



April 2006 Issue

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Editor's Cut



I'm sure most of you at one time or another have thrown up your hands and exclaimed "This business we're in is CRAZY!" In the last week or so I've seen a couple of examples that illustrate the loony-ness around marketing and communications. The first is a piece of fiction, yet I believe pretty relevant. By all means go see "Thank You for Smoking," a well-done satire on the pro-smoking lobby. In the film we follow tobacco spokesperson and self-proclaimed "Merchant of Death" Nick Naylor, as he does his utmost to defend Big Tobacco and reach the target demo of teens. This is a hilarious farce, but at the same time it made me think about marketers, their agencies and the lengths they will go to get customers.

Along the same lines, on April 25 *The Wall Street Journal* ran a story titled "Does the Pope Wear Prada?" The article details efforts by some big brands to get Pope Benedict XVI—a media savvy guy—to be seen wearing (or riding in the back of) one of their products. To be sure, it's not easy determining the Pope's product preferences (shopping.com? MySpace bio?), but you can bet some companies are doing their utmost to work their way into the Vatican inner circle to find out. What I found most intriguing is that the Pope is aware of marketers' efforts to reach him, and he laughs about it. A part of me would like to see the Pope messing with these marketers' minds—wearing Nikes to morning mass and switching to Pumas for evening mass, for example. Nevertheless, this is a prime example of the ultimate power of today's customer!

On a more reverent note about customer power, it seems like tech marketers can use some divine intervention when it comes to CIOs' satisfaction with their brands. A recent study revealed that the level of dissatisfaction with technology brands rose 80 percent between 2003 and 2005. Why? CMOs are unable to deliver on the brand's marketing promise. The common scenario: company Chief Procurement Officers made 'bare bones' deals and CIOs were then forced to respond to immediate technology emergencies with nothing left over for full service. Over time technology brands lost value as a result of a slow but steady erosion of the brand's identity, its promise, and its inherent value.

It's news like this that drove the CMO Council to set its 2006 agenda around the customer. We've started with the release of "Select & Connect: Strategies for Targeted Acquisition and Retention" report, and this week's broadcast of the Select & Connect Webinar. What we found in surveying 550 marketers is that while they're investing lots of money in CRM systems and collecting lots of data, they still aren't in touch with their customers. You can download the report at: http://www.cmocouncil.org/SUBSECTIONS/programs_select.html. The Webinar replay will be up on the site next week.

Our North American CMO Summit, set for October 4-5 at the Four Seasons Hotel in San Francisco, also has the customer covered, with the theme "The Power of Engagement: Gaining Customer Intimacy, Influence & Inspiration." Headline speakers include the top marketing executives from Best Buy and Porsche USA, along with panel presenters drawn from companies like the Yahoo!, U.S. Postal Service, eBay, Discover Financial, Microsoft TV, Symantec, Expedia, Ingram Micro, Nordstrom, and many more. Take advantage of our early bird registration discount. Just click on the Summit banner on this page. Also, be sure to book your accommodations at the Four Seasons, as space is sure to fill quickly. Stay tuned for information on the European Summit, scheduled for November in London.

Finally, we're covering another critical IT and customer-based issue in an ongoing study titled "Secure the Trust of Your Brand," which will provide the first comprehensive view of the impact of digital security and infrastructure integrity on corporate reputations, and what companies can and should do to protect and enhance their brands.

Underwritten by AT&T, Symantec Corporation and Factiva, "Secure the Trust of Your Brand" involves extensive research and analytics by business schools such as Emory University's Zyman Institute of Brand Science, leading media publishers and information service providers, and other experts to assess how much security influences brand perceptions, equity and business value. Look for the full report and follow-up Webinar in the next few months.

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How Marketing Research Can Improve Test Results

By Robert J. Kaden

Direct marketers have a built-in system to determine what works and what doesn't. It's called testing. In hundreds of conversations with catalogers and other marketers that sell direct, I repeatedly encounter the refrain, "I don't need marketing research. I can test anything to see if it really works."

Let's be clear here. There is a major distinction between marketing research and testing. Marketing research takes place before tests are conceptualized; and is referred to as "pre-testing." Testing is the process of determining actual in-market response to various test alternatives.

It's not a matter of whether or not to test. It is matter of choosing the best possible alternatives to test.

Just because it is often quite inexpensive for direct marketers to test a large number of alternatives doesn't mean you should include every option. or example:

- A selection of alternative headlines for a mailer can be tested and a response to the strongest headlines determined
- Various price levels, offers or combinations of all can be easily tested
- Short vs. long copy approaches make for good tests
- Often catalogers will test various covers, inside spreads and the manner in which they feature various services or merchandise

All these examples could have a wide number of options. It's safe to say, then, creating test alternatives is never a problem. The point is to first determine whether the test is worth whatever the cost might be.

