm hiring a marketing analytics team to help me measure things over time so I can justify our spend to upper management. We all know proving that marketing is working is one of the hardest jobs for a CMO, that will be a continuous goal of mine.

## Channel Chat: Helping Solution Providers Increase their Close Rates

By Toni Clayton Hine



You can help your channel partners increase sales of your products and services if you present your value proposition in a manner that is more closely aligned with their business goals and objectives. Here are three ways to increase your effectiveness in helping solution providers in competitive sales situations.

### 1: Understand Their Customers' Goals and Align Your Business Value

**Uncover the single most important outcome** – Be clear on the single most important outcome an end-customer expects to gain and help your partner define how your involvement will contribute to it. If they are looking to help their customers reduce operational costs then spell out exactly how your products can help them cut cost in specific areas not just in technology terms but in relationship to the overall impact on their business.

**Clarify Business goals** – Have a precise understanding of how any given solution impacts your partner's business goals as well as their end customers. For example, provide concrete examples of how the customer can increase revenues or overcome operational deficiencies. For every dollar spent, outline how it will affect a business from a top line and bottom line perspective.

**Personal/professional goals** – Be aware of your impact on the personal and professional goals of those solution providers you are selling to and those that they sell to. People buy from people and you should be cognizant of how an individual will be affected both personally and professionally by a purchase. Are they looking to achieve some larger operational goal? Are you helping them in their personal goals such as helping them get a promotion? Does selling your products bring them positive visibility in the organization? Personal goals are just as important as professional goals.

### 2: Help Partners Identify with Key Decision Makers

**Project initiation vs. project approval vs. financial approval** – Be aware of who has the final say so and provide your partners with the types of information they will need to justify a purchase of your products. Make sure that those involved in lower levels of project approval are armed with the details that will support your involvement and enable your partner to make the case for you on their own.

**Business + technology decision makers** – Make sure your partners have connections with decision makers from different areas of the organization. Help them find ways to understand the driving factors behind the finance office versus the IT department, etc. Help them establish access to both business leaders and technology leaders and provide ways that they can address needs from the end customers perspective.

### 3: Build a Business Case that Demonstrates the Upside and Opportunity Cost

**Show a direct link between business pain and your products** – If a partner can show the customer how your products directly solve a business problem, then it is likely that you have proved your value and they will succeed in winning more opportunities. If not, provide specific examples of how your products contribute to realistic business challenges.

**Quantify the "countable" business benefits** – Outline the business benefits associated with every technology benefit. Just because something is faster or better doesn't mean it will save them money. Define business metrics that can be counted and then measure the value at the business process level.

**Communicate "intangible" business benefits** – Have a built-in mechanism that allows the partner and the customer understand improvements and measure them against perceived expectations. Your products may not be directly associated with immediate ROI or revenue increase but it is still important that your partner convey the impact they have on other aspects of the business.

**Clarify the pain and how it compounds if no action is taken** – Provide details that clarify opportunity costs. Your partner should be able to make their customer aware of areas where there is no immediate threat and that if they take no action how it can adversely affect them later. In addition, make them aware of the immediate cost of not doing something today versus the cost of waiting. Site examples such as, "if you don't implement these products today, then it will cost X amount of dollars per day until then."

*Toni Clayton Hine is the Managing Director of the IPED, a division of the CMP Channel Group that leverages over one million data points and 20 years of experience to deliver customized channel education and market intelligence to the technology community. She can be reached at [tclayton@cmp.com](mailto:tclayton@cmp.com) or 212 600 3113.*

## **A Final Word on Branding**

By Naseem Javad

Roy Disney said, "You need branding when your product has *nothing* to offer." Roy's uncle, Walt, invented Mickey Mouse and created the Disney empire. At the time, the word "branding" was reserved only for cowboys branding herds of cattle by the fiery iron.

