Trademarked Terms in *Secrets of the Marketing Masters*

Abercrombie & Fitch
Accorent
Actonel
Activia Light Yogurt
Aeron chair
Air Jordan
Al Fresco
Altoids
Always
Amazon
American Express
American Girl
Anthropologie
Apple
Arm & Hammer
Asacol
AsianAve
AT&T
Aunt Jemima
Avon
Axe deodorant

babyGap
Bacardi
Baileys
Banana Republic
Barbie
Bath & Body Works
Becton, Dickinson (BD)
Belvedere
Best Buy
Betty Crocker
Big Mac
Bisquick Shake 'n Pour
Biz360
BK Stacker
BL Lime
Black & Decker
BlackBerry
BlackPlanet
BMW
Booz Allen Hamilton
Bristol-Myers Squibb
Budweiser
Burger King
Burton Snowboards
Bushmills
Butterball
BzzAgent

Cabela’s
Campbell's
Camry Hybrid
Captain Morgan
Carl’s Jr.
Caterpillar
Charmin
Cheerios
Cheheea Milling Company
Chevy Tahoe
Chloé
Chrysler
Circuit City
Ciroc
Cisco Systems
Citigroup
Clairol
Clamato
ClearRx
Clorox
Coca-Cola
Comcast
ConAgra

Constellation Wines
Corona
Courvoisier
CoverGirl
Craiglist
Crayola
Credit Suisse
Crest Whitestrips
Crocs
Crown Royal
CVS

Dacron
DanActive Probiotic
Dairy Drinks
Dannon
Dawn
Dell Computer
Del Monte
Delta
DeSoto
DeWalt
Diageo
Digital Equipment
Disney
Dove
Doritos
Double Crossan’wich
Downy Wrinkle
Releaser
Dreamweaver
Dunkin’ Donuts
DuPont

ey
Enormous Omelet
Sandwich

Facebook
FaithBase
Fehrreze
NOTICEables
FedEx
Fiber One Chewy
Bars
Fireworks
Fiskars
Flash
Flickr
Folgers
Ford Focus
Four Seasons
FreeHand
Fresh & Easy Smart
Box
Frito-Lay

Gain
GapKids
Geek Squad
General Electric
General Mills
General Motors
Ginsu
Gleem
GlobalFluency
Gmail
GO International
Goldfish
Goodwill
Google
Gramma
Guinness

H&M
H&R Block
Harrah’s
Harley-Davidson
Hebrew National
Healthy Choice
Heidrick & Struggles
Hearty & Delicious
Herbal Essences
Hewlett-Packard
Hill-Rom
Hilton
Home Depot
Honda
Huggies

IBM
IDEO
IKEA
InnoCentive
Intuit
iPad
iPod
iPhones

J&K
J-Crew
Jaguar
JCPenney
Jeebie Girwa
John Deere
Johnson & Johnson
Jones Soda
Jose Cuervo
Just Ask a Woman

Kelley Blue Book
Kellogg’s
Kibbles ‘n Bits
Brushing Bites
Kimberly-Clark
Kiwi
Kmart
Kraft

Lee One True Fit
Jeans
Lego Mindstorm
Levi’s Totally
Slimming Jeans
Litton Industries
Lyca

M&Ms
Mac
Macromedia
Macy’s
Maidenform
Marshall Field’s
Mattel
McDonald’s
Mercedes-Benz
Method
Metro?
Michelin
Microsoft
Miller Chill
Millstone
Motorola
Mr. Clean Magic
Eraser
My DNA Fragrance
MySpace

Nabisco
Nescafé
Nestlé
Netflix
Net Promoter
Nice ‘n Easy Perfect
10
Nike
NineSigma
Nissan Sentra
Nokia
Nordstrom
Nortel
NottinghamSpin

Ogilvy & Mather
Worldwide
Oil of Olay
Olay Regenerist
Old Navy
Oldsmobile
Old Spice High
Endurance Hair & Body
1–800-FLOWERS
1–800-MATTERS
Oracle
Oreo & Strudel
Origin

PAM
PepsiCo
Penn State
PepsiCo
Pilsbury
Pitney Bowes
Pontiac G6
Porsche
PowerPoint
Pringles
Prius
Proctor & Gamble
(P&G)

QuickBooks
Quicken

Range Rover
Reebok
Rolex
Rolodex

SAP
Sara Lee Corporation
Saturn
Schick Quattro
Seagate Technology
Seagram’s
Secret
Sheraton
Sherwin-Williams
Simply Shabby Chic
Singapore Airlines
Soin
Snap-on tools
Snausesas Breakfast
Bites
Soft and Smooth
Sony

Southwest Airlines
Sports Tracker

Staples
Starbucks
Starwood
Studio
Sun Microsystems
Swash
Swiffer

Tampax
Tanqueray
Target
Tesco
The Body Shop
The Gap
The Limited
3Com
3M
Evolution
Tide Clean White
Tide Simple Pleasures
Tide Triple Action
Timberland
Time Warner
TIVO

Toyota
Toyota’s R"Us
Trader Joe’s
Treasure
Trax
Twist-n-Pour
Twitter
Tylenol

Uncle Ben
Unilever
uPlayMe
Urban Outfitters

USA

VeG-O-Matic
Verizon
Versace
Victoria’s Secret
Vixxx
Virgin
Volkswagen Golf
Volvo

Wachovia
Wal-Mart
Wang
Warner Music Group
Wendy’s
Whirlpool
Whole Foods Market
Whopper
Wikipedia
Woolco
Wrigley

Xbox
Xerox

Yahoo!
Yoplait Go-Gurt
YouTube

Zappos
Zara
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may have been reorganized out of a job as their company hunkered down in a declining economy. Others may have simply decided to cash in and pursue other passions. Just as I turned the manuscript for this book over to my editor, Procter & Gamble’s Jim Stengel announced that he was retiring at age 53 to devote the balance of his professional life to “promote marketing as a positive force in the world.”

Stengel, a twenty-five-year veteran of P&G, with seven years in the top marketing job, was an important player in the company’s turnaround of recent years. He also has an almost evangelical belief in marketing’s capacity to improve people’s lives. At first, the notion that marketing can make people’s lives better sounds naively pious at best and a clumsy attempt at misdirection at worst. Veg-O-Matic food processors and Ginsu knives made their marketers’ lives better for sure, but their contribution to genuine consumer happiness is arguable. And while erectile dysfunction potions fill an important need, it’s probably narrower than its marketing would suggest.

MARKETING ON PURPOSE

But that’s precisely Stengel’s point—if marketers were to think more deeply about their higher purpose, it would influence what they do, from product conception to promotion. “Think of Pringle’s higher purpose as bringing a little unexpected joy into people’s lives,” he says, “and it affects everything you do from its formulation to its packaging and its promotion.” A product’s higher purpose isn’t necessarily high-minded, but it’s deep-rooted. “Every great brand started for a reason,” he says. “Purpose-based marketing is about getting back in touch with that idea. When that happens, you see a different level of performance, a more personal commitment to doing things better.” He’s seen it happen within his own company and elsewhere, as we will see.

But purpose-driven marketing requires a level of customer intimacy that doesn’t come naturally to marketers who work from secondhand briefs and shopworn strategies. In a landmark speech to the American Association of Advertising Agencies in 2004, Stengel declared existing marketing models “obsolete” and gave the industry a grade of C—. That restless dissatisfaction with the status quo, combined with keen intellectual curiosity, characterizes all the masters of marketing and is
intersection of their product’s higher-level purpose and people’s deepest needs, desires, and values.

**CHALLENGING TIMES**

When Burtch Drake retired as head of the American Association of Advertising Agencies, one friend noted that his career spanned the period from three-martini lunches to multiplatform plays. Burtch himself confessed to me that he could sum up the current state of marketing in one word—confused.

Consider these innovations just leaving the lab. Broadband technologies turn televisions into interactive kiosks and put full-motion video on cell phones. Two-dimensional “QR” codes on supermarket products and in store windows connect cell phones to websites. Radio frequency identification tags in product packaging cue tailored messages to appear on shoppers’ screens when people lift a product from the shelf—“Want jelly with that peanut butter?” Cell phones become electronic “wallets” paying for everything from a bus ride in Helsinki to a Big Mac in Tokyo.

Data mining at point of sale floods corporate offices with a tsunami of customer information. New digital media continue to grow like weeds. And the number of media measurement tools, such as ratings, circulation, and ad recall, jumped from slightly over fifty in the 1970s to more than 400 today, including people meters, engagement, and point-of-purchase data. CPM (cost per thousand) metrics are being supplemented or supplanted by new metrics like CTRs (click-through rates).

Just when marketers master the latest acronyms, a new crop sprouts. Every new development is a double-edged sword. Globalization opens new markets, but also creates new competitors. New technologies feed product innovation, but nothing stays proprietary for very long. Closed markets open, regulations are eased, but instant communication puts every corporation in a glass house and arms their critics with greater influence, if not bricks to throw. Affluence spreads, but pricing pressures mount. Marketers have more ways to reach customers, but customers have greater control over how, when, and even if they’re reached.

Meanwhile, senior marketing leaders also have to cope with silos
within their own companies. Not only do they have trouble winning the cooperation of sales, finance, and operations, they often find themselves arbitrating between shops under their direct control—for example, between market research and communications. Many companies even have competing marketing organizations at headquarters and in business units or regions.

Consulting firm Accenture found that marketing is not held in high regard by a large majority of executives at organizations worldwide. When asked to rate the contribution of eleven corporate functions to their company’s success, just 23 percent of executives said marketing makes a “very significant contribution,” compared with 61 percent for sales and 43 percent for customer service.