Marketing research, or "pre-testing," will optimize any test because it will eliminate the weak alternatives. Why would you choose to test five headlines when only one or two stand a chance of producing roll-out type results? Why test five price levels when you can determine which two are likely to be the strongest in converting your best prospects before you test? And why spend your test dollars creating multiple catalog covers, spreads and merchandising approaches, when pre-testing can determine the ones that stand the strongest chance of being cost-effective?

There are a number of pre-testing methodologies. They include:

Basic customer and prospect attitude studies . It is always amazing that direct marketers will spend large sums of money to test alternatives without first understanding the attitudes and motivations that will cause customers to buy more and prospects to convert. Knowing what your targets feel and think about your products and services of primary importance when creating powerful test alternatives.

Screening research . Assume you have 5, 10, 20 or even more headlines that you are considering for a requestor ad. Pre-testing will enable you to rank the ones that are the strongest. Assuming your target prospects are similar, you can also pre-test a number of offers, pricing strategies and even envelop copy in the same study to make the research even more cost-effective.

Merchandise demand models. How many sales are lost because your merchandise is out of stock? There are a number of sophisticated but cost-effective methodologies that will out-predict your merchant's estimates of demand. Ask yourself how much profits would increase and your overstock markdowns decrease if you improved your stocking estimates by just 10 percent. What about by 20 percent or 30 percent?

New catalog testing. Creating a new catalog is an expensive, time-consuming process. You can greatly increase your chance of increased sales by understanding the factors that will contribute to success. Such elements as the scope of the merchandise being offered, price points, the look and feel of the catalog and the service policies that are most compelling are all fodder for good pre-testing research.

Customer service. Although improving customer service should technically not be considered pre-testing, it should be addressed. There is no question that as customer service ratings increase, so will your sales. By conducting periodic telephone tracking studies to measure customer satisfaction you accomplish two goals: one is to set levels that your customer service people should seek to achieve and thereby optimize re-purchase; the second is to understand the specific areas (e.g., friendliness, knowledge of products, speed of resolving a problem, etc.) that are most important to increasing sales and therefore where particular emphasis should be placed.

Determining a pre-testing budget varies for each company and project. My suggestion would be to first determine how much money you're likely to spend over the next 12 months on live testing and allocate 20 percent of that to pre-testing. Then find yourself a good research professional and begin discussing the kinds of pre-testing methodologies that are best for your situation and the issues at hand.

Once you have your pre-test winners, live test them against your controls. You should even consider testing alternatives that you didn't pre-test but that you think will do well. My guess is that you'll be so happy with the results that your live-testing budget in year two will go down while your pre-testing budget goes up.

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Fed Focus: Public Sector Channel Marketing Makes for Strange Bedfellows

By Gal S. Borenstein



Question: *What is the smartest go-to-market strategy for a Washington-outsider technology leader that desires a piece of the multi-billion dollar federal IT Spend Pie?*

Conventional wisdom leads many Fortune CMOs to the belief that “Going Direct” is the safest route to establish presence. After all, if you are contending to be the next Microsoft, IBM or MacAfee, you certainly do not wish to dilute your brand by over-playing channel marketing. Right? DEAD wrong. A little-known secret outside the Washington beltway is that most successful technology firms that managed to move up from an “outsider” to an “insider,” have done it through two strategic approaches: Strategic Teaming Agreements or Acquisitions of Teaming Partners with pre-established clientele within the federal government.

As the Chief Marketing Executive, your public sector marketing strategy must consider developing effective Strategic Teaming Agreements much earlier than launching an entire direct sales and marketing operation, because they provide your organization with the Lowest-Cost-of-Entry/Highest-Revenue-Potential. It empowers your firm to leverage its brand assets to establish a grounded, profitable and scalable revenue channel in Public Sector.

Consider this: If you are a leading software provider in a Fortune market, you already know that aside from your “functional software,” corporate customers seek comfort, a high level of relational customer service, vertical market expertise and someone who can be accountable within reach. So, you build your organization around these anchors. In a federal agency environment, the same rules apply but the procurement criteria of whom they feel comfortable with are different. Government decision makers like to work with people that know them and understand their procurement predicaments.

