



August 2004 Issue

Every August *BusinessWeek* and Interbrand combine resources to identify the top 100 brands and report on what makes them powerful. In this issue we get under the hood of the top brands report and find out what makes them great.

Editor's Cut

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August is traditionally the month when all those eyeballs for which you pay so dearly escape to the shore, mountains, or other vacation pursuits. We are hoping that a few of you remain at work to partake of this month's *Marketing Magnified* and be richly rewarded.

The new *BusinessWeek*/Interbrand study entitled the Global Brand Scoreboard is sure to please, particularly if you work for Apple or Samsung. Both brands saw their rankings and value increase significantly over last year, fueled by great new products and - most importantly - superior brand experiences that cemented the loyalty of new and existing customers.

The key takeaway from our brand-ranking story is that satisfied customers become proselytizers. They own the brand, love the brand, and spread the word far and wide. The *BusinessWeek*/Interbrand take on what makes brands powerful reinforces the key message in last month's article: "Brand Is Not a Four Letter Word." That article said customer loyalty and retention is the result of delivering a superior brand experience. Creating a differentiated, compelling, and value-packed brand promise is central to brand strategy, but what makes a brand truly successful is delivering a great brand experience every day of every year in every way. Customers own the brand and will bond for the long term if you deliver. If you do not, you will have more important problems than making next year's Top 100 Brands list.

Enjoy the final days of summer with some good reading in this month's issue and do not forget to register for this year's information-packed annual CMO Summit in Monterey, California October 7th and 8th.

Mark October 7- 8 on your calendar...now. The MPM Task Force Team has a half-day scheduled at the annual Summit in Monterey , California to unveil the groundbreaking MPM Model that is the Council's number one initiative this year. Be sure to [reserve early](#)...some did not for the MPM Forum and missed a very special day. Check [the home page of the Council's website](#) for details. [Register](#) ➔

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New Brand Ranking Study Shows Better Brand Experiences Build Brand Power and Loyalty

The annual *BusinessWeek*/Interbrand Global Brand Scoreboard report –released earlier this month - shows that brand strength and loyalty is built upon providing customers with a superior brand experience.

The report says that even though customers now have access to a wealth of information to compare brands they demand more than simple reliability and price. Empowered – not passive – customers want their brands to become a form of self-expression. Customer brand bonding through the delivery of a superior brand experience has propelled several technology companies up the rankings, improved brand value, and strengthened loyalty. The report concludes: “No wonder companies that are able to instill a sense of ownership in near-fanatical customers showed the biggest gains in our fourth annual ranking of the 100 most valuable global brands.”

Apple’s rise from 50th top brand to 43rd this year is a prime example of a brand that instills a sense of customer ownership. Combined with the success of iPod, Apple loyalists helped the brand increase its value nearly 24 percent to \$6.9 billion over the past year.

Samsung jumped from number 25 in 2003 to 21 this year on the strength of its feature-packed cell phones, flat-panel televisions, and an emphasis on building loyal communities around the brand. Its value jumped nearly 16 percent to \$12.5 billion. The brand uses customer events to strengthen loyalty.

Starbucks may be the ultimate customer experience brand. The brand’s goal is to foster a sense of shared experience and belonging. It has paid off with a 12 percent jump in value over previous year. Customers say the drinks are great but it is the experience of being at Starbuck’s that creates the brand bond.

The report notes that strong brands are bound by a set of clearly defined and rigorously enforced values. They fulfill a range of needs for their customers. The fastest-growing brands often project an aura, an attractive group identity, the report says. Satisfied customers become “proselytizers – customers who will chat up the brands to their buddies, set up web sites, attend events, and proudly identify themselves as adherents.” “Nobody has to pay them. They are owners as well as customers.”

Harley-Davidson is a 101-year-old brand that gained four percent to \$7.1 billion through an array of brand bonding events and programs and delivering a superior brand experience. The Harley Owners Group is 886,000 strong and a key reason for the brand’s success. “No wonder more than half of new Harley sales are to current customers who are trading up,” the report says. “The brand is self-reinforcing.”

The report points out that old-line brands seem to be coasting on sheer size rather than an ability to forge a unique relationship with customers. Brands like Microsoft, Coca Cola, and Walt Disney have seen their brand values erode. However, “brand equity takes years to win and lose.” “Once you have it, it’s a bit like insurance. It’s not likely to be eroded very fast unless you make one mistake after another.” The report concludes by saying: “These days, anything that makes fans out of fickle consumers can be priceless in building a brand.”