The word "branding" is dangerously overused. Many people use branding as a cure for all kinds of problems in all kinds of businesses. To lay claim to a deeper understanding of this elementary word, branding agencies all over the world have developed some cute variations of it, from "emotional branding" to "primal," "sensory," "musical," "internal," "external," "holistic," "vertical," "abstract," "nervous" and all the way to "invisible" branding. However, to see these distinctions, you will need special 3D spectacles.

The list of branding types is almost like the three MIT wizards who took an academic conference for a ride by submitting a paper in all fake jargon: "Rooter: A Methodology for the Typical Unification of Access Points and Redundancy." Their paper was accepted.

### **Haphazard Branding**

There are hundreds of such branding terms pointing to the same thing. Let's analyze and see how this historical process of branding ownership marks on animals got transformed into a word circus, bending the state of mind among corporations, institutions and many governments.

Branding is often presented as a culturally, emotional or lifestyle crazy, sugarcoated packaging process. Sometimes it is like rap music, with spinning colors or psychedelic pastel overtones accompanied with hip-hop idea drivers. Other times it comes with esoteric concepts to camouflage the products or services just long enough to get the customers' attention. Most of the time, it comes as juicy ideas under some new blanket term of branding that is designed to create a safe and secure feeling for the corporation while waiting for the thunder from the charge of anxious customers.

For some reason, if the highly anticipated traffic doesn't show up, then the term is changed immediately to the likes of "primal branding," with a twist or a new style dance added to the circus. The same single promotional process is re-named repeatedly.

The idea is that when share prices fall, call the branding team and let it apply its "fiscal branding" to mail fancy brochures to shareholders. When products fail, let the "visual branding" make logos makeover, and when elevators don't work, give it to the "yo-yo branding" unit, as they are real experts in north and south mobility. Floor please.

Today, branding is a mixed bag of basic, traditional advertising tools, simply waxed and packaged to appear as intellectual advice with an expensive price tag. It is targeted to fit any hungry frame of mind, and is designed to make corporations feel ever so comfortable with terms like "verbal," "digital," "audio," "smelly," "silent" or "loud" branding, as all these terms are designed to offer great safety and invisible lifelines to sinking ships. But does it work?

### **Just Promotional Tools**

At times it does, as corporations do need solid and real branding. However, it most often fails, frequently due to lack of substance, quality, intelligence and experience. What is now being

offered in the name of branding includes perfumed stationery at the banks, as sensory tickles, jingles and chimes for the funeral parlor -- just raw promotional tricks.

These approaches fail because they are just basic promotional tools and skills and because they are trendy quick fixes. Branding has been defined so many times by so many experts that it is almost useless to redefine it. Like beauty, it is in the eye of the beholder.

The presentation of fancy fireworks at a huge marina as a big branding exercise might be merely ordinary to some other company. Hundreds of hired people walking on a busy street with their foreheads painted with the names of products might be kinky, tacky or too smart, all depending on the culture and mental level of the client.

Pregnant mothers are being pooled to place ads on their round, shiny stomachs as part of "tummy branding." Some argue that this is how news is created. To some, this is "desperate branding" in action, to others it is getting the word out at any cost.

Welcome to "guaranteed-to-fail branding," a process that ensures a top spot on the list of branding failures. These projects are sometimes called "reality branding." There is no limit to these weird processes.

Most of the time, the creative powers overtake the process, and fancy jargon becomes the Band-Aid while the Laws of Global Corporate Image, Rules of Corporate Nomenclature and Name Identities, Cyber Domain Management, Principals of Marketing and Global Branding are all completely ignored as being too rigid, too serious and too formal.

### **Solid Training, Thorough Skills**

Let's face it, these branding rules are very hard to learn and very difficult to apply because they require solid training and thorough skills. Simple, raw promotional skills backed by big budget fireworks are only "accidental branding" at play, where everyone becomes happy as long as there is some noise. In the recent past, this is how "high volume" or "intense" branding got the center stage. Today, in this budgetless environment, it is only a dream for most agencies to get such mega breaks.

U.S. businesses are still very much overdosed with over-branding. Massive turnover in the advertising and branding industry, compounded by the Internet, e-commerce and outsourcing has created a large glut of branding consultants with too many faceless, nameless consulting services and Web sites.