And while marketers cope with all these challenges, their bosses push for more accountability. Department store magnate John Wanamaker might have been willing to accept that half his advertising was worthless, but today’s CEO wants to know exactly what he or she is getting for his or her marketing investment. And the CEO wants it in the dollars and cents of sales and profits, not fuzzy brand-speak. In the absence of such data, many CEOs don’t know what to do with marketing.

Bill Watkins, CEO of Seagate Technology, told the Wall Street Journal, “I watched someone propose a $20 million marketing campaign and we just vomited all over him. Two days later, my CFO and I approved a $950 million research-and-development budget in about 15 minutes. But to spend $20 million on marketing? We just don’t know how to do that. It just drives us nuts.”

Watkins is not alone. The Fortune 100 companies have a combined 1,200 board members. Only thirteen are marketers. That’s about one percent. John Quelch, of the Harvard Business School, estimates that only one-third of boards regularly see even the most basic marketing data. Several executives who serve on prominent Fortune 50 boards told me that they have never been in a meeting where marketing programs were specifically tied to revenue.

“Boards and even CEOs struggle with the connection between marketing and results,” one board member told me, “because they don’t understand and nobody explains it.” Boards, with few exceptions, are reactive to marketing and far less likely to ask, “How much should
we do?’’ than ‘‘How much can we afford?’’ Worse, under every board member’s pinstripe suit is a metaphorical T-shirt that reads, ‘‘I don’t know anything about advertising, but . . .’’ If they focus on marketing at all, it’s usually on its upstream manifestations such as the TV commercials that caught their spouse’s attention.

**CHIEF MAYBE OFFICER?**

According to one CMO who has been living with all these challenges, ‘‘It makes for a deadly cocktail of high expectations, resistance, and complexity.’’ Indeed, CMOs at companies large and small have been succumbing to that lethal potion. Spencer Stuart’s Greg Welch says forty of the country’s one hundred biggest consumer companies changed their top marketing officer in 2006, only three by promotion. And in the past three years, seven out of ten companies have reorganized their marketing departments. Things have gotten so bad that Marketing Week, *Advertising Age* editorialized: ‘‘Perhaps we should just call for the end of the CMO position. . . . At the very least, let’s change the title to chief maybe officer—as in, maybe he’ll stick around; maybe he won’t. Maybe her new initiatives will be well-received and move the needle; maybe they won’t.’’

Even if mostly tongue in cheek, such a Kervorkian approach is probably premature, but it does give one pause. Especially considering that, according to the Institute of International Research, senior executives in the United States consider marketing the most important expertise required of the next generation of business leaders.

In an era of consumer uncertainty and corporate insecurity, we are all marketers. Every businessperson plays a role in creating and keeping customers. And whether or not you have the CMO title, you have to deal with the same ambiguity, complexity, and accountability. The good news is that you can learn from the examples—and even the mistakes—of others. The secrets of the marketing masters are within your grasp.
marketing officer Gerstner installed, Abby Kohnstamm, decided to narrow IBM’s roster of ad agencies from more than eighty to one. Under Kohnstamm, Flaherty managed the global brand advertising that resulted, including its iconic “e-business” campaign, and eventually moved through a series of other senior marketing jobs.

Flaherty loved IBM and enjoyed her job. But, “When you do what I do for a living,” she says, “you’re really attracted by the prospect of taking a company with potential to the next level.” That prospect put her on a plane to Chicago to meet with another company’s chief executive. He had only had the job himself for about a year and still hadn’t moved his family to the company’s headquarters city. If that gave Flaherty pause, she didn’t show it.

TURNAROUND CANDIDATE

The company itself had recently sold its million-square-foot corporate campus, complete with a 2.5-kilometre walking trail, basketball court, Zen garden, and indoor climbing wall in Toronto’s suburbs and moved down Canada’s Highway 427 to an industrial park on the outskirts of the city. About seven miles from the airport, the company’s new headquarters was a boxy eleven-story building that might have been an IBM warehouse. In fact, the matching building next door was a food warehouse. The company was Nortel and it’s a toss-up whether the “potential” Flaherty saw was the product of her optimism or of her supreme confidence.

Once a high-tech darling, Nortel had suffered more than most through the bursting of the dot-com bubble and the industry meltdown that followed. Nortel’s previous CEO and CFO had been charged with accounting fraud and fired. It had laid off two-thirds of its workforce, paid $2.5 billion to settle a shareholder lawsuit, and seen its market capitalization plummet to one-fiftieth of its peak just six years earlier. The new CEO, a veteran of GE and Motorola, was changing out most of the company’s top leadership, and he was looking for a world-class chief marketing officer.

Flaherty was intrigued. On the surface, she thought, Nortel and IBM seemed to share many characteristics—both were high-tech companies dominated by (largely male) engineers. Both were iconic companies that “had gone off the tracks and had to be rebuilt.” Like IBM
difficulty. “It’s no longer simply about driving marketing programs. It’s about creating a truly customer-centric mind-set across the enterprise,” Welch says. “And the data suggest that fewer and fewer CMOs have been able to drive such a massive shift in thinking. Today’s top performers must have an extremely strong grasp of adjacent functions like IT, finance, and customer service, not to mention sales and supply-side management.” The masters of marketing understand business goals from the perspective of a general manager. They can interpret those goals into marketing programs that deliver results. And they can win the support of their colleagues on the executive team.

**PARTNER INTERNALLY**

One of the reasons so many marketers feel like their company’s Rodney Dangerfield is because they sometimes act as if they have a higher calling than the board’s IT, sales, finance, or operations. They think of themselves as “creative” people, and wear their innumeracy like a badge of honor. The most significant contact they have with other organizations is to argue about the marketing budget.

The problem is not limited to companies or industries where marketing doesn’t have much of a track record. Marketers face a different, but equally difficult, challenge even where they appear to rule the roost. Booz Allen Hamilton’s Ed Landry quotes the vice president of marketing at a consumer packaged-goods company: “Everybody thinks they are a marketer, and therefore they value the function less.”

Whether companies market to consumers or to businesses, practically anybody feels perfectly free to criticize or meddle with a marketing program in a way they would never attempt with the latest IT or human resources initiative. The engineers won’t hesitate to tell you that your ads seem to be written for twelve-year-olds. The sales department thinks the ads would be even better if they focused on the particular deal they’re trying to close. The “bean counters” see the marketing budget as a large pool of discretionary expenses with an uncertain tie to revenue.

At many companies, marketing is not only disconnected from functions like finance and sales, it’s in an adversarial position. When growth is anemic, the marketing and sales departments point fingers
at each other. When earnings are sinking, marketing and finance battle over budgets.

Ironically, in today’s hypercompetitive world, nearly everyone agrees marketing has never been more important. Booz Allen Hamilton’s Landry has surveyed senior executives on both sides of the divide. “Across the nine industries we studied,” he says, “a surprisingly high percentage of respondents said marketing’s most important contributions are in areas such as driving innovation and encouraging cross-functional collaboration.” It seems that marketers are pushing through an open door. They just need to reach out and form strong partnerships with these departments—listening to them, educating them, and finding ways to accommodate their needs and goals.

**MARKETING AND OPERATIONS**

At IBM, Flaherty had learned how much other departments tend to dislike the marketing organization. Operating units especially resent the “tax” they pay to fund corporate marketing. They covet its advertising budgets, and wish they could redirect it to their own goals. The problem was even worse at Nortel. “When I got here most of the executive team told me they weren’t really sure what the role of corporate marketing was in Nortel,” she says. “Corporate marketing was pretty disconnected from what mattered to Nortel’s business and regional sales leaders.”

In fact, when she arrived at Nortel, the marketing people in the business units didn’t report to her and the marketing leaders in the regions, who *did* report to her, didn’t have marketing backgrounds—they were PR people focused on generic, “big picture” issues. “That wasn’t too surprising,” she says, “given that the CMO role was considered a ‘corporate staff’ position.”

To make it clear that she considered her role operational, and to make it more relevant to her internal clients, Flaherty changed out all four of the regional marketing leaders in less than a year, replacing them with a mix of outside hires and career marketing people from the business and regional sales organizations. She also eliminated the corporate marketing “tax” in favor of working with the businesses to develop a single, annual marketing budget for the whole company. All the company’s marketing people now dually report to her and to their
six figures to relate to.” She remembers talking to one CMO about the
demands that pull working women in different directions. “Why don’t
they just get someone to clean their house?” he asked, entirely sin-
cerely. When she explained that simply wasn’t a realistic option for
most working mothers, he sheepishly conceded, “I guess there are peo-
ple like that.”

In Quinlan’s opinion, that was a man who should hang out more
at the laundromat or in the local mall’s food court. “Marketers need
to spend time in the real world,” Quinlan says. “Sit at the playground
with moms, wipe a few runny noses with them, see what it’s like to
keep track of two kids on a jungle gym and a slide. Read what they’re
reading; watch Oprah. Get out of the office and go in for it with the
real people who are buying your products, or should be.”

Part of the problem is also that many marketers simply don’t like
the customers they have. “I want their customers to be thinner
than they are,” Quinlan says. “A lot of the marketers I’ve dealt
with really want customers who stepped out of Sex and the City.” In
reality, few of their customers could stand in for Sarah Jessica Parker.
“The customers most marketers visualize for themselves are hardly
ever real,” Quinlan observes ruefully. “Their self-esteem is shot, their
kids say they hate them, and they’re carrying ten pounds they can’t
lose for their life.”