Of course, everybody wants to team with the Top 50 systems integrators that one may find on www.WashingtonTechnology.com. But by limiting your imagination to this group, you are essentially denying your organization from creating the best win-win scenario for procurement success. Beneath the radar of most technology marketers lies a golden opportunity in the form of what we call “Set Aside” companies—essentially unknown emerging small businesses that are on the “Most Favored Contractor” list. These companies make perfect partners for you, Mr. Out-of-Town Branding Meister. Such contractors include Minority-Owned, Women-Owned, Veteran-Owned and Hub-Zone (companies that locate the majority of their workforce in economically-disadvantaged regions). These are all created to allow small business the opportunity to win. (Visit www.sba.gov to learn more.)

Visit their Web sites and you might think they are “garage plus” operations, but indeed these lackluster, under-branded entities are quite the opposite of what they appear to be. So why would your company want to be associated with someone who is designated to win business not by the merit of their technology? Revert back to my note about giving the customers what they want. Very often, these small companies (under \$100 million) are staffed and managed by retired Senior Executive Service (SES) officers and former officials of the U.S. government from specific federal agencies where your public sector opportunities are awaiting. Powered by their subject matter expertise, a 20-30 year Rolodex of people that rose in the ranks with them, and the “set aside” procurement advantage, they are the power-brands within your specific targeted agency.

What is the win-win proposition? They get the Rolodex. You got the technology brand. Mix them together; and you have just expedited 2-3 years of channel building.

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Not Another Article About Marketing to Boomers

By Dick Stroud

“Simplistic” and “misleading” are the first two words that come to mind when describing the media’s coverage of Boomers. The same tired old arguments are repeatedly regurgitated, resulting in articles becoming bogged down in a cycle of trivial and unsubstantiated debate. My plea to all journalists: don’t keep making the following mistakes:

Scaring by numbers. Their “spending power” is the most common argument why marketers, especially of the youthful variety, should pay more attention to their parents and grandparents generation. Within the first couple of sentences of an article you will see a quote along the lines of “they own 80 percent of the country’s wealth, worth more than \$XXX billion.” When younger marketers see these statistics they immediately pigeonhole the article as yet another one banging on about old people.

Obsession with strange names. Articles inevitably contain the revelation that it is possible to divide older people into strange tribal groups. They are given names like the sophisticated “Astute Cosmopolitans” and the boring “Thrifty Traditionalists.” Other than the amusement value, why are consumers, that marketers largely ignore, dissected into so many weird sounding segments?

Pick and mix research conclusions . Most articles contain a collection of demographic and economic data proving, beyond doubt, the business importance of Boomers. Journalists then feel impelled to inject the “killer” argument: “but they don’t try new brands.” even though there are numerous research studies showing this to be nonsense.

Blaming the wrong people. Most marketers are aged 20-35. This single fact is used to explain why the majority of marketing expenditure is aimed at their peer age group. Perhaps this explanation contains a grain of truth, but to suggest that marketers are unable to think outside their own generational cohort is simplistic and insulting. The real culprits are corporate senior management (often aged 50-plus) who are unwilling to think the unthinkable and market to their own generation.

Sweeping statements . The final mistake is quoting the simplistic and unproven claims that pour out of advertising agencies. The most common of these being: “advertising to the old alienates the young” and “older people are harder to influence using advertising.”

There may be some truth in these claims but they are such sweeping generalizations as to be useless. My other gripes include: the mandatory reference and quotes from AARP; the use of bizarre photos of old people surfing or ski-boarding; the proliferation of daft terms like SKI and Silversurfers. The list goes on and on.

Instead of regurgitating this dog-eared nonsense, journalists should focus on the fascinating new developments going on in the field of 50-plus marketing.

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From StratFor: The Geopolitics of China

By George Friedman

Chinese President Hu Jintao visited Washington last week for a meeting that diplomatically might be called "nonproductive" -- or, realistically, "disastrous." Not only was nothing settled, but a series of incidents -- ranging from a reporter shouting insults at Hu and being permitted to continue doing so for three minutes, to an announcement that the national anthem of "The Republic of China" (also known as Taiwan) was being played -- marred the visit, to say the least.

It is hard for us to believe that the admission of a Falun Gong member to the White House press pool would go unnoticed by the White House staff, or that it would take three full minutes to silence her. We are, sad to say, cynical people, and it is plausible that the insults were deliberate. The American side had been leaking for weeks that Hu would try to use the visit for his own political ends in China, and wanted to be granted every honor conceivable during the trip. The White House appeared irritated by this hubris, although it would, on the surface, appear quite natural for the United States and China to exchange full diplomatic courtesies.