The market is simply glutted. Western branding agencies are losing their grip by not producing world-class standards and are becoming a laughing stock by adopting, in a panic, monkey-see-monkey-do campaigns.

In reality, you definitely need proper branding today; the type is not the issue. However, first you must have something very good to offer. You also need highly specific and proven branding with highly tactical positioning skills, under proper corporate and brand name identity and image laws, rather than raw graphic and promotional tools.

### **'Useless Branding?'**

Empty concepts and poorly designed and beaten up products and services can't be resurrected with some abstract branding terms along with some flashy campaigns. Big money spending will not buy big image anymore. It worked in the past, but times have changed. Today, the latest

cyber-branding techniques are in big play. Corporations are opening up to a debate on this subject among senior management and ignoring the old, traditional branding methodologies.

As e-commerce matures by the minute, the masses of customers have successfully ignored the expensive blitzes and pretended to have some type of an early Alzheimer's condition to justify their memory loss. Nothing sticks in mind any longer.

The blasted, useless messages are instantly forgotten. The 15-minute fame suggested by Andy Warhol is now only a 15-second blip on the global e-commerce landscape. What was previously shoved on 24/7 ad campaigns and lasted at least a year is now completely forgotten the very next day.

Should we now redefine branding all over again? Should this word be re-invented? How about "useless branding?" No, not yet.

[Naseem Javed](#), author of *Naming for Power*, is recognized as a world authority on Global Name Identities, Image, Cyber-Branding and Domain Issues. He introduced *The Laws of Corporate Naming in the 80's* and also founded ABC Namebank, a consultancy established in New York and Toronto a quarter century ago. Naseem also conducts executive workshops and conferences on global image and name identities issues [www.azna.com/ceo.htm](http://www.azna.com/ceo.htm). Watch his interview on CNN: <http://www.tcs.com.pk/images/cnn%20low.wmv>.

## **CMO Council/ BPM Forum Program Overview: Market Vigilance, Product Diligence Powering Product Marketing Effectiveness**

By Scott Van Camp

It's not a topic that's necessarily top of mind, but perhaps it should be: How and why do product marketing managers—those on the front lines of the business, interfacing with customers, making decisions on everything from pricing to supply chain and inventory—do what they do?

Thanks to a wide range of competitive global forces, there's intense pressure to constantly monitor, calibrate and adjust product development, build and delivery. But to what degree are product marketers equipped to make intelligent, informed and insightful decisions that drive top-line and bottom-line performance, as well as maximize product value and longevity? How effective are their intelligence systems, forecasting capabilities and pricing strategies? Do they have a comprehensive product lifecycle approach and global view of both supply and demand chains?

Gaining greater visibility into the variables that affect product pricing, availability, profitability, and time-to-market has become a strategic imperative, and for a very simple reason: How well companies plan, predict, project, track, and react on a product level can greatly affect business performance outcomes. Access to reliable, real-time data on product inventories, market pressures, sales pipelines, business forecasts and actual results can optimize decision making on how to best allocate spend and resources on a marketing level.

These and other issues are being explored in a new intellectual capital initiative under the auspices of the Chief Marketing Officer (CMO) Council and the Business Performance Management (BPM) Forum. Underwritten by Vistaar, a pioneer of next-generation product planning and pricing solutions, "Market Vigilance, Product Diligence" brings together product marketing executives at global brands for qualitative dialogue and quantitative assessment of effectiveness. The three-month program will deliver valuable views and perspectives, as well as detailed best practice methodologies for optimizing product marketing performance.

Based on the wide range of qualitative interviews already completed—the quantitative survey will go on line shortly—this is a subject where attention is clearly long overdue.

For example, there are a remarkable number of executives working on intuition rather than real data. "There are multiple sources for the same data, and there are times when the sources conflict," one executive told us. "That's where I rely on the intuition of my group—there are times where you look at something and you just know it isn't right."