But real people are much more interesting and a richer source of
insight. For example, in discussions with literally thousands of
women, Quinlan discovered that losing weight was not an end in itself
for most of them. “When a woman is trying to lose weight, she’s not
just trying to get thinner,” she says. “She’s trying to reconnect with
who she was, three or four years ago—and with who she can still be.”

She particularly remembers a session in which a weight-loss client
asked women to bring in the clothes “they could almost wear.” “The
revelation was not that the clothes were in a smaller size,” Quinlan
says. “But that they reflected a personality you wouldn’t have guessed
the women had based on the clothes they were wearing now. What
their old clothes said was ‘this is who I really am.’” To really under-
stand your customers, you have to understand their aspirations and
connect with them emotionally. The tallest mountain of statistics is
only the tip of the iceberg called your customer—a rich vein of data waiting to be prospected.

**BUSINESSES SELLING TO BUSINESSES**

One might expect business-to-business marketers to have less difficulty identifying with their customers. After all, they’re other businesspeople. But Donovan Neale-May, executive director of the CMO Council, maintains that most business-to-business marketers—especially of high-tech products and services—can be just as clueless as their counterparts in consumer marketing. “Many of these guys don’t even know who their customers are,” he says. “They go through two tiers of distribution. They don’t have real insight into the customer; they haven’t interacted with him, they don’t know his problems or his opportunities.”

In fact, many technology marketers communicate with their customers through sales or engineering, and many are locked into programs that have been around ever since their first business cards were printed—trade shows and ad schedules that give them even minimal insight into their customers’ real-world needs. While many business-to-business marketers are dipping their toes into the world of interactive media with blogs and social networks, Neale-May says that few have the “data-mining and database smarts” to take full advantage of them. “That’s one of the challenges many marketing organizations face,” he says. “They have to reskill and bring in people with analytical backgrounds.” They apparently also need to tap the resources just down the hall. One consultant was amazed, for example, to discover that the CMO of a large recruiting firm had never met the company’s chief information officer.

On the other hand, when Arun Sinha joined Pitney Bowes as chief marketing officer back in 2004, the first thing he did was talk to 2,000 customers in eight countries, as well as a broad swath of the company’s own employees, salespeople, and executives. “That’s how marketing has changed,” he says. “It used to be more downstream—warm and fuzzy. Now it’s upstream analysis and relationships. Companies that succeed do these things well.”
BECOME YOUR CUSTOMER’S VOICE

Heidrick & Struggles’s Jane Stevenson points out that one of the most effective ways to develop a personal brand as a results-oriented team player is by becoming “an influential voice regarding customer behaviors, wants, and needs.” Marketing masters connect the dots between customer needs and the firm’s capabilities, between customer desires and firm profitability. They represent the customer’s voice at the board table and move the entire organization’s center of gravity in the customer’s direction.

Unfortunately, according to Forrester Research, less than a third of CMOs believe interacting with customers is critical to their jobs and only one in ten considers personally interacting with customers to be important. In Stevenson’s view, this may be the source of many marketing leaders’ credibility problems. “The business needs to be able to count on the head of marketing to know the most about its customers,” she says. “Not something that can be delegated to sales. The head of marketing has to get out and talk to customers. Then use that personal knowledge and experience to bring the customer to life.” In other words, the head of marketing has to become the voice of the customer within the company.

Being the voice of the customer doesn’t mean becoming a hectoring presence at the CEO’s conference table. It means becoming the acknowledged expert on who customers are and what they need. Plus, it means spreading that word inside the company, involving everyone else in the customer’s world. “CMOs who can acutely tap into customer needs and evangelize them throughout the organization will be able to drive growth and strategy for the business,” says Stevenson.

The “voice of the customer” is the kind of corporate poetry that sounds good in a CEO speech or framed and hung on conference room walls, but it’s essentially meaningless at most companies. USAA, the giant insurer specializing in the needs of military members and their families, may be an exception that proves the rule. USAA goes to great lengths to train its employees to empathize with its customers’ unique needs. “We want to cover the light moments, the heart-wrenching moments, what it’s like to be bored in the field,” says Elizabeth D. Conklyn, USAA’s executive vice president for people services. “We try to
develop empathy, not only for our members, but also for the family side."³

Eighty-five percent of USAA employees have no military experience, but the company does whatever it can to help them identify with their clients in uniform, from using military time to handing out MRE (military Meal, Ready-to-Eat) packets for lunch, to asking phone representatives to read actual letters home from soldiers deployed in Iraq, including some who later died in the war. It seems to work—USAA topped the BusinessWeek/J.D. Power list of “Customer Service Champs” in both 2007 and 2008.

Sam Walton, the founder of Wal-Mart, intuitively understood the importance of keeping in touch with customers. He didn’t ask new headquarters employees to work in one of the company’s stores for a week so they would understand how the registers worked, but so they would get an appreciation for their customers, as well as for the associates on the front line who serve them. Similarly, knowing that the economic gap between executives and customers would widen over time, he insisted that they spend at least one day a week in the company’s or its competitors’ stores.

Wal-Mart so accurately reflects the tastes of Middle America, as well as its strains, that it can gauge swings in the economy by the number of displaced items in store aisles. If hair barrettes start appearing in the dairy section, it’s probably because a cash-strapped mom remembered she needed to buy milk and had to take something out of her cart so she could afford it. Twenty percent of Wal-Mart customers have no bank account or credit card. They deal strictly in cash.

Walton, a billionaire who wore baseball caps and drove an old pickup truck, was more sophisticated than he appeared. But he never lost touch with his core customers and he made sure his executive team did the same, no matter how wealthy he made them.

**CORE CUSTOMERS**

The biggest mistake marketers make is to try to be all things to all people. All customers are important, but some customers actually drive your business. These are your “core customers,” the enthusiasts to whom your brand is most meaningful. They are passionate, vocal,
rather than biological characteristics. It wants to appeal to the adolescent in all of us. That state of mind seems to run deepest in eighteen-to twenty-four-year-old males. As it happens, they patronize Burger King restaurants five times a month, but they’re promiscuous—they eat fast food elsewhere an additional sixteen times a month. While they represent less than 20 percent of the chain’s customers, they account for more than half of its traffic. Klein says that convincing that core group to eat at a Burger King just one more time a month would increase traffic by 9 percent. Plus, it’s a lot easier than getting a regular at the local fern bar to drop in for a burger and fries. “What defines (our core customers) is that they are the most prolific eaters-out in the market,” he says. “They’re time starved.”

In a nod to its core customers, Burger King now keeps most of its restaurants open until midnight or later. And its menu seems to be bathed in testosterone: BK Stackers, with up to four patties of meat; the aptly named Enormous Omelet sandwich; the Double Croissan’wich, with two meat portions and two slices of cheese; and the Oreo BK Sundae Shake. There are salads there too, but they seem to be an add-on for any girlfriend or wife who may be in tow.

Now look at Burger King’s sponsorships: the National Football League and NASCAR, plus tie-ins with the Indiana Jones movie and an Xbox game that sold more than 3.2 million copies in 2007. It even resurrected its iconic “Burger King,” once a children’s character in the mold of Ronald McDonald, but now used in settings, such as running onto a football field mid-game, that make him seem like something off a misguided Mardi Gras float—festive, but slightly creepy.

One BK Web video says it all: a “subservient chicken” in a garter belt responds to commands typed by the viewer. The video harkened back to the company’s “have it your way” theme, but it clearly didn’t have “food, family, and fun” in mind. The result? Burger King is considered a hip, fun place with the kind of food that can satisfy the outsized appetites of young men. On that foundation, Burger King enjoyed sixteen consecutive quarters of same-store sales growth from the time Klein joined the company through 2008.

Klein’s boss, CEO John Chidsey, told the Wall Street Journal the key to the company’s turnaround was “finding who our target cus-
include Bushmills, Captain Morgan, J&B, Tanqueray, Guinness, Crown Royal, and wines from the Beaulieu and Sterling vineyards.

Malcolm could be forgiven if he still felt a bit like a Yankee in King Arthur’s court, even after a decade at Diageo. A native of southern California, he joined Procter & Gamble right after receiving his MBA from the University of Southern California. He spent twenty-four years at P&G, in Cincinnati and in seven overseas assignments, before joining Diageo’s United Distillers unit in 1999 to manage its scotch businesses. He was elevated to CMO of the whole company less than a year later.

The company itself was only three years old, the product of a merger between Guinness and Grand Metropolitan, but was still in the process of divesting noncore assets such as Pillsbury and Burger King. Its name, which comes from the Latin word dies, meaning “day,” and the Greek word geo, meaning “world,” suggests that, like the British Empire of old, the sun never sets on Diageo. Somewhere, someone is drinking one of its beverages at any given moment. Malcolm’s job is to spread that urge.

**RESULTS THAT MATTER**

Malcolm has lasted in his job for nearly a decade because he has developed a reputation as someone who gets results that matter in a company known for its financial prowess and discipline. He has avoided the twin dangers that have bedeviled so many of his peers—measuring what’s easy to measure (revenue, costs, head count, and so forth) or measuring what they’ve always measured (share of voice, message awareness, market share, and the like). He measures these things of course, but he built his reputation on measuring what matters, that is, the metrics that impact business goals.