Obviously, something serious is going on in Sino-U.S. relations. The United States has openly discussed a hedge strategy on China, under which economic relations would proceed while the United States increased its military presence in the region as a hedge against future trouble. China, for its part, has been more than a little troublesome in areas where the United States does not want it to be, particularly during the current confrontation with Iran.

China and the United States are bound together economically. That is one of the major problems, since they need very different things. The Chinese economy, as we have argued in the past, is not doing nearly as well as its growth rate would indicate. We won't rehash our views on that. However, the economic reality creates an obvious tension. Chinese exports are surging at very low or nonexistent profit margins in order to sustain a financial system that has accrued a nonperforming loan burden that is, by some measures, as high as 60 percent of gross domestic product. The United States is addicted to Chinese imports, and China is addicted to exporting to the United States. The United States wants China to revalue the yuan in order to raise the price of Chinese exports. The Chinese, eager to maintain and increase exports, have no intention of allowing a meaningful rise in the yuan.

There are other forces binding the two countries together as well. The most important is Chinese money -- which is flowing out to other countries precisely because China is no longer a particularly attractive place for Chinese investment. There is serious capital flight under way, as money is redeployed to safer havens. The safest haven from the Chinese point of view is the United States -- thus, Chinese investment there is surging. And the United States needs this money. In this sense, both countries are in a death-lock. There is no other economy that is as large, liquid and safe as the American economy. Chinese investors need their funds to be in the United States. And there is no larger pool of cash than China's to finance U.S. debt.

This means that there is no divorce looming in Sino-U.S. relations. But at the same time, it must be noted that, despite very close connections between China and Japan, Sino-Japanese relations have deteriorated remarkably -- and it is China that has driven the estrangement. The reasons are political: China's government has domestic problems, and patriotic fervor will tend to buttress Beijing's power. Japan is still deeply hated for its behavior in World War II, and attacking Japanese behavior is good politics. The Chinese have strained relations with Japan nearly to the breaking point.

What is important here is this: It must not be assumed that China is driven purely by economic considerations. In the case of Japan, Beijing clearly has subordinated the economic advantage of having smooth relations with Tokyo to its own domestic considerations. Now, Japan is not the United States -- it is a significant country for China, but not economically decisive in the way that the United States is. The Chinese have more room for maneuver there. At the same time, it must

be understood that China is playing a complex game, and while making money is up there on the priority list, it is not the only thing up there. Preserving national unity in the face of centrifugal forces and foreign power also matters a great deal to the Chinese.

It is therefore time to stop to consider China's national strategy in the long run, and therefore, to consider China's geopolitics.

The Geography Factor

Beginning, as is necessary, with the outlines of China's national boundaries, we are immediately struck by the fact that China is, in many ways, an island. To the east are the South and East China Seas. To the northeast is Siberia, thinly inhabited and to a great extent uninhabitable. Some limited military expansion in that direction is possible, but a large population could not be sustained. To the direct north is Mongolia -- occasionally part of China, occasionally the ruler of China, but currently a fairly unimportant area, not worth projecting force into. To the southwest are the Himalayas. There is frequent talk of India as balancing China, but this is, in fact, meaningless. They are as much separated as if there were a wall. There can be skirmishes along the dividing line in the Himalayas, but no massive movement of armies.

In the southeast, there is Indochina. China could expand there, but the last time there were land-based skirmishes, in 1979, Vietnam beat the Chinese soundly (though both sides claimed victory). Jungles and mountains stretching from eastern India to the South China Sea make that region impassable, even without the need for self-defense. Finally, there are the western approaches into Central Asia, through Kazakhstan. This has been the traditional, and in some ways only, route for Chinese aggression. China is certainly deeply involved in Central Asia, but its own region of Xinjiang is both Muslim and hostile to Beijing. It does not provide a base for launching invasions, even if one was wanted.

For these reasons, China must be viewed as one of the most insular great powers in the world. It has occupied most of the terrain that is accessible to it; what remains is either inaccessible, undesirable or quite able to defend itself. China's great interest, therefore, should be the oceans. Over the past 20 years, China has become a major exporter and thus should have a great interest in securing its sea lanes. But China's coastal waters are effectively controlled by the U.S. 7th Fleet. Constructing a navy that could challenge the U.S. Navy would take a fortune, which China probably has, but also one or two generations would be needed -- not only for construction, but for establishing a military culture suitable for an aggressive naval force.