To gain visibility into the supply chain, said another, he uses "a telephone, spreadsheets and an abacus." If he could base his decisions on accurate and consistent data, analysis and forecast alignment across sales, marketing, and finance, "my hair would probably grow back."

As for product forecasting, concluded yet another executive, "it's a black art."

Of course, this is exactly the criticism some business unit executives have long leveled against the discipline of marketing overall. That's why studies like these so important—they not only unearth problems but help identify best practices and other solutions.

*For more information on the "Market Vigilance, Product Diligence," go to:*  
<http://www.cmocouncil.org/programs.html#vigilance>.

## **It's Time for a New "Diet" in B2B Marketing**

### **Growing your business by building a healthy brand**

Is your messaging too heavy? Do your sales pitches run out of energy before the close? Does your business lack the strength to enter new markets? Is your brand listless? Unfortunately, for many of us in Business-to-Business (B2B) marketing, the answer to one or more of these questions is a resounding "YES." To fix these problems we need to change our marketing "diet."

I've spent the last 20 years building, selling, and marketing IT solutions for businesses. In that time, I've gone from marketing diets heavy on "junk-food" to ones that felt like Atkins. In hindsight these marketing diets promoted a binge-and-purge business cycle that failed to build a healthy and sustainable brand. I believe today's B2B marketer needs to take a new approach to marketing that builds a brand like a healthy diet...balanced nutrition with smaller portions and greater frequency.

### **Confessions of a Junk Food Junkie – Getting fat in the .com boom**

Most likely it will be a long time, if ever, before we experience a market like the .com boom again. Easy money flowed based on "back-of-the-napkin" business cases. Astronomic stock valuations created paper millionaires over night. Tech firms rushed to market the next "new thing" and businesses became early adopters so they wouldn't miss the boat.

Marketing programs of the day reflected the excesses of the times. It was a branding land-grab and you wanted to get your name on everything before your competitor did. In my own case, we spent millions executing direct marketing programs to feed leads to the sales channel. There was such frenzy in the marketplace that these programs actually worked. But like junk food, these programs only satisfied the hungry sales channel for a short time and did little to establish a healthy distribution model to grow the business over the long term. We just kept eating more junk food and got fat and out of shape.

### **"Atkins" Marketing – A radical diet to survive the .com bust**

We all started to believe our own hype in the .com boom and we were all shocked when it so quickly unraveled. Dot-com companies failed in droves and brought down their high-tech suppliers along with them. The market was flooded with capacity causing dramatic price erosion.

There was only one priority in this environment – survival. We shifted immediately to a radical new marketing diet that, like Atkins, cut out just about everything but the protein...our customers. We eliminated our advertising and direct mail and focused on promoting the fact that we had real, paying customers. We aggressively pursued every customer to let us publicize him or her and promote ourselves. We wrote dozens of case studies, press releases, and profiles. We used these materials to brand ourselves through the press, industry analysts, and our sales force.

Thankfully, these programs worked and the company survived. The problem was that as the economy stabilized and growth opportunities emerged, the combination of our junk food days and Atkins diet left our brand too weak to compete.

### **A New Diet for Today's Market – Healthy ingredients, small portions, more meals**

Today's market is focused on business fundamentals. Wall Street wants organic growth. Customers look for strong brands to support purchase decisions. To grow our business, we must build our brand.

We need a new marketing diet that builds a healthy brand. The diet starts with good nutrition – a strong message. As marketers, we have to draw out of our companies a compelling message that resonates with our target audience. A good diet is also based on eating smaller meals more often. In the same way, we need to deliver the message in small portions and deliver that same message with greater frequency. Customer decision makers are asking for the “elevator speech” and we force them to sit through a “deep dive.” They need to hear the message multiple times, but we tend to fund only short-term communications programs.

My company has started this new marketing “diet” and it is already showing results. We have a strong message that resonates with our target CIO audience and positions us with leaders in the industry. We present the message through strong images and words that break through the noise and clutter in the market. Finally, we are communicating the message through a new executive briefing program, a new corporate website, new brochures, targeted radio and print advertising, and outreach through the press and industry analysts.