The real nugget in this report is the finding that “Satisfied customers become “proselytizers – customers who will chat up the brands to their buddies, set up web sites, attend events, and proudly identify themselves as adherents.” “Nobody has to pay them. They are owners as well as customers.”

The brands on the move underscore this finding. They understand that customers own brands and loyal customers are priceless. Loyal customers - and the multiple benefits they bring - remain loyal and beget new loyal customers when your brand delivers a superior brand experience each and every day. The power behind the brand is customer brand bonding.

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Marketing for Leads: Are You Asking the Right Questions?

A number of recent surveys—including the CMO Council's own Marketing Performance Measurement (MPM) study—all point toward the same conclusion: the majority of senior marketers believe that the primary objectives of marketing are to drive sales leads, influence sales, increase customer retention, and boost revenue.

The Key is Tracking and Measuring Results.

Regardless of how these objectives are accomplished, one of the keys to improving marketing's overall return on investment is the ability to track and measure activity and results. This view is supported by the MPM research, in which nearly 60 percent of technology CMOs reported that they plan to boost spending on ROI measurement over the next two years.

Accurate tracking and measurement of marketing activity and results allows you to concentrate future marketing investments where they will have the best returns and to reduce or eliminate marginal and non-productive activities. It also helps justify investments in marketing to other C-level executives within your company.

Sales Leads Often Play a Major Role.

Because sales leads can significantly influence sales and therefore help boost revenue, increasing leads is often one of the key objectives of marketing in the technology industry. This holds especially true for companies with big-ticket or complex products or services that are designed by engineers, designers or architects, or have enterprise-wide applications affecting multiple stakeholders. These are "considered" rather than "impulse" purchases. And, increasing sales leads is even more critical for companies selling products or services through such indirect channels as manufacturers' reps, distributors, resellers, and systems integrators.

The Questions to Ask to Get the Answers You Need.

To develop and implement the most productive marketing strategies and tactics for increasing sales leads, CMOs need to have the right information at their fingertips. To get that information, you need to be asking your marketing team the following questions:

What is Our Average Marketing Cost Per Activity or Result?

By tracking and measuring cost per activity or result, you have a way to benchmark and improve results. Ask your team:

- What is our average marketing cost per inquiry? Per qualified lead? Per sale? Per up-sell, cross-sell, or renewal? Per reactivated customer?
- What are the costs associated with the same metrics when marketing is not involved?
- How do the current numbers compare to previous years or quarters?

What is the Return on Investment?

Although the actual dollar amount of sales revenue linked directly to marketing activities often serves as the strongest indicator of return on investment other criteria can be used to show ROI as well. Here's a suggested list of questions to get you started:

- How much sales revenue has been generated as a result of marketing activities?
- What percentage and amount of the company's sales has marketing assisted?
- What percentage of forecasted sales in the pipeline can be linked to marketing activities?
- What is the value of the average marketing-generated sales opportunity compared to opportunities found by sales without marketing's help?
- How long has it typically taken to close marketing-assisted sales compared to those in which marketing hasn't appeared to be involved?
- How much have results in all these areas improved compared to previous years or quarters?

What's in the Sales Pipeline?

Be sure to consider forecasted sales. Ask your team to find out:

- How many of the opportunities in the forecast came from marketing-generated leads?
- How much of the forecasted revenue will be the result of marketing-generated leads?
- What number and percentage of the target accounts in the forecast have been found via marketing-generated leads?

Where Do Our Best Leads or Sales Opportunities Come From?

Ask your marketing team to tell you:

- Which lead-generation campaigns have been the most successful?
- Which market segments have shown better results than others?
- Which media have generated the best results?
- Which "offers" have resulted in the highest number of inquiries?
- Which lead follow-up activities have generated the best results?

Don't Take No for an Answer

Although it isn't always fun for the creative types in your marketing team, it really isn't difficult to track and measure marketing results. Start by telling your team that you can live with the fact that they won't be able to track and measure every activity, result, or dollar in revenue. Ask them to focus on those activities and results that *can* be tracked and measured, and don't worry about those that can't. If your sample size is large enough, you can confidently project overall results from the measurable segment.