Most important, challenging the U.S. Navy with a Chinese navy cannot be done regionally. The United States has fleets other than the 7th Fleet, and if the U.S. Navy were concentrated against China, the Chinese could not fight a defensive battle. They would have to take the fight to the Americans, and that would mean fielding a global naval force. China might one day have that, but they do not have it now. In this sense, the standard concerns about a Chinese invasion of Taiwan are not realistic. China does not have a naval force capable of taking control of the Taiwan Strait, nor the amphibious force needed to gain significant lodgment in Taiwan, nor therefore -- and this is the key -- the ability to sustain a multidivisional force in Taiwan.

The Internal Divide

China does not have many regional options with conventional forces nor, for that matter, does it face a conventional threat from within the region. China's primary geopolitical problem, and thus its chief military mission, is domestic. China is a highly diverse and fragmented country; maintaining control of the current extent of the country is the major strategic problem. Unlike most nations, whose external geopolitical problems define their military thinking, China's internal geopolitical problems drive its military planning.

There are two dimensions to these problems. The first is ethnic: China occupies areas like

Xinjiang, Tibet and Manchuria that are ethnically distinct and sometimes restive. The other and deeper problem, however, is not ethnic but regional. China has a large coastal plain. It also has a vast interior that is mountainous. The tension between those two regions historically has been a great challenge that China has faced.

The interior is heavily driven by agriculture -- subsistence agriculture. It is extraordinarily poor, and arable land is minimal. The coastal regions are relatively better off, to the extent to which they conduct international trade through coastal ports. Thus, China has had two realities. In one, the coastal regions were cut off from the rest of the world, and there was a rough equality between the regions. Until the British showed up in the 19th century, for example, trading with foreigners had been illegal. After the British forced China open, the coastal regions boomed, and the country fragmented; the coastal regions, manipulated by foreigners who were in turn manipulated, turned outward to the ocean, while the interior stagnated. Mao tried to create a revolution in Shanghai and failed. Instead, he went on his Long March to Yanan in the interior, raised a peasant army from there, and came back to conquer the coast. He also closed off China from the world, creating poverty but relative unity.

Deng gambled with the idea that he would be able to have his cake and eat it too. He opened China to the world, thereby enriching the coastal regions and recreating the tension that Mao had sought to abolish. For 30 years, Deng's gamble worked. Now it is breaking down. Beijing is urgently trying to shift resources from the wealthy coastal regions to the restive interior. The coastal provinces naturally are resisting. The great question is whether Beijing will be able to juggle the two realities, whether China will again turn inward to maintain geopolitical integrity or if it will fragment further into warring regions.

Balancing the two indefinitely is the least likely outcome. But China does have one other card to play, which is patriotism. The Communist Party has little legitimacy at this point, but the idea of China -- particularly among ethnic Chinese of whatever region -- is not a trivial driver. In order to generate patriotic fervor, however, there must be a threat and an enemy. At this point, the Chinese are using the Japanese in order to sustain patriotism. Reclaiming Taiwan would stir the spirits and reduce regional tensions, but this, as we have pointed out, would be militarily difficult in any conventional way. Moreover, it would bring a confrontation with the United States.

Priorities and Options

If we accept the idea that maintaining the territorial integrity of China is its greatest geopolitical imperative and that regional prosperity comes second for Beijing, it follows that the government will attempt to impose its will on the coast, and trade and economic concerns will come second. Beijing's interest in having smooth trade relations wanes, both because the wealth gap exacerbates tensions between the regions and because the interest runs counter to its need for external confrontation. It follows from this that China's primary interest -- and ability -- would be to maintain security in China, and that foreign adventures would be avoided except under circumstances in which they would have a high probability of success and would serve internal political interests.

A secondary goal would be to protect China's coast from foreign encroachment. Imagine the following scenario: Business and Party interests in the coastal region are resisting Beijing's efforts to bring them under control and impose taxes. The situation becomes unstable, and Western interests, investments and the expatriate community living there are jeopardized. Through some political contrivance, these local leaders position themselves as the regional authority and ask for American intervention. The United States decides to intervene. Given that this is roughly what happened in the late 19th and early 20th centuries in China -- during which time there was a major American presence in Shanghai -- it is not as far-fetched as it might seem.

Under these circumstances, the government in Beijing would be forced to resist or abdicate. So, if the primary interest of China is the maintenance of internal security, a secondary interest would

be deterring foreign interventions in the event of instability. The tertiary interest would be some form of force projection in the region, particularly against Taiwan -- which not only could be regarded as an internal security matter but would provide the regime with patriotic credibility.

If we accept the premises that China's major resources will go to the army for security purposes, and that China is at least a generation away from having a significant naval force, then what military options do the Chinese have? Obviously, one is its nuclear force. That is a serious deterrent; nations have attacked nuclear powers (Egypt and Syria against Israel in 1973) but not for the fairly marginal reasons the United States might have to get involved in China at some hypothetical future date. But given that deterrence runs both ways, nuclear stalemate always leaves opportunities for subnuclear threats.