If your own business is a little out of shape, now is a great time to start a new marketing diet that will make you look and feel better.

*Jim Leach is vice president of corporate marketing at SAVVIS, a global IT utility services company. He can be reached at [jim.leach@savvis.net](mailto:jim.leach@savvis.net).*

## KnowledgeStorm Data Slice - Large Company Users

As part of a larger study with the CMO Council to understand online B2B technology content consumption patterns, KnowledgeStorm is sharing interesting findings from the first half of 2005. The findings, dubbed "Data Slice," are extracted from the online activity of technology vendors and buyers utilizing the KnowledgeStorm Network.

In this slice, we take a look into specific *Business Solutions* categories on KnowledgeStorm and report on the categories with increasing visibility and consumption by users representing large companies. The table below shows categories that experienced a significant shift towards users from large companies\* as opposed to medium or small companies between Q1 and Q2 of this year†.

The changes are attributed to a combination of the type of content published in a particular category, promotional activities for content within that category and user activity within that category.

KnowledgeStorm.com Business Solutions categories	Large Company Users % Increase
IT Portfolio Management	14.3%
Order Entry and Processing Management	13.1%
Workflow Automation	12.3%
Enterprise Content Management (ECM)	10.7%
Business Process Automation	10.6%
Accounts Receivable/Accounts Payable	8.6%
Supply Chain Management	8.3%
Compliance Management/Regulatory Compliance	6.4%
Document Management	5.3%
Budgeting, Financial Planning and Analysis	5.1%
Sales Force Automation (SFA)	5.0%
Project Management Solutions	4.8%
Call Center Management	4.7%
Email Campaign Management	4.7%
Enterprise Asset Management (EAM)	4.2%

\*For the purposes of this data slice, a user's company size was aggregated to large (2,000+ employees), medium (100 to 2,000 employees) and small (1 to 100 employees).

†Percentages represent the absolute change within the category from Q1 to Q2 of 2005. The changes are attributed to a combination of the type of content published in a particular category, promotional activities for content within that category and user activity within that category.

### About the KnowledgeStorm Data Slice

The KnowledgeStorm Network is a content syndication model that includes over 150 business and technology Websites, including such brands as InformationWeek and TechWeb. Technology vendors publish product and solution information in over 900 technology-specific categories on KnowledgeStorm. This content is then distributed throughout the entire network of sites, creating extraordinary visibility and access to an audience in excess of one million users. By carefully gathering and analyzing the input, distribution and consumption of content within the network, KnowledgeStorm is able to report on trends and patterns within specific technology topic areas.

## **The Download: Crowned at Last**

**The claim that “the customer is king” has always rung hollow. But now the digital marketplace has made it come true, says Paul Markillie**

### **From *The Economist* Print Edition**

It is the biggest advertising event of the year. On February 6th, half the households in America sat down in front of their televisions to watch the 2005 Super Bowl. Never mind the game: the Super Bowl is a showcase for television commercials, and more than a quarter of the viewers tune in just to watch the ads. For days before and after the event, these are discussed in the newspapers, on radio and on TV. At an average cost of \$2.4m for a 30-second slot, a Super Bowl commercial is the most expensive pitch an advertiser can make. For some, such as Anheuser-Busch, it has become an institution. The brewer's decision to drop one of its ads from the ten slots it had booked made headlines. The commercial was a cheeky take on Janet Jackson's “wardrobe malfunction” (a slipping top) during the half-time show at the 2004 game. The resulting publicity prompted large numbers of people to visit Anheuser-Busch's website to look at the ad, which meant that probably as many saw it as if it had been screened.

The Super Bowl is a great excuse for a party, especially for the advertising industry. It shows that people still enjoy ads that are creative and entertaining. But it raises an awkward question: does it actually sell any more bottles of beer, cars or pills for erectile dysfunction? Although TV viewers tend to be able to recall a particularly good commercial, many cannot remember the product it featured. And for the most part they try to avoid the rising barrage of ads. Getting their attention is becoming increasingly difficult, because audiences are splintering as people use different kinds of media, such as cable television and the internet. The choice of products and services available is multiplying, but at the same time consumers have become more skeptical about claims made for products. In today's marketplace, consumers have the power to pick and choose as never before.