There have always been pockets of marketing that lend themselves to hard financial measures. Direct-response ads, for example, can be versioned, tweaked, and sequentially reiterated based on replies to different offers, creative approaches, target lists, and media. Search-word advertising enables marketers to track responses from click to click rather than trying to extrapolate from intermediary data like frequency and reach. But other methods, such as brand campaigns, are black boxes—a torrent of money in, a thin stream of warm and fuzzy...
regions. For some brands, that may mean capturing more occasions. For others, it may mean convincing new users to try the brand. It all boils down to “How many consumers have to change what behavior by how much?” For help in figuring that out, brand managers can turn to a vast data bank of consumer information that segments consumers within each geography by level and frequency of consumption, as well as by levels of loyalty (what Diageo calls the “Four As”—“availables” are aware of the brand but don’t buy it, “acceptors” occasionally buy it, “adopters” buy it most of the time, and “adorers” would never buy another brand). Plus Diageo is always testing incremental investments and reallocations of its marketing mix, searching for new growth drivers. That gives it ten years of history, shedding light on what works and what doesn’t in different geographies and situations.

Malcolm and his senior team add up the individual budget requests and make choices based on affordability and an assessment of each brand manager’s business case, including the brand manager’s track record in similar situations, the competitive environment, market trends, and so forth. Historically, Diageo’s overall marketing expenses have averaged 15 to 17 percent of sales, but spending in different regions or by different brands can vary widely depending on their individual potential.4

**MOMENTUM AND INNOVATION**

“We have a philosophy of fueling brands that have momentum,” Malcolm says. For example, the growth of China’s middle class, combined with a reduction of import fees when the country joined the World Trade Organization in 2001, prompted a sharp increase in the local marketing budget for Johnnie Walker scotch. In short order, according to trade publications, Johnnie Walker Black Label sales in China were growing 85 percent a year. And in 2008 Johnnie Walker’s worldwide sales topped £1 billion for the first time, making it the largest international spirits brand in the world.

On the other hand, Diageo doesn’t just go with the flow. It also knows how to build momentum under brands. “When we first introduced Ciroc vodka,” Malcolm recalls, “it was struggling to find its voice in a sea of luxury vodkas.” Ciroc shouldn’t have had a problem distinguishing itself as a superpremium vodka—it’s made from expen-
well as image perceptions such as “it’s the brand for me,” or “it stands for success and achievement.”

Every marketing program finds a home somewhere on the chart, as a circle whose size reflects the amount spent on each activity. The “stars” occupy the upper right-hand corner and the “dogs,” the lower left.

If a marketing program has improved brand health but isn’t yet realizing a good financial return, the brand managers are told to find ways to be more efficient. On the other hand, if a brand is producing high financial returns but its health isn’t improving, the brand manager is asked to figure out why and to go to work on that. Marketing programs that end up in the bottom left-hand corner aren’t repeated.

It’s as simple as that—a visual tool that makes sense to both marketers and accountants. “The simpler you make the measurement tools,” Malcolm says, “the more honestly they are to be used, the more focused people become, and the easier it is to instill best practices.”

Over three decades in marketing and general management, Malcolm has come to the conclusion that marketing people are naturally curious. “Unfortunately, that also means they have a natural tendency to complicate things,” he warns. “In today’s world of media and audience fragmentation, that can be dangerous. It’s hard to choose what to do out of the thousands of things you could do. We try to give our people a framework to help them simplify and focus.”

Diageo’s marketers nearly always learn something by studying the charts. For example, they discovered that whether or not a brand is “getting more popular” is a leading indicator of momentum and growth for alcoholic beverages, which is a social category. That insight prompted them to expand sampling in selected markets. “In our business, good marketing can affect the business in three to six months,” Malcolm says. “I expect our marketers to constantly track their results and to reallocate their spending accordingly.”

**MARKETING CREDIBILITY**

Tying marketing to financial results is critical to building credibility with other C-suite executives. When Malcolm became the company’s chief marketing officer, he was virtually a stranger to most of his colleagues on the executive team. So every quarter, for three or four years, he reviewed his results with his colleagues on Diageo’s Execu-
tive Committee. He showed them how effective advertising had been for the company’s top brands, in each of its markets worldwide, warts and all. Malcolm is frank in admitting that when he put the first chart up in the company boardroom, he was a little nervous. He was about to “open his kimono” on a question that most marketing people dance around—does our advertising really work? Does it really grow the business?

He used another simple chart—columns of color-coded rectangles with a few easily identifiable icons. Green rectangles were good. Yellow meant “we don’t know,” and red meant, “we have a problem and we’re working hard to solve it.” Arrows pointing up or down indicated the direction of change from the last quarter. The first charts Malcolm put up on the screen for the Executive Committee showed an uncomfortable number of yellow and red rectangles. But his CEO’s reaction could not have been better. “This is the most honest and transparent presentation I have ever seen for marketing,” Malcolm still remembers him saying. “And I really do trust that you are on track to making the progress we need.”

Malcolm was never able to show a solid green chart. But his willingness to share the bad with the good helped him earn the trust of the entire senior management team. Eventually, his quarterly charts gave way to periodic deep dives into areas requiring senior attention, and Diageo brand managers are no longer required to use the Dogs and Stars charts (though many still do). But tracking marketing effectiveness in the context of CFO-friendly operating results is deeply inculcated in the company’s culture because it works:

- It clarifies and defines marketing’s role in the company, as well as everyone’s role within marketing.
- It enables marketers to make decisions based on hard facts supplemented by experience and intuition, rather than the other way around.
- It gives marketing people greater credibility within the company by expressing their accountability in terms that matter to the business.

The genius of Malcolm’s approach is that it constitutes a metaphorical “dashboard” that displays all the key measures of the com-
improvement.” They take on responsibilities outside of their comfort zone, participate in strategic cross-functional initiatives, and leverage the expertise of younger members of their team for “reverse mentoring” in areas like new media. Marketing leaders don’t have to know how to optimize page rendering. But in a Web 2.0 world, they should know what it is and how to get it done.

They see their primary responsibility as leading a strong team, not serving as the company’s principal “ad maker.” “Functional skills are nice,” notes Spencer Stuart’s Greg Welch, “but for the top marketing job, leadership is more important. No one can do everything. The marketing leader’s job is to build a team that can.” Since a team has a good balance of creative and analytical skills. It’s diverse from a variety of industries and backgrounds. And it shares a common approach to marketing, based on business acumen and tight alignment with the company’s financial goals.

They “infiltrate” the company’s other organizations. They don’t spend a lot of time in their offices, meeting with their own direct reports. They spend it with their business colleagues, educating them about marketing but also learning about their functions, their concerns, and their goals. They look for opportunities to add value to their colleagues’ functions. For example, Forrester’s Cindy Commander likes to tell the story of a CMO who worked with his company’s chief information officer on an internal campaign to improve perceptions of information technology’s value.

Finally, they tie everything they do to the company’s financial results, not metaphorically, but in reality. They make the business’s financial results the gauges and knobs by which marketing is run. At Diageo, finance people within each brand group support the measurement systems. At companies like Yahoo! and Home Depot, the finance department “owns” the marketing ROI dashboards. But in all cases, finance and marketing work in close partnership.
“Now they’re about giving and caring. And that service mentality is reflected in everything from the product design and packaging to the door-to-door health advice we give in developing markets.”

Stengel also discovered that when marketers go into the field their whole attitude changes. People get inspired. “Because whatever they’re working on—whether it’s a life-changing drug like Actonel or Asacol, or it’s Tide or Downy—when they understand the product has a role in someone’s life, they come back more pumped up,” he says.

**TARGETED INNOVATION**

Once you have spent time with consumers on a shop-along or a live-along, it’s hard to think of them as a homogeneous mass. You begin to see how different they are, and how their cultural background influences their behavior. Immersion research begins with “Who is your consumer?” and leads quickly to “What’s different about her?” The result is targeted innovation.

In fact, Stengel likes to say that P&G no longer has any “mass-market brands.” Take Tide, for example. It’s one of the company’s oldest brands, dating back to 1946, but it comes in multiple variations, responding to consumer preferences for different fragrances, fabric softeners, or sudsing levels. It even comes in a cold-water version to save energy costs, a concentrated form that saves on plastic packaging, and as a solid stain-remover stick that people can carry around.

All told, in the past eight years, P&G has increased its investment in immersive research more than fivefold and has invested well over $1 billion in consumer and shopper research, twice as much as its competitors. Every year, P&G marketers observe or work with more than four million consumers in sixty countries.

Has the investment paid off? P&G has traditionally spent about 10 percent of sales on advertising. That was the case in 1999, just before Lafley took over, and sales increased about 3 percent over the prior year. In 2007, P&G again spent about 10 percent of sales on advertising, but its revenue increased closer to 12 percent. In other words, P&G spent proportionately about the same amount of money and got four times the lift. In 2000, P&G had ten billion-dollar brands, which accounted for about 50 percent of net sales and slightly more of
fluffy, while Californians like them elastic. It seems each state was settled by Mexicans from different regions.

Listen for expressions of feelings such as anger, joy, envy, or fear as the customer describes what he or she is trying to do. Customer emotions will give you a clue as to their unexpressed values. To help senior managers understand how tedious and frustrating simple banking functions can be, Credit Suisse’s David McQuillen made senior managers open a new checking account at a local branch, then he had them take the teller’s place to get the full experience.9

Schedule face-to-face visits in your customers’ natural habitats, whether they accomplish the task in their homes, workplaces, or a laundromat. Then you can concentrate on figuring out how it fits into their lives. What are they trying to do? What problems are they encountering? When Scott Cook, one of Intuit’s founders, first got the idea for an automated bill-paying system, he called people at random from the Palo Alto, California, and Winnetka, Illinois, phonebooks to gauge their interest. And when he had the first working model of Quicken, he sent programmers into customer’s homes to watch how they used the program. This not only led to product enhancements like the electronic paper tape in the Quicken calculator, but also to whole new products like QuickBooks for small businesses. Where did Cook begin his career? P&G.