The prime military lever within China's reach is not sea-lane control, but rather sea-lane denial. Using anti-ship missiles, the Chinese could impose heavy attrition on the sea-lanes leading to Taiwan and even potentially interdict Japan's sea-lanes. This would not guarantee China control of the sea-lanes, and that is a problem if China is importing oil by sea. However, in extremis, it would hurt Taiwan and Japan more than China. And if the Chinese had systems that could threaten to overload U.S. Aegis and follow-on systems designed to protect warships, then it could force the 7th Fleet to retreat as well. The tactic would serve as a deterrent against intervention and as a suitable secondary system to supplement the army. It would also serve as a threat to the interests, if not the survival, of Taiwan.

All of this is of course hypothetical and speculative. It assumes that the current trends in Chinese relations with Japan and the United States are merely road bumps rather than fundamental shifts in China's pattern. But given that China does shift its pattern every 30 years or so, and that the stresses on China make it reasonable to expect some shift -- and finally, given that there is a trend toward increased tensions in play -- it is not unreasonable to think of China in a different way than has been customary. China has been seen by Americans as a giant money factory. It is that, but it is both less than that and more. It is a great power facing other great powers, and a superpower. And while the scenarios here are extreme, thinking about the extremes can be useful.

Is Your Agency Producing Sanitary Advertising? (Part One of a Two-Part Series)

By Mike Carlton

San-i-tar-y

Adj. A clean condition. Hygienic. Elimination of dirt and agents of infection.

Creating Advertising

You know the drill. The client needs a campaign. The agency hires a research firm to conduct focus groups among consumers. An agency planner may or may not attend. But if she does, it is often from behind a one-way glass.

Then the research firm writes a report – always with a short executive summary. Sometimes with charts and tables. Sometimes with audio or video tapes. The agency planner reads the executive summary. But because of time pressures puts the charts, tables and tapes aside intending to study them later.

The planner – sometimes in collaboration with the AE – writes the brief. It may be insightful. Or it may just cover the facts. Sometimes this is shared with the client. But if not, the AE makes sure it reflects the client's point of view. The brief is passed on to the creatives. Sometimes there is a meeting to discuss it. Sometimes individual schedules don't permit.

The creatives develop advertising that meets the brief requirements. If they have too little to go on their solution may become a bit self-indulgent. The AE reviews it and if it looks OK, takes it on to the client. The client approves it. It is produced and the advertising runs.

The consumer sees it. And yawns.

What's Wrong Here?

The advertising clearly meets the criteria called for in the brief. It reflects the research summary. And it certainly reflects the client's point of view. The creatives have poured their best talent into it. They are proud of it. It may even have won an award. From a scientific business standpoint everything was done right. All the checklists were completed. The quality of production was excellent. The media placement was numerically efficient. All as it should be.

So, why did the consumer yawn?

Could it be that the advertising was too sanitary?

Tuning Out

Everyone knows that consumers are increasingly tuning out advertising that is not personally relevant to them. And also advertising that presents a picture that is contrary to their personal experience.

For example, the TV spot showing helpful, smiling telemarketers when you just called and got a recording saying, "Your call is important to us..." Or when the ad talks about its friendly customer service at a bank where the teller has just growled at you because you filled out your deposit

ticket wrong. Or when the advertising about a product has been stretched to a point of convincing you to buy, only to find out later that it really doesn't do what you thought it would.

It is getting harder and harder to make a meaningful connection with consumers.

And, advertising by the book is not getting the kind of traction agencies need. Or clients deserve.

People are Strange

When I was a kid if I came home from school complaining about someone else's behavior, my mother would say, "You're right Mike, people are strange. Aren't you glad you aren't one of them?"

The truth is that people are not only strange, they aren't sanitary either.

Human beings are messy. And illogical. And perverse. And contrary. And independent. And unpredictable. Consumers are not tidy ciphers that can easily be reduced to a one page research summary or an agency brief. As advanced as our science is, its best is incredibly puny compared to the human mind.

People are far too complex to be dealt with so impersonally. Or without the individual respect and dignity they deserve.

And agency people that don't honor that truism are doomed to creating sanitary advertising that may look great against all its scientific criteria but just doesn't work with quirky consumers.