This new consumer power is changing the way the world shops. As this survey will show, the ability to get information about whatever you want, whenever you want, has given shoppers unprecedented strength. In markets with highly transparent prices, they are kings. The implications for business are enormous: threatening for some, welcome for others. For instance, the huge increase in choice makes certain brands more valuable, not less. And as old business divisions crumble, a strong brand in one sector can provide the credibility to enter another. Hence Apple has used its iPod to take away business for portable music players from Sony; Starbucks is aiming to become a big noise in the music business by installing CD-burners in its cafés; and Dell is moving from computers into consumer electronics.

“I am constantly amazed at the confidence level and sophistication of the average consumer,” says Mike George, Dell's chief marketing officer and general manager of its consumer business in the United States. Dell soared to the top of the personal-computer business by cutting out retailers and selling directly to consumers. If Dell changes prices on its website, its customers' buying patterns change literally within a minute. “That tells you people are well-researched and knowledgeable,” adds Mr George.

Even buying a car, long considered to be one of the worst retail experiences anyone can have, is being transformed. Over 80% of Ford's customers in America have already researched their prospective purchase on the internet before they arrive at a showroom, and most of them come with a specification sheet showing the precise car they want from the dealer's stock, together with the price they are prepared to pay. Similarly, more than three-quarters of mobile-phone buyers in America do their research on the web, even though only 5% buy online, says John Frelinghuysen of Booz Allen Hamilton, a firm of business consultants. They still want to go to a shop to hand over their money and get their phone, but first they want to see exactly what the service package covers, and to read what other users say about their proposed purchase.

With consumers becoming increasingly empowered, how can the marketing, advertising and communications firms that companies use to promote their products hope to get their messages across? And what does it mean for media businesses relying on advertising revenue, the traditional channels for reaching this increasingly elusive audience? Disintermediation—the process of middlemen being cut out—seems to be in the air. The three big TV networks in America have all hedged their bets by acquiring cable channels. The advertising business is reorganising itself, seeking safety in size. Many agencies are now clustered into four big global groups: America's Omnicom and Interpublic, France's Publicis and Britain's WPP. In some ways they are recreating the big, vertically integrated advertising giants of the past, but with separately run companies to deliver the range of specialist marketing services they think their clients will need in the future.

So what will that future hold? “For the first time the consumer is boss, which is fascinatingly frightening, scary and terrifying, because everything we used to do, everything we used to know, will no longer work,” says Kevin Roberts, chief executive of Saatchi & Saatchi, part of Publicis. Shelly Lazarus, head of Ogilvy & Mather, part of WPP, is more sanguine. “Advertising is as vibrant as it has ever been. It's just that the way you define it is so much broader now, with new ways to reach people,” she explains. “In the past you would keep pounding the creative message out into the market place and look at reach frequency,” says Howard Draft, a veteran direct-marketing expert and chief executive of his eponymous New York agency, part of Interpublic. “Well, basically that is dead. What you have today is an informed consumer who is taking control of the way he learns and hears about products.”

Companies with some of the world's biggest advertising budgets are beginning to look for new ways of attracting consumers' attention. Jim Stengel, global marketing officer for Procter & Gamble (P&G), is one of the advertising industry's harshest critics, awarding it a “C minus” for its ability to embrace new media. And Larry Light, who has been giving McDonald's a makeover as its chief marketing officer, says bluntly: “The days of mass marketing are over.”

Mass retailing, however, looks as healthy as ever. The supermarkets are taking an increasing proportion of consumer spending—and on a lot of things beside groceries. A growing part of Wal-Mart's business comes from people searching online for information on products such as consumer electronics, and then visiting a store to make a purchase. “I think it works to our advantage, because we are the price leader,” says Lee Scott, chief executive of the world's biggest retailer. “There's power for them and us.”