Reach out especially to customers you wouldn’t normally encounter in your own social circles. At one P&G Worldwide management meeting, Stengel had each attendee spend an afternoon with a low-income family in the Cincinnati area to see firsthand what role P&G brands played in their lives. Stengel also takes his own medicine—for example, on a recent trip to China, he spent time with both low- and high-income families.

Send the right people into the field. Cross-functional teams work best because people always interpret what they ob-
to give context to intelligence accumulating elsewhere, including on the Internet, in mainstream media, and in your own customer service channels. The biggest hole in most companies’ research programs is a lack of history and case studies that provide perspective and help avoid reinventing the wheel.

Be prepared to capture visual, auditory, and sensory cues. Audio recorders and video cameras are extremely helpful to capture actions and comments that might be missed the first time around. When Tesco entered the U.S. market with a new chain of Fresh & Easy convenience stores, it video-taped people’s refrigerators and pantries in its initial markets. Analyzing the tapes helped it with everything from store layouts to inventory. It even suggested private-label goods like its Fresh & Easy Smart Box packaged snacks: clear plastic boxes with crackers, cheese, raisins, carrot sticks, and organic milk. With the consumer’s permission, some research services can even outfit a home with lipstick cameras that are unobtrusive and capture candid behavior.

Schedule debriefing sessions for all the participants. Include a few knowledgeable people who didn’t accompany the field teams. Their questions and reactions can help uncover insights that might otherwise have been missed. Design firm IDEO trains its people to follow five rules: defer judgment, build on the ideas of others, hold one conversation at a time, stay focused on the topic, and encourage wild ideas.10

Of course, none of these techniques will have a lasting effect unless companies keep marketers and researchers in their positions long enough for them to develop a significantly deeper understanding of the consumer. That understanding required major changes at P&G, where, before he became global marketing officer, Jim Stengel had ten different assignments in eighteen years.

Finally, companies need to act on the insights their people develop. Ed Landry, a Booz Allen Hamilton consultant, has studied hundreds of marketing organizations. “There is a world of difference between knowing and doing,” he says. “P&G walks the talk.”
Prematurely bald with a brush mustache, bushy eyebrows, and piercing eyes, the late Ted Levitt looked like the demanding overseer of a busy loading dock through much of his unusually productive life. But for more than forty years, he trafficked not in goods but in ideas, great pallets of ideas that are still taught at business schools around the world. Officially, he chaired the marketing area at the Harvard Business School, but through a prodigious output of books and articles, including a four-year stint as editor of the Harvard Business Review, Levitt influenced generations of the world’s business leaders.

As a lecturer, Levitt had an easy wit and a knack for memorable aphorisms packed with meaning. Lecturing his marketing students, he famously thundered, “People don’t want to buy a quarter-inch drill. They want a quarter-inch hole!” Few business-to-business marketers would argue with Levitt’s insight. Yet they continue to push drills, not holes. And they segment their market by the equivalent of drill types, not by the kinds of holes different customers might need. But, from a customer’s perspective, the structure of a market is very simple. As Clayton Christensen—one of Levitt’s students and now a Harvard
That’s why Hewlett-Packard often sends engineers out to watch customers use their products. Their only instruction is to watch with open eyes and ears, but closed mouth. They can ask an occasional question, but they are never to guide or direct the customer. What they invariably see helps them design better products—whether they observe problems that arise, work-arounds customers devise, or capabilities that go unused.

Sometimes they ask the customer to describe what they’re doing while they’re doing it to get insight into their thought processes, which can often be very different from what the people who designed the equipment assumed. Often the customers will even express needs that only occur to them in the context of what they’re doing and would never come up in a structured interview. For example, when a product developer from Hewlett-Packard watched a surgeon performing an operation, she noticed that the doctor guided his scalpel by watching a television screen that displayed a close-up image of the operating field. But the surgeon had to pause as people moving around the operating room periodically obscured his view of the screen for a few seconds.

That prompted the developer to think of ways to suspend the images a few inches in front of the surgeon’s eyes. It would never have occurred to the surgeon to ask for such a product. He might not even have been aware of the problem. But when HP later introduced a lightweight helmet with a small TV screen attached at eye-level, it improved surgical productivity, increased medical accuracy, and made the surgeon’s task easier.5

John Schiech, president of Black & Decker’s DeWalt division, also understands the importance of observing customers on their own turf.

When his marketing people visited construction sites in the 1990s, they noticed that the McMansions many contractors were building had huge moldings. The most popular miter saws in those days, which retailed for about $200, had ten-inch blades and could cut only halfway through those big pieces of trim. “They had to pass a 16-foot piece of molding out the window, flip it around, pass it back in, and make the rest of the cut,” he remembers. Schiech’s people realized that if DeWalt offered a twelve-inch blade, which would require a completely different, much bigger saw, contractors could make these
ent levels. As Jim Guerard of Macromedia put it, “product marketing, product management and engineering need to be present at all customer visits—like a jury in a court trial, they must all share the same information and weigh the same evidence in making product decisions.”

They meet with all team participants prior to the first customer visit to make sure everyone understands the goals. They establish a few standard questions to ask all customers, for example, What keeps you awake at night? Where do you want to see your business in five years? What are your company’s biggest opportunities? They encourage follow-up on the initial answers, asking for examples. They caution team members not to ask for solutions, but to probe for business problems. And they ask them not to talk about their product or company, but to make the customer’s talk the center of conversation.

They don’t turn the visit into a sales call. For that matter, they ask any salespeople on the visit to limit their participation to making introductions and taking notes. Good salespeople are trained to respond to customer objections and complaints. Should any complaints surface they don’t want to push them aside, but to dive into them, prodding for more information.

They don’t stay in their customers’ conference rooms. The whole idea is to observe how customers use the product, to see firsthand how it fits into their business process, and to ask open-ended questions about their operations and business goals. They try to meet customers at every level in a variety of functions so they can find out what’s on their minds. They know they can’t do that on mahogany row.

They don’t expect lightning to strike in the first visit. It takes a number of visits to accounts of all sizes to develop real insight into their business. But masters of marketing end each visit by debriefing all the participants while the visit is still fresh in their minds. They document the team members’
Nokia was a paper, rubber, and cable company for the first century of its life; it didn’t manufacture its first mobile phone for another two decades after that. If it had stuck to its knitting, today it might have had a good business in rubber boots and toilet paper. But it wouldn’t be the world leader in wireless handsets.

The path from paper to wireless was not as nonlinear as it may seem—rubber and paper are used in making cable; electronics was a logical offshoot of the cable business; and wireless was just an application of a certain type of electronics. But Nokia’s transformation had less to do with clever R&D (though Nokia has plenty of people in white lab coats). Nokia owes its success to an uncanny ability to read where customers and technology are going, often before the customers themselves realize it. Most importantly, Nokia excels at what Peter Drucker considered one of management’s most difficult tasks: “to abandon rather than defend yesterday.” The growing realization of that task’s importance may explain one of the biggest shifts underway
Treo wireless phone, and Sherwin-Williams’s Twist-n-Pour paint containers.

DEVELOPING CUSTOMER-MADE PRODUCTS

Marketing is also at the center of an important trend in new product innovation—customer participation. Some companies go further than consulting their best customers on the design of new products; they actually involve them in the process of innovation. This is more than brainstorming, which is designed to produce a stream of ideas that can later be winnowed down. It’s more than beta testing, which is largely about finding and fixing software bugs or testing human factors like the position and size of knobs. And it’s more than personalization, which happens after a company has decided what options it will offer and is still essentially a one-way conversation. This is a two-way approach to innovation that starts from a clean slate or a rudimentary prototype and asks users to collaborate with the pros to take it from there to production.

Nokia, for example, launched “Nokia Beta Labs” in mid-2007 to give users an opportunity to contribute to the design of new wireless phone applications. In little more than a year, it had posted about two dozen cell phone applications to the site, most in very early, pre-beta stages of development. One application counts your steps as you move around town and another turns your cell phone into an audiobook.

One of the first applications posted on the site, Sports Tracker, lets runners record their workout data, such as their average speed and total distance. Tapping into the global positioning system (GPS) on some phones, it even lets users plot their routes. More than a million people downloaded the program, and thousands suggested improvements that would never have occurred to the developers. For example, users wanted to be able to share favorite routes with others and post photos they took along the way. Nokia’s developers also discovered that people were using the application for sports other than running, including motorcycling, paragliding, and hot-air ballooning. Sports Tracker was still in development in mid-2008, but another application that uses the phone’s global positioning capabilities, Nokia Maps, “graduated” to full application status. The Nokia Maps application serves up basic navigation instructions, satellite maps, and multimedia city guides to people on the go.
CHAPTER NINE

FIND YOUR BRAND’S HIGHER PURPOSE

“Man is the only animal who must create meaning.”
—Ernest Becker

Not quite tall, seldom tan since she moved to London, but still lovely well into her forties, Silvia Lagnado may no longer stroll the Ipanema beaches of her native Brazil. But as global brand director for Unilever’s Dove division from 2001 to 2006, she turned plenty of heads in the marketing world.

Dove, of course, is the bar soap that David Ogilvy positioned as “one-quarter cleansing cream” in 1955. His campaign challenged women to wash half their face with “ordinary soap” and half with Dove to see how soap “dries your skin” while Dove “creams your skin while you wash.” The campaign was so successful it continued to hammer away at the same functional promise in one form or another for more than four decades.