In today's bottom-line environment, most technology CMOs list an increase in sales leads as a key objective of their marketing programs. To be successful in improving your marketing results and justifying your marketing investments, you must have answers to the questions noted above. Don't take "I don't know" or "We can't" for an answer. Insist that your team get you these answers and consider replacing those who can't or won't.

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Secure Email Delivery Combats Identity Theft and Offers Brand Protection

In a report published in May by Gartner, technology-driven fraud using digital channels - such as email and the web - is now the fastest growing form of consumer theft in the United States.

The marked increase in 'phishing' has caused a great deal of uncertainty and anxiety amongst recipients of electronic communication.

'Phishing' occurs when recipients receive an e-mail requesting them to update their customer details. When they click on the provided link, they are routed to a 'spoofed' web site where they are requested to submit their confidential information in order to update their records. The perpetrators capture this information for later use in fraudulent activities.

Organizations need to protect their brand, business, and customers from the potentially devastating effects of identity theft and related fraudulent activity. To do this they must revise their communication strategies to remove high-risk practices.

Identity theft is forcing changes in the way organizations communicate with their customers. Without applying smart measures, some functions - such as web links, the provision of personal details, and downloads - are seen as high-risk actions to be avoided. Once a customer has fallen prey to a fraudulent email or website that they believed to be from a genuine service provider, the trust between the two parties is indelibly damaged.

Organizations can help ensure trust in their electronic communication by using digital signatures. By digitally signing an email, the service provider is able to assure the customer of the authenticity of the sender and provide notification if the email has been changed from the original. This eliminates the risk of an email being 'spoofed' by someone masquerading as a trusted service provider, as well as the risk of an email being tampered with in-transit.

A secure email delivery process can allow integration with both standard and advanced digital certificates, as well as via hardware security modules such as nCipher's nShield and eSecurity's WebSentry. This means that users of secure email billing processes are able to 'stamp their authenticity' onto their outbound communication. For organizations that require the utmost security to protect their brand, business, and customers, hardware-based digital certificate products are critical considerations.

We believe that digitally signed e-mails will become the norm for business-to-business and business-to-consumer e-mail communication. Already in Europe, invoices sent by electronic means will only be accepted by member states, provided that the authenticity of the origin and integrity of the contents are guaranteed by means of an advanced electronic signature based on a qualified certificate and created by a secure-signature-creation device.

Realizing the value of digital certificates will require education of e-mail users in order to capitalize on the security benefits. Users will need to be aware of what a certificate ensures and how to know if a certificate is invalid. They will also need to know what a certificate does not do. Customers need to be educated on the benefits and assurances new technologies like digital certificates can provide.

Over and above digital signatures, secure email delivery software has further advantages for parties concerned about fraud. Security can include a username and password layer that requires the recipient to authenticate themselves before accessing the email bill/document or other confidential information. By highlighting the benefits and advantages of these measures, companies can educate their customers on the importance of digitally certified and encrypted

email, encouraging them to only trust communication that includes one or both of these security elements.

By integrating this type of security layer into a secure email document/bill distribution process, users can protect their intellectual property, authenticate and secure their email communication, while also ensuring the integrity and privacy of customer information.

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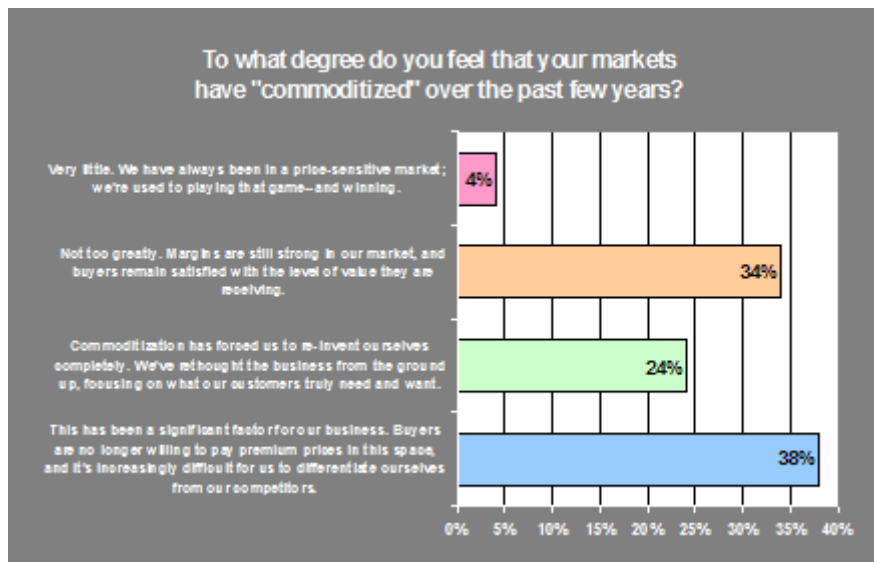
Dealing With Commoditization: Finding New Ways to Add Value to Customers' Changing Lives.