Consumers, of course, care not a jot about marketing machinations. They are delighted to have more choice, which makes it easier for them to turn their back on a company they do not like and buy elsewhere. For some this is sweet revenge. “Consumers have become jaded and cynical,” says Rob Markey, a partner at Bain & Company, a consultancy. “There is a pile of broken promises heaped on the floor.”

### **The ads we love to hate**

In fact, consumers have been telling market-research companies for 50 years that they do not trust advertising. But they have become even more negative about it recently, says Eric Schmitt of Forrester, a research firm. Indeed, people are actively looking for ways to avoid ads, using tools such as pop-up blockers on web browsers and digital video recorders (DVRs) that allow them to skip the ads when they record TV programmes. Forrester found that 60% of the programmes watched by DVR users are recorded, and 92% of the ads on such programmes are skipped. The firm reckons that by the end of 2008, 36m households in the United States will be using DVRs. So what will happen to the \$60 billion spent on TV advertising in America every year? Mr Schmitt thinks that if the TV industry can no longer guarantee its audiences, a lot of that money will move elsewhere.

But the way that money is spent is changing. In America, growth in ad spending is led by the internet, Spanish-language TV and cable networks, according to TNS Media Intelligence, a media-monitoring company. And as with P&G's \$4 billion advertising budget, a growing proportion is shifting from mainstream media, such as television, radio and print, to new media and other forms of sales promotion, such as direct mail, public relations, promotions, sponsorship and product placement. Collectively this sort of spending, sometimes called "below-the-line" advertising, or marketing services, is already worth more than twice what is spent on traditional display advertising. Together, the two sorts of spending added up to more than \$1 trillion last year, says WPP.

By comparison, the \$10 billion or so spent on internet advertising in America last year looks tiny. But it was 32% up on 2003, according to a study by the Interactive Advertising Bureau and PricewaterhouseCoopers. And that growth is accelerating, leading some forecasters to suggest that the online ad market could double in value this year. The internet is also becoming a lot more sophisticated as an advertising medium, beyond banner ads and pop-ups. In search advertising, companies buy words that, if they appear in searches made on sites such as Google or Yahoo!, will bring up a link to the company's website, displayed alongside the search results. The advertiser pays only if someone clicks on his links. This makes the results of search advertising reassuringly measurable, because tracking how many people go on to make a purchase is relatively easy. Google is beginning to work like an advertising agency, placing small text-based ads on other people's websites on behalf of its clients and splitting the revenue with the website owners. Google's software scans the sites to match the ads it serves up to the site's content.

Local search could be the next big moneyspinner on the internet—for whoever comes up with a winning formula. Microsoft's MSN site, for instance, will provide details about a local shop, and a map to get you there. A9, a new search engine from Amazon, has a feature called "Block View" with pictures of streets and their shop fronts, so if you have forgotten the name of the restaurant you are looking for, you may be able to recognise it in the picture. The next step will be a feature that allows users to "click to call". Initially this service is likely to be free, but in time it could be developed into another big source of online revenue.

### **Media from dawn to dusk**

Some changes in consumer behaviour that were already under way have been speeded up by the growing use of the internet. For example, consumers are spending more time with media of all kinds: currently about ten hours per person per day in America. According to Veronis Suhler Stevenson (VSS), a New York-based media merchant bank, this is likely to grow to 11 hours by 2008. James Rutherford, the bank's managing director, thinks this is due to a relatively new phenomenon he calls "media multi-tasking": using different media at the same time. "This has enormous implications for advertisers and programmers," he says. "It used to be that they were competing to get you to turn on the television. Now the TV may be on, but they are competing to keep your attention on the TV as opposed to the computer screen, the magazine or the iPod."

Fujio Nishida, chief marketing officer of Sony's electronics division, points out that this forces advertisers to think very carefully not only about which media to use for the market they want to reach, but what people are likely to be doing when their ad appears. In Japan, he says, in the past you could be fairly sure that 90% of your potential targets would be watching TV at some point between 8pm and 10pm; but now only 70% may be watching and 60% will be using the internet—many doing both at the same time. Advertisers can take advantage of this by putting on TV ads specially designed to encourage consumers to go straight to a website, as Sony has done.