BusinessWeek

Recently *BusinessWeek* had a cover story titled, "Math Will Rock Your World." Its thesis is that the wealth of data that is now available about each of us and the computer power available to analyze and manipulate that data can raise the understanding and predictability of human behavior. This will be a quantum jump within our society. And mathematicians will lead the way in this development.

It is an excellent report, and should be read by every agency professional. Lots of good stuff here. Much of the thinking can be of great value to agencies and marketers. As well as in our personal lives.

However, it doesn't address the fundamental fact that the consumer has a pervasive contrarian streak. *None of us likes being pinned down.*

History has repeatedly shown that as soon as we get the feeling that the consumer is neatly pigeonholed, she changes on us. She is incredibly elusive. As soon as she is safely in our logically driven sights, she moves the target.

The rise and fall of brands and categories is driven by this fickle nature. Tidy predictive models, statistical analysis, and precise briefs are vital. But, they can only go so far.

Predictive models are usually being driven through the rear-view mirror, while the consumer is intuitively looking ahead, and altering behavior accordingly.

The Role of Empathy

Empathy is defined as the ability to project one's own personality into the personality of another so as to better understand his emotions, feelings and behavior. And consumers, yea all of us, respond best to others who are empathetic with us. There is nothing complicated here. This is a plain fact of human behavior.

But empathy doesn't come easily. Particularly in a business environment that increasingly looks to sterile quantitative metrics to measure success. Empathy is often derided as being too soft and fuzzy. The concept of empathy can make the "If you can't measure it, it does not exist" school of business thought very uncomfortable. It's just so uncertain and unpredictable.

Yet, while empathy may not be currently in vogue, we all know from our individual private lives that, it is the bedrock of all of our personal relationships with those we care about. And the people who are better at creating empathetic relationships are those most likely to build enduring, happy, productive lives.

That's the way life works. It is just that simple.

Lessons from the Past

While the great advertising breakthroughs of history, and the great agency practitioners, were each quite different, they all had one thing in common. Their success was based on keen empathy with the audience.

Sure they had good factual information. And sure they knew what the best practices of the day were. But arching over all of that was an intuitive understanding of the psyche of the consumer.

Understanding that did not come in a sanitary package.

Any study of giants like David Ogilvy, Leo Burnett, Jay Chiat, Bill Bernbach, and their peers reveals that basic empathetic intuition was a driving factor in their thinking. And so it was for innovators like Thomas Edison, Henry Ford, Steve Jobs, Bill Gates and others whose visions have so changed our lives.

The thinking and actions of these guys was not detached and sanitary.

A Growing Gulf

What we're seeing here is not a pretty picture. It appears that the marketer and the agency are focusing more intently on sterile quantitative measures or arm's length insights and briefs to drive their marketing strategies and advertising.

And the consumer is increasingly feeling disengaged from the marketer. The sense of personal bond is declining. It may not be full alienation yet, but it's moving in that direction. Many consumers believe that marketers just don't get it.

A gulf has developed. And it is getting wider. Neither the consumer nor the marketer and its agency really understand the other as well as they might.

But remember, the consumer is always the king. No matter how logical and scientific the marketer and agency position is, if it isn't empathetically grasped by the consumer, it will not work.

The responsibility for closing this gap falls on the marketer and its agency.

(Next month Part Two will cover the specific role of agencies and marketers in “un-sanitizing” advertising.)

Mike Carlton is founder of Carlton Associates, a consulting firm that focuses on agency business issues and other management challenges. His client roster numbers more than 100, including mid-size independent agencies, offices of global agency organizations, as well as successful smaller shops. He currently serves on the advisory or corporate boards of a number of agencies and related firms. Mike can be reached via www.carltonassociatesinc.com.

The Download **From ClickZ: What Ever Happened to Clickable Video?**

By Tessa Wegert

Where online video advertising is concerned, interactivity has been an objective of buyers and planners for quite some time. Some have achieved it by creating original applications that engage the user. Others have focused on the video content itself, leveraging existing material and tacking on an interactive layer.

Both approaches have been facilitated by such rich media companies as United Virtualities (UV), Avant Interactive, and Klipmart, all of which introduced "clickable video" solutions in recent years. As you may expect, these formats allow Internet users to click on various aspects of a video to pull up additional information and link to external sites. The result is brand-building video content that fulfills one highly coveted marketing goal: engaging consumers to incite an immediate response.

When clickable video began to garner media attention last year, many of us were excited about its possibilities. As time went on, media interest waned, and active examples of its use were rarely seen. Given the ongoing interest in rich media, this technology should by now be as prevalent as online video itself. So where is it, and who, if anyone, uses it?