But in 2000, growing more slowly than its chief competitor, P&G, Unilever decided to change its decentralized ways and winnow its 1,600 brands to about 400. A smaller number of the remaining brands would be declared “Master Brands,” spanning broad product categories. One of those Master Brands was Dove and its bailiwick would now extend beyond soap to include deodorant, hair-care products, facial cleansers, body lotions, and other personal care products.
have been declining in the United States, American Girl dolls remain wildly popular. The *American Girl* magazine is one of the top ten children’s publications in the country, and the stores have higher sales per square foot than Tiffany’s.

**‘DESIGN THINKING’**

When A.G. Lafley became CEO of P&G, he didn’t consider the company’s reputation for “making goop that does what it’s supposed to” particularly high praise. A stint in Japan had taught him that fusing function with meaning and pleasure was a higher order source of competitive advantage and growth. Ironically, the world’s largest packaged-goods company had never put much emphasis on package design. But Lafley considered how a consumer reacts to the product on the shelf as a brand’s “first moment of truth” and an integral part of the brand experience. He thought P&G should market not just products, but the consumer’s experience with them—how they look, smell, and feel.

Lafley set out to inject good design into the company’s DNA and, as a start, established the company’s first corporate design office, reporting directly to him. He staffed it with a mix of company veterans and outside hires. And adopting an expansive definition of “design,” he gave the design office a mandate to teach P&G’s managers a new way of thinking. Lafley calls it “design thinking,” or imagining what could be possible, rather than being constrained by an analysis of directly observable facts or past evidence. That’s a lot more than putting racing stripes on a tube of Crest and, in fact, P&G has applied the discipline to a wide range of thorny problems from business strategy to office design. Designers who once labored on logos and packaging in humble anonymity found themselves deeply involved in all aspects of product development.

But the design office’s first order of business was to convince the company’s brand managers that aesthetics are more than fluff and design is more than drawing. In their initial meetings, the new vice president of design would typically ask groups of brand managers how they would package Altoids mints if P&G purchased the iconic lozenges from Wrigley. They said they would change the expensive tin to a plastic tube, scrap the paper lining that didn’t seem to serve any real purpose, and make all the mints the same shape so they would stack
They ensure that their higher purpose is meaningful to their customers and believable coming from their brand. They are not afraid to stretch their brand’s boundaries in the interests of creating a higher purpose. By starting a conversation about the nature of beauty, Dove won consumers’ permission to change its meaning from a bar of soap to a full beauty line.

They can describe the people their brand addresses in terms that go well beyond basic demographics and psychographics. They understand and identify with people’s functional, emotional, and social needs. Silvia Lagnado’s insight into women’s insecurities about their personal appearance was confirmed by surveys and academic studies.

They are passionate about their views, but don’t try to impose them on others, working instead to win the commitment of their superiors and team members. They distribute customer data widely throughout the organization and make all decisions in the open rather than behind closed doors. “The mind-set behind our approach was Servant Leadership,” says Dove’s Alessandro Manfredi. “We had a duty to present a clear strategic direction for the brand, but at the same time we really had to listen and understand genuine concerns and practical needs so we could develop solutions that addressed them.”

When they have sufficient support to take their ideas into the marketplace, they start small, testing and proving their concepts. They let a track record of results build momentum. Their goal is to inspire both customers and team members. Dove’s Real Beauty campaign started in only three small markets, but quickly built momentum on the results achieved.

They are not afraid to use nontraditional media, realizing that purpose brands benefit from targeted communications and are highly suited to social media. But they are also careful to avoid anything that would undermine their brand’s
with advertising, but it continues in the brand’s packaging, the process of buying it, using it, and, if necessary, servicing it. CMO Eva Ziegler is transforming Starwood’s Le Méridien hotel chain into a brand that represents sophistication and modernism through careful attention to everything a guest encounters from lobby lighting to room décor. She commissioned special elevator music, a signature scent for public spaces, and card keys in limited-edition collectible designs that also give guests complimentary access to local art organizations. In all, she has hired a cast of twelve world-class artists—chefs, musicians, architects, painters, and designers—to transform fifty aspects of the hotel that customers experience.

They ensure that their brand evolves in step with their customers’ changing needs and values. They remain true to their brand heritage and values while tailoring its expression to customers’ contemporary lifestyles. U.K. retailer Tesco’s stores are virtually unrecognizable from country to country because Tesco so successfully adapts itself to local customers’ needs and traditions. In Thailand, Tesco shops are like market stalls; in China, they sell live fish; in Korea, they’re more like large department stores than supermarkets; and in the United States, they’re small neighborhood convenience stores. Yet, in all these different formats, Tesco remains true to its heritage of giving customers a little more than they expect and rewarding them for coming back.

They invite customers to participate in their brand’s development, trading their own absolute control for consumer influence over brand use. They recognize that strong, authentic brands belong to their users, not to the companies that initially created them. Sheraton turned the lame “tell us what you think” card found in most hotel rooms into a multimedia feedback loop, inviting guests to e-mail photos as well as comments about their travel experience. It posts the most interesting guest stories on its website, organizing them by location on an interactive globe and by theme in a
By building trust over time—acknowledging mistakes, even linking to critics when it’s helpful to the community—they can count on their fans to support them if a critic gets abusive.

Many companies put their toe in these waters by hosting blogs that allow reader comments. But a blog is really only a precursor to a true social network. Computer purveyor Dell started there—it publishes seven blogs in five languages. But it has also taken a cannonball dive into a full-frontal social network called Dell Community. On the very first page, customers are invited to “tell us about it—discuss, review, suggest, compliment, complain, comment.” Customers can join discussions on everything from small-business applications to gaming, and the company’s responsiveness convinced one influential blogger that Dell had “leapt from worst to first” in listening to customers. Dell’s support forum has grown to four million posts, of which about a quarter answer questions about the company’s products, saving Dell the cost of customer support calls. In all, the company counts more than 100 million online customer “touches” a year.

CEo Michael Dell considers the customer network essential to innovation. “I’m sure there’s a lot of things that I can’t even imagine, but our customers can imagine,” he says. “A company this size is not going to be about a couple of people coming up with ideas. It’s going to be about millions of people and harnessing the power of those ideas.” It may not be sheer coincidence that Dell was the only Windows PC maker to improve in the 2008 American Customer Satisfaction Index published by the University of Michigan.

Similarly, Cisco’s NetPro Community bills itself as “a forum for peer and expert wisdom to get answers you need.” Once registered, customers are free to ask questions, seek advice, and resolve concerns—among themselves, not just the company. Cisco’s site even includes a wiki where customers can collaborate. Intuit’s QuickBooksGroup is a users’ community, organized by industry, where the moderators lurk in the background, only popping up when necessary to facilitate discussion.

The secret to these customer social networks is that they were built from the ground up to help customers connect with each other, not as Trojan horses containing company promotional messages. Dell, Cisco, and QuickBooks all offer products that are so complex social net-
partment came up with. When the company’s ad agency showed IBM Chairman Lou Gerstner some ideas they had been “fooling around with,” he was initially a little irritated. “I thought we agreed to call it ‘e-commerce,’” he said. But he quickly warmed to the new nomenclature as a bigger idea—e-commerce is about selling stuff, e-business is about the whole company.

When the e-business campaign launched in October 1997, the Internet was the Big New Thing that threatened to change everything. E-business gave companies a roadmap through that changing landscape to the future. It was more than an ad campaign; it was every company’s business strategy. And because IBM defined and branded it, the company “owned” it. “E-business” gave IBM a credible platform from which to exercise its knowledge leadership.

Ironically, at the time, only a small (or say insignificant) proportion of IBM’s sales had much to do with the Internet. And some of the people behind the e-business campaign admitted they weren’t sure they themselves knew just what e-business was. But they did know that associating IBM with the advent of digital business was critical. It worked. By sheer force of will the company convinced its customers—and its own employees—that it was the world leader in what it had christened “e-business.”

No detail was too small. The “e” in “e-business,” for example, was stylized to suggest the “@” in Internet addresses. The company implemented a comprehensive internal communication program so every IBM employee, in every division, knew what e-business meant for them and for their customers. Television commercials set the stage for case histories and product-specific print ads. Executive speeches discussed the e-business revolution. The company’s website became a portal into the world of e-business. And IBM salespeople were armed with tailored communication packages to show customers in different industries how e-business would help them grow and become more efficient.

More than a decade later, IBM’s website still has a special section on e-business. It no longer owns the term, which it never tried to trademark, and competitors from Oracle to HP and Sun have adopted it. A Google search turns up more than thirty-four million uses online. And it spawned a host of derivative terms, from “e-tailing” to
(through loyalty programs, better service, and a better understanding of customers) may now count for more than functional benefits.” Combined with a growing conviction that brands are a company’s most valuable intangible asset, it’s no wonder many CEOs want one person to help navigate the shifting currents of public opinion and to keep all the boats in the company fleet sailing in the same direction.

**BETH COMSTOCK**

Beth Comstock is on her second tour as General Electric’s chief marketing officer, after spending two years as president of NBC Universal Integrated Media. And she’s certain one of the reasons she was first plucked out of corporate communications for the position is because “marketing these days has to deal with customers as stakeholders.” Companies need to draw from one core message in speaking to every constituency. “Customers today look at a company’s reputation in addition to the merits of any product they might be considering,” she says. “These days no one can get away with saying one thing and doing another, or saying one thing here and another there.” Public relations people are used to connecting the dots for different constituencies and building mutually beneficial relationships. Most of all they need to help the CEO make sense of the company’s business, creating meaning on an enterprise scale.