"Who actually controls distribution in this type of world?" asks Bill Gossman. "The individual does. That's where the ultimate consumer power comes from." His company, Revenue Science, is developing new ways of "behavioural targeting". This involves analysing online consumer behaviour and then delivering ads that are likely to be relevant to groups with common interests.

Mr Gossman thinks that as the world becomes more digital, his techniques will increasingly be used by all kinds of electronic media.

Amazon, which has long evolved from an online bookseller into a mass retailer, uses a form of behavioural targeting by suggesting products its customers might like, based on their past purchases. Jeff Bezos, Amazon's chief executive, was among the first to spot that the transparent pricing and product information the internet was able to provide would allow people to shop just about anywhere. The trick was to make it easier for them, so Amazon's website now operates as a shop front for lots of other companies too. And it gives customers the chance to read not only the sales blurb but also other customers' comments on the products.

For some companies this is scary stuff—the same as throwing open your customer-relations files and hoping that people have said enough nice things about you. Companies can, of course, try to control everything that is said and written about them through advertising and public relations. But nowadays a web search can turn up all sorts of skeletons in the cupboard, especially from news groups where people post comments, from online journals (called “web logs” or “blogs”) and more recently from “podcasting”, in which individuals produce their own audio programmes for others to download to their Apple iPods or other MP3 players. Video versions of this are sure to follow. Not all of this can be dismissed as amateurish twaddle. Microsoft, for instance, is taking blogs seriously enough to have hired its own celebrity blogger, Robert Scoble, even at the risk that he might be scathing about the company's products.

This is a clever move. The less control a company has over its marketing message, the greater its credibility, says Pamela Talbot, an expert in consumer-product marketing and chief executive of the American side of Edelman, a giant public-relations firm. Indeed, Saatchi & Saatchi's Mr Roberts thinks marketing departments must accept that brands no longer belong to them, but to the people who use them. The most valuable users of a company's brand are what he describes as “inspirational consumers”—people who are closely associated with a company and its products. It does not even have to be another company. Some of the most successful agents for generating a buzz—and plenty of free publicity—can be the people who run the business.

For example, the celebrity status of Sir Richard Branson has rubbed off on the Virgin brand, so his businesses, from music to airlines to space travel, get instant consumer recognition. Stelios Haji-loannou, a familiar face in Britain, founded easyJet, one of Europe's first cut-price airlines. Mr Haji-loannou, who describes himself on his business card as a “serial entrepreneur”, believes that a brand represents “a promise”. So whether he is attaching his name to a car-rental business, a new no-frills hotel chain or a new cruise line, the consumer knows what to expect from the person putting his reputation on the line. Donald Trump has also turned himself into a brand, but the New York businessman is especially well known for “The Apprentice”, a business reality show on TV. This is a huge hit in America (unlike Sir Richard's own show), and companies pay to be involved.

What is it worth to have the contestants on such a show design a new product for your business, as Burger King did? The fast-food chain then went on to mount a similar competition on its own website. Measuring the effectiveness of such marketing is not easy. The marketing profession has yet to catch up with new media, says Malcolm Hunter, chief strategy officer of Vizeum, a London agency set up to seek out opportunities from recent trends. “Consumers are real people, and companies that understand that can do well.” That might seem blindingly obvious, but he is right to remind the industry of it. Advertisers are still inclined to depict their activities as a form of warfare. Consumers are “targets” and ad “campaigns” are meant to “wear down resistance” and score “hits”.

The rise of consumer power can best be charted through three industries: packaged goods, consumer electronics and cars. In each of these three very different categories consumers carry

increasing cloud. As the cost of the product goes up, they spend more time and effort considering which make and model to buy. The battle for their attention and money begins at the supermarket.

*Look for The Economist's next Technology Quarterly in September.*