I spoke with representatives from UV, Avant, and Klipmart to get an update on clickable video. All came to the same conclusion: clickable video is the future of online video. It's just taking time to catch on.

"The whole idea of the Internet is that it is a dialogue, not a monologue," says Mookie Tenenbaum, founder of UV, which launched its clickable video solution, Shoshmosis, early last year. "A video that is not clickable is a monologue."

According to Tenenbaum, clickable video is already prevalent, but not in North America. Since last year, his company has tightened its focus on international markets, where, he says, "anything with innovation has a higher value" to advertisers. Shoshmosis is currently most popular in China, where companies such as IBM and Audi employ it to engage consumers with their products. It's also used in Europe and Mexico.

UV continues to offer the product in North America, but Tenenbaum hasn't seen the same level of interest from U.S. advertisers yet. "The U.S. is pretty conservative in its decisions," he says, citing the adoption of floating ads. They were invented around 1999 but didn't become mainstream until three years later.

Still, Tenenbaum is hopeful advertisers on our side of the pond will become increasingly experimental. When asked who could benefit most from the clickable video format, he points to auto manufacturers and advertisers interested in product-placement-type promotions. Shoshmosis allows the former to highlight product features and the latter to highlight the products themselves within a real-world context.

Since gaining acclaim with its Honda campaign last year, Avant continues to receive requests about its interactive video application v-click, launched in 2003. Among those parties interested are television programs and networks, which have endless amounts of video footage to utilize online and leverage to create interactive games.

"Using the technology in a gaming scenario will keep the user on the site longer and enable the publisher to serve more advertising, driving revenue," says Dan Bates, Avant's president. He

notes a recent campaign created for NBC's daytime show "Passions," in which Internet users must locate clickable symbols to reveal bonus material and hints to the plot line's mysteries.

Like Tenenbaum, Bates believes clickable video use will expand as advertisers look for new ways to engage viewers on the Web. "The Internet... has led us down the path of interactivity, and now the video that we watch can also be as interactive as the Web pages we read," he says. "Full-motion video coupled with Internet-like user control will be the future of online advertising and content enjoyment."

Klipmart, which launched The Sweet-Spot clickable video format last year, has also seen interest concentrated among entertainment advertisers and videogame clients. "But ultimately I see it being a large part of the online video advertising scene," says Chris Wilson, the company's director of marketing.

Wilson offers another theory for why clickable video isn't widely utilized. "The main reason it hasn't taken off so far is that video content isn't necessarily always conducive to integrating clickable links," he says. "This either means advertisers would need to create unique video just for this purpose (which Klipmart recommends), or they'd have to already have video assets that would work for this feature."

As our industry increasingly allocates more ad dollars to online creative, Wilson believes the use of technology like Sweet-Spot will be bolstered. "There are lots of great applications in terms of shopping, [such as] clicking on outfits in videos," he says. "We're progressing towards the point where there will be more Web-specific video content."

As media buyers who answer to our clients, we're often hesitant to propose advertising solutions that aren't yet widely established. But this approach can result in a missed opportunity to wow our advertisers and differentiate them from their competition. Why wait until clickable video goes mainstream? Its popularity is already long overdue.

Join ClickZ for its [Online Video Advertising Forum](#) in New York City, June 16, 2006.

Special Offer to CMO Council Members: 20 Percent Discount for Six Sigma in Sales & Marketing Conference

The Worldwide Conventions and Business Forums (WCBF) have announced the speakers for the latest event in their unrivalled Six Sigma series, the [Third Annual Six Sigma in Sales and Marketing](#) conference, set for August 22-24 in Chicago.

This year's agenda, addressing beginner through advanced practitioners, boasts an outstanding speaker panel of highly qualified Six Sigma experts. The keynote addresses will be delivered by Mike Pistorius, associate vice president, Sanofi Aventis, who will be examining the application of Six Sigma to Sales and Marketing Transactional Functions, and Christine Cantorino, vice president, Motorola, who will demonstrate how the voice of the customer can close the gap between what customers' value and what you provide.

In addition, the event will feature Six Sigma deployment leaders and expert practitioners across all industries, including representatives from Dell, Motorola, Microsoft, Xerox, Ceridian, Henkel, Sanofi Aventis, TRW Automotive, Saudi Aramco, Sun Microsystems, ServiceMaster, Ingram Micro and many more.

The conference includes four separately book-able pre-conference workshops on Tuesday, August 22. Gain insight into practical experiences and lessons learned to boost top line growth, improve sales efficiency, measure the success of projects, align sales and marketing with strategic objectives and overcome the challenges of cultural change required for effective Six Sigma deployment.

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