Two years into her first tour as GE’s chief marketing officer, Beth Comstock told BusinessWeek she was “a little bit of the crazy, wacky one” at corporate headquarters. When Jeffrey Immelt became GE’s CEO in September 2001, just days before the attacks of 9/11, he had already decided growth through acquisitions would be too expensive and uncertain—his predecessor’s last hurrah had been an attempt to acquire Honeywell that was foiled by European regulators. Besides, the environment had changed far too much to expect the same strategy to deliver the same results.

The only alternative was to dramatically increase the company’s rate of innovation to fuel organic growth. “[Traditional] professional management isn’t going to give you the kind of growth you need in a slow-growth world,” he told BusinessWeek. That meant changing a culture that was world famous for wringing cost out of its operations, but hadn’t seen game-changing innovation since Edison hung up his
ports from China. . . . If you had $200 million to $400 million to spend on R&D at GE, how would you prioritize it?’’9

**ECOMAGINATION**

The company’s “ecomagination” campaign grew out of half a dozen of these sessions. But Comstock hesitated to move too quickly. Instead, she began a yearlong “listening tour” among employees, customers, investors, activists, and public officials. The basic idea had come from customers, but they cautioned the company not to get too far ahead of them, especially in talking to public officials. Not too surprisingly, the other constituencies were all somewhat skeptical, especially the company’s own employees.

“Our internal audience was the toughest,” Comstock remembers. “They were worried it was just a PR campaign, that it was not real. Some doubted we could deliver, and they were all aware of the company’s very public battle to keep from removing PCBs from the Hudson River. To Comstock, this was a make-or-break issue. “If employees don’t buy in, customers won’t either,” she says. “Marketing is all about culture—internally and externally. You can’t create something that sticks unless you get into the culture.”

Skepticism was not limited to lunch-box-toting rank-and-file employees. Immelt told *Vanity Fair* magazine that, by his count, eight out of ten of the company’s senior executives “were against the plan” when they first heard about it in December 2004.10 Comstock remembers an audience of frowns that got deeper with every PowerPoint slide in her boardroom presentation. Over the following months, Immelt and Comstock laid out the argument for the program.

The company had already invested in the environment. As the number-one producer of power-plant equipment, airplane engines, and locomotives, it had little choice. Years of R&D had already given it the most efficient large-scale energy technologies on the market. In 2002, GE had bought a wind turbine business from Enron, the largest manufacturer in the country. In 2004, GE had bought AstroPower, the nation’s biggest solar producer, and had increased its investment in clean-coal technologies.

With the exception of the Hudson River controversy, GE actually has a good record on environmental performance. Yale University’s
agreed to a series of interviews with the company’s top executives. On the second round of interviews, pretty sure he would be offered the job, but still not certain he would take it, he asked one veteran executive “What’s the one thing I would need to succeed in this job if I took it?” Without missing a beat, the executive said, “Don’t become one of us.” With those marching orders, Hayes took the job and has never looked back.

**THE REWARDS OF MEMBERSHIP**

As Hayes discovered, American Express is not only unafraid of change, it embraces it. What should logically be a 150-year-old freight forwarding company has morphed into one of the world’s leading financial institutions by continually reinventing itself around its customers’ evolving needs. Hayes took the same tack as the company’s chief marketing officer. At the very beginning, he shifted the company’s marketing focus from building awareness (which was becoming a nonissue for the company) to cultivating relationships through such initiatives as giving members access to exclusive dining and entertainment offers. The result was more than a decade of double-digit income growth.

Hayes builds surprise into member relationships by figuring out what will appeal to them before they know themselves. He keeps his hand on the pulse of popular culture through a broad network of contacts in the creative community, such as Robert De Niro, Jerry Seinfeld, and Annie Leibovitz. But he leaves himself open to inspiration from any source. The Seinfeld “webisodes” that ran on the Internet in 2004 grew out of a long car trip when he ferried his son and friends to Boston College. They were sitting in the back cracking up at clips of the old *Seinfeld* TV show on a portable DVD player.

Hayes convinced Jerry Seinfeld to reprise a supposed friendship with Superman that first debuted in a 1998 Super Bowl commercial. Two four-minute “webisodes,” cowritten by Seinfeld and directed by acclaimed film director Barry Levinson, followed Superman and Seinfeld through their day as they discussed their views on reality television, visited a local diner under a reservation for “Man of Steel,” caught a Broadway show, and, of course, fought for truth, justice, and the American Way.
not a particular transaction rings the cash register. As a credit card company, American Express has access to its customers’ most intimate financial information and compiles reams of data on their purchases, giving it keen insight into their interests and values. That provides the critical context necessary to design personalized, relevant offers and rewards that can be key to deepening customer relationships.

RELATIONSHIP MANAGEMENT

But you don’t have to be in financial services to gather relevant customer information. U.K. retailer Tesco has offered its grocery customers a Clubcard since 1995. Every quarter, based on the amount they’ve spent, cardholders receive vouchers that they can spend in the store. And every time customers use their Clubcards, Tesco tracks which store they shopped in, what products they purchased, and how much they paid. Based on that information, Tesco periodically sends them special offers and surprise rewards. Similarly, Virgin Entertainment offers a V.I.P. loyalty card that not only accumulates points, but tracks customer purchases, so a Jay-Z fan won’t get a backstage pass to a Mariah Carey concert. In fact, Virgin married its loyalty program to the 300 celebrity events it stages every year so its best customers get invitations to meet with their favorite performers.

Marketers from Coca-Cola and JCPenney to HP and General Electric are investing heavily in Customer Relationship Management (CRM) software to compile, integrate, and analyze all the streams of customer data flowing through their companies. A few masters of marketing have flipped the model, giving customers themselves greater control over the relationship. This is not simply to assuage customers’ privacy concerns, but to deepen the relationship itself. They are turning customer relationship management from a one-way data-collection exercise into a two-way conversation.

P&G’s Tremor initiative is an example of “customer-managed relationships.” Once moms or teenagers sign up to participate in the company’s panels, they are in charge. Tremor may send them product samples or coupons, but whether they pass them on to their friends or provide any feedback is entirely up to them. The only compensation they get, other than the product itself, is the emotional satisfaction of sharing something they believe has value. In return, Tremor’s clients
hired the people who built Dean’s Internet operations. But he also brought in one of the founders of Facebook, Chris Hughes. Just twenty-four years old when he left Facebook to join the Obama campaign, Hughes is unassuming and looks like any other college-aged kid who likes to fool around with computers, though he holds options that are potentially worth tens of millions.

What Hughes brought to the campaign was a strategy based less on connecting with potential supporters than on connecting them with each other. Initially, the website he developed, MyObama.com, was dedicated to a single state—Iowa. But it was the connective tissue that gave people the sense they were part of something important, and it was the engine that mobilized people to call their families, set up neighborhood meetings, and attend the all-important caucuses.

When Obama won in Iowa, people in other states flocked to the MyObama website, which was then ready to organize them into “virtual precincts” based on where they lived, what issues interested them most, or their social connections. The Internet became the engine of a sophisticated “microtargeting” program, which used powerful analytical tools to identify potential supporters. But the key was always to facilitate their involvement, not to push anything on them. Obama’s online strategy was guided by three principles: keep it real, keep it local, and keep it moving.

**KEEP IT REAL**

Few experiences are as artificial as running for president. Candidates are surrounded by Secret Service agents, handlers, and advisers. Every gesture, every utterance, every wardrobe choice is recorded and analyzed. For most people, the candidate is a photo in the paper, an image on television, a body hurtling along a rope line, or a small speck at the front of a huge crowd. Distance and celebrity seem to be baked into the process.

The Obama campaign went through the ritual moves to “humanize” the candidate, to make him seem like the better choice to share a beer with. Obama and his family appeared on the cover of *People* and *Us Weekly* magazines and submitted to an interview with *Access Hollywood*. The candidate danced on *Ellen* and traded wisecracks on *The Colbert Report*. His wife helped cohost *The View* in a sundress
program, noted that “Obama has constructed not so much a campaign as a movement.” The difference is significant—campaigns are top-down, time-bound, and focused on short-term goals; movements are bottom-up, of indeterminate duration, and have long-term goals. Campaigns try to establish connections with the electorate (or customers). Movements capitalize on the connections people already have with each other.

Of course, all the Obama websites included a red “Donate Now” button. But the real point isn’t so much the money raised—though the Obama campaign’s fund-raising was of historic levels. It’s the engagement that followed the smallest donations. The campaign learned that donating online, even in small amounts, created a community of Obama ambassadors. Small donors felt personally connected to a candidate and more likely to volunteer, knock on doors, or make phone calls. In fact, many small donors challenged their friends to contribute. Some challenged friends to donate $10 for every foot of their height plus $1 for every inch. Others went on diets and asked friends to contribute money for every pound they took off. Plus, small contributors could be tapped several times, deepening their relationship with the candidate every time they wrote a check or charged a donation to their credit card.

Even Karl Rove expressed grudging admiration for the way Obama “harnessed the Internet for persuasion, communication and self-directed organization.” But Obama’s use of social media was more than a campaign tactic; it was an extension of his brand strategy. As a candidate, Obama understood that a brand is more than logos and slogans. It is an empty word into which one pours meaning. It’s attaching an idea to something, whether a product, a place, or a person, and then making sure that people’s experience of it lives up to that meaning. Logos, slogans, advertising, websites—and everything else that passes for “marketing”—are just tools that reinforce that meaning. Taking a cue from his campaign slogan—which Obama reportedly wasn’t crazy about initially—most observers assume that the idea he tried to attach to himself was “change.” That idea certainly differentiated him from his two biggest competitors—first Hillary Clinton in the Democratic primaries, then John McCain in the general election.
ing and career issues. Each of these leaders could be the subject of a whole book. I hope I accurately reported their perspectives.