Part Three in a Series of Three

As discussed in parts one and two of this series, today's top marketing minds face an accelerating rate at which commoditization is eroding brand loyalty.

To develop a more profound understanding of this critical issue, Patrick Marketing Group (PMG) conducted a survey of 50 marketing executives in April and May of 2004.

As shown here, almost two-thirds of those interviewed perceived a significant impact of commoditization.



Marketing and Sales - a Consultative Approach.

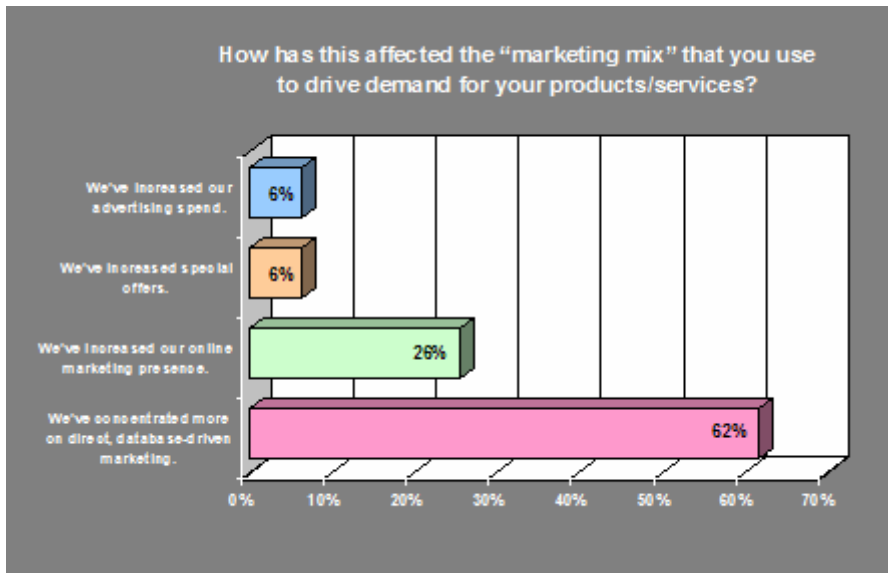
Many respondents discussed the need to use marketing to engage prospects in a consultative selling approach, positioning the company as a thought-leader, and its sales representatives as industry consultants. One respondent observed, "Customers are increasingly savvy in their buying rituals and their reaction to marketing activities."

Changing Product Lifecycles.

Perhaps the most intuitive reaction to changing market conditions is to change the product offering in order to meet what one hopes will be an increased level of demand. As borne out in the survey, this is the tack taken by a large portion of the audience. "Who will our customer be in five years? What products will this customer want?" asked one respondent. Another survey participant looked at the world similarly, as she reports, "We're making our unique process easier to use and understand by a wider audience."

A More Focused Marketing Approach.

A large percentage of those interviewed believed that more direct, "rifle-shot" marketing practices will generate higher ROI. Many readers will recall this finding in previous surveys; it shows a continuation of the trend toward database-driven techniques that target audiences at a finer, more granular level than ever before.



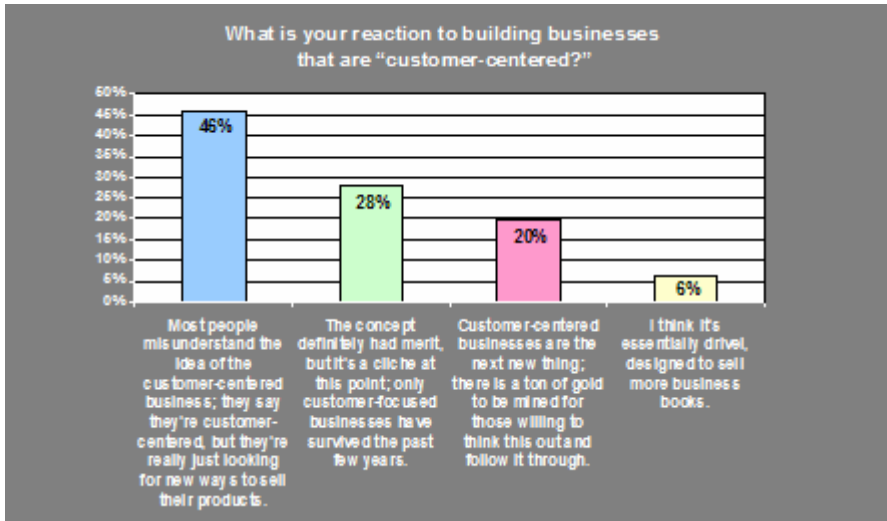
This is an interesting approach, in that it essentially says: the market may be changing, but there are still people who need what I'm selling; all I have to do is find them. As a senior marketing consultant at a marketing solutions firm put it, "Our approach is finding prospects who truly understand, appreciate, and are willing to pay for what we offer." The marketing coordinator of an international electronics corporation agrees: "I think in the technology arena, we are having to find a tighter niche market where we can continue to make the larger margins we always made in the past without having to sell such high volumes."

Today's Imperative: Develop a Profound Understanding at a Personal Level.

Many respondents discussed the need for research that goes beneath base-level product issues. We have learned that successful CMOs in today's climate cannot afford to guess at the true nature of their target markets and the changing needs of key players. This is why there is no substitute for primary research that cuts to the very core of a market's needs, wants, frustrations, and aspirations.

The Customer-Centered Business.

Almost half of those surveyed believed that "most people misunderstand the idea of the customer-centered business." They say they're customer-centered, but they're really just looking for new ways to sell their products. We believe that this is, in large measure, due to the way the classic large business is structured, i.e., the entire infrastructure of most companies centers around the lifecycle and P&L related to certain product or service portfolios. R&D, sales, finance, and operations all are put into place to maximize the return on investment that is associated with a certain product or service line. Sure, we listen to "the voice of the customer, but in truth, the only issues we really care about are his/her reactions to our products!



We believe that someday soon a radical transformation will take root, and businesses will be built from the ground up based on an intimate understanding of a complete range of customer lifestyle issues. How do people perceive themselves? What are they trying to express about themselves? What are their darkest fears? What are their brightest passions?

Only with this level of understanding is it possible to fashion a business that will be truly differentiated and impossible to commoditize.

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The Download

DVRs Skip the Spot.

According to a new survey by market analyst Lyra Research, 38 percent of DVR users skip 100 percent of commercials when watching a recorded show. Thirty-one percent say they skip 81 to 99 percent of advertisements, and only six percent reported watching all of the commercials. Ad-skipping appears to increase with DVR experience. Those who had used a DVR for less than six months skipped ads 72 percent of the time, compared to 84 percent for DVR veterans with more than two years' experience. Advertisers need not throw in the towel, though. According to a report by merchant banking firm Thomas Weisel Partners, Americans spend an average of 49 percent of their waking hours with ad-supported media, including broadcast and cable television, radio, newspapers, magazines, and the Internet.

Forrester Projects Internet Revenue to Double in Five Years.

A new study by Forrester Research predicts that North American company Internet revenues will nearly double as a percent of overall revenues in the next five years. Broken down by sector, the largest increases will be seen in Services and Manufacturing, both jumping to a 32 percent growth rate from the current 15 percent. Financial Services will register a 28 percent growth rate versus the current 15 percent and Retail is expected to grow at a 21 percent rate compared with its current 14 percent.

The current average Internet revenue growth rate of the 182 North American companies surveyed was 15 percent, expected to grow to 29 percent of their overall revenue by 2009.

Resume Fluff Baffles Recruiters.

A recent survey of over 160,000 resumes to examine skills cited by job seekers showed an extraordinary level of vagueness and inexplicit phrases to describe their workplace skills and experience. Nearly half of all job seekers used at least one or more such elusive phrases on their resume, according to a report by ResumeDoctor.com. "Many job seekers fail to realize that phrases like 'team player' and 'problem solver' have become vague clichés," says Brad Fredericks of ResumeDoctor.com. "Recruiters need to know what team a job seeker actually played for and which problems were actually solved."