



July 2004 Issue

Brand measurement is at the bottom of the