As two of the leading executive recruiters serving the marketing community, Jane Stevenson of Heidrick & Struggles and Greg Welch of Spencer Stuart have unique perspectives on the state of the practice. I benefited greatly from their suggestions and deep knowledge of best practices and trends.

Gail McGovern, formerly of the Harvard Business School and now CEO of the American Red Cross, was one of the first people I consulted before undertaking my research for this book. Her encouragement and guidance set me on the right path. Michael Goodman of Baruch College is a good friend whose comments on an early draft of this book contributed greatly to its content and organization. Jonathan Struthers, a good friend and vice president of Communications Consulting Worldwide, made a number of helpful suggestions. Similarly, several long conversations with my friend and marketing consultant Bill Feuss helped me organize my approach to several topics.

Abe Jones of AdMedia Partners is a longtime friend who made the transition from advertising to investment banking even more seamlessly than my transition to writing. His extensive experience on nearly all sides of the media landscape provided essential perspective. Similarly, Donovan Neale-May is a new friend who has not only worked closely with many of the marketing masters but has become one himself. His views of marketing and its practitioners are always provocative, perceptive, and wise.

I benefited greatly from the work of a number of marketing consultants, many of whom were generous with their time, especially Ed Landry of Booz Allen Hamilton, Nigel Hollis of Millard Brown, Kevin Clancy of Copernicus Marketing, and John Gilfeather of TNS Research. Esther Novak, founder and CEO of VanguardComm, provided especially helpful guidance on multicultural marketing.

CHAPTER 1


2. “Find Who, Then What” is the title of the second chapter in Jim Collins’s best-selling book, Good to Great (New York: HarperCollins, 2001). When Anderson Analytics surveyed members of the exclusive Marketing Executives Networking Group in 2007, Collins’s book was cited as the book they would most recommend to fellow marketers, followed by Al Ries and Jack Trout’s Positioning and Steven Covey’s Seven Habits of Highly Effective People. Collins also appeared on their list of the “top marketing gurus.” The others were Seth Godin, Steve Jobs, Peter Drucker, Warren Buffet, David Aaker, Tom Peters, Jack Welch, Malcolm Gladwell, Al Ries, and Phil Kotler.


CHAPTER 2


4. The question of Roehm’s possible clash with Wal-Mart’s “old boys’ network” was posed in the Right Pundits blog. See www.rightpundits.com/?p=239 (accessed July 10, 2008).

5. Roehm was named one of the “distinguished young alumni” of the Chicago Graduate School of Business in 2006. In connection with the recognition, the school’s alumni magazine published an interview with her under the title “Pushing Boundaries in Marketing.” See www.chicagogsb.edu/news/daa2006/04-roehm.aspx (accessed July 10, 2008).

6. Roehm was interviewed by Robert Berner for his BusinessWeek story, “My Year at Wal-Mart” (February 12, 2007) before a financial settlement with the company forbade discussion of her experiences there.


8. O’Hare was quoted by Matthew Creamer, “Death of the Rock Star CMO,” Ad Age, January 22, 2007.

CHAPTER 3


2. All data are from The Evolved CMO, a report prepared by Forrester Research and the Heidrick & Struggles executive search firm. The full report is available at www.heidrick.com/NR/rdonlyres/AC86DF4D-DA48-41A4-97E4-637B3E92253E/0/TheEvolvedCMO.pdf (accessed August 11, 2008).


8. The meaning of the “golden thread” here is from the Total Quality Movement, where it means aligning internal processes to achieve customer satisfaction.

CHAPTER 4

1. “Bollocks” is a word of Anglo-Saxon origin, meaning “testicles.” The word is often used figuratively in English, as a noun to mean “nonsense” or conversely to mean “top quality” or “perfection.” Malcolm clearly intended it in its original meaning as an expletive.


4. For more on Diageo’s approach to marketing, see an interview by Rob O’Rehan and Samar Farah for CMO magazine that was never published, but is available on the Internet at http://magnostic.wordpress.com/best-of-cmo/

5. Diageo’s “Dogs and Stars” chart owes much to the Boston Consulting Group’s famous “Growth-Share Chart.” In fact, it was originally proposed by a BCG alumnus working within the company’s United Kingdom marketing group.

6. Explaining how to build a marketing dashboard is beyond the scope of this book, not to mention the author’s capabilities. However, there are a number of consultants who specialize in leading companies through the process. A good place to start is the website for Marketing NPV, an advisory firm that specializes in this work. See www.marketingnpv.com.


9. The Net Promoter Score is a registered trademark of Satmetrix Systems, Bain & Company, and Fred Reichheld. The concept was first described in an article Reichheld wrote for the December 2003 issue of the Harvard Business Review, “The One Number You Need To Grow,” and in his subsequent book, The Ultimate Question (Boston: Harvard Business School Press, 2006). Despite its popularity, it is controversial among researchers and academics, who have critiqued the concept and questioned the research on which it is based. See, for example, Keiningham, Cooil, Andreassen, and Aksoy, “A Longitudinal Examination of Net Promoter and Firm Revenue Growth,” Journal of Marketing (July 2007).

10. In a recent joint study of CMOs by Forrester Research and Heidrick & Struggles, more than half the respondents said building a strong relationship with the CFO was very important to them, second only to the head of sales among all their peers. Unfortunately, they also rated it as the second worst relationship. See Jennifer Rooney, “It’s about the Bottom Line for CMOs,” Advertising Age, May 5, 2008.


CHAPTER 5


2. Ibid.

3. The single-use packets of Tide Clean White were more than just a packaging
2. Becton, Dickinson later reentered the medical systems field with more success. This particular episode, which took place in the 1980s, is entertainingly described in a magazine article one of the participants wrote years later. See Ralph Grabowsko, “The Board’s Fiduciary Responsibility To Market Research,” Corporate Board, May/June 1998.


5. The story of HP’s operating room observations is told in Dorothy Leonard and Jeffrey Rayport’s seminal Harvard Business Review article on empathic design.


8. For more on the gemba concept and other aspects of customer research, visit Glenn Mazur’s website, www.mazur.net.

9. DuPont’s marketing has been the subject of numerous articles and even books. Interested readers will find the following works of particular interest: Regina Lee Blaszczyk, “Selling Synthetics: DuPont’s Marketing of Fabrics and Fashions in Postwar America,” in the October 2006 issue of Business History Review. Susannah Hadley’s Nylon: The Story of a Fashion Revolution (John Hopkins University Press, 2000).

10. Homlish was interviewed by Jennifer Rooney in “Why CMOs Don’t Last,” Advertising Age, April 7, 2008.

11. Marketing professor Edward F. McQuarrie has written broadly on the subject of “customer visits.” See, for example, Customer Visits: Building a Better Market Focus, third ed. (Armonk, NY: M.E. Sharpe, 2008).

12. Jim Guerard is vice president of product management and product marketing for the tools business at Macromedia, which includes the Studio, Flash, Dreamweaver, Fireworks, and FreeHand products. In his blog, Guerard described the customer-focused process Macromedia used in developing the Studio 8 software tools for interactive design. It involved visiting nearly 100 customer sites, talking to over 500 users, and logging at least 1,500
4. Reinhard, chairman emeritus of the DDB ad agency, created McDonald’s iconic “You deserve a break today” campaign based on his intuitive understanding of what the fast-food restaurant meant to busy parents. Similarly, “Like a good neighbor, State Farm is there,” capitalized on the neighborhood of insurance company’s local agents.


10. Ibid.


12. Lagnado explained the thinking behind the Real Beauty campaign in an article she wrote for the December 6, 2004, issue of Advertising Age, “Getting Real about Beauty.”


15. Gregory was quoted by Al Ehrbar in “Breakaway Brands,” Fortune, October 31, 2005.

16. Toward the end of the last Ice Age, what is now Europe was inhabited by a people known as the Magdalenians who painted cave walls with images of large wild animals such as bison, horses, aurochs, and deer. The oldest of these paintings, in southern France, dates to 32,000 B.C. Since the caves show no signs of ongoing habitation, the paintings don’t appear to have been decorations for living areas. Some experts believe they were a way of transmitting information, such as the game to be found in the area. If that’s true, they would have constituted the world’s first advertising. See Jean-Marie Chauvet, Dawn of Art: The Chauvet Cave (New York: Harry N. Abrams, 1996).

2. Reed Hastings was quoted by Bob Garfield in *Advertising Age*, “Your Data with Destiny,” September 15, 2008.


4. The survey was commissioned by Deloitte & Touche USA LLP and conducted online by an independent research company between August 28 and September 6, 2007. The survey polled a sample of 3,331 consumers over the age of sixteen.


8. Robert Metcalfe, one of the inventors of Ethernet technology and a cofounder of 3Com, observed as long ago as 1980 that the value of a network is proportional to the square of the number of users of the system \( n^2 \). It is based on the fact that the number of unique connections in a network is the number of nodes \( n \) times that number minus one \( (n - 1) \), divided by two, or \( n(n - 1)/2 \), which is \( n^2 \). George Gilder termed the observation “Metcalfe’s Law” in the September 1993 issue of *Forbes ASAP*.


11. According to ZDNet’s “IT Facts,” the Internet’s total audience grew 11 percent in June 2008 while the audience for social networking sites grew 25 percent. See www.itfacts.biz/category/web-traffic (accessed September 16, 2008).

12. Garfield wrote an excellent overview of widgets in the December 1, 2008, issue of *Advertising Age*.


15. Ibid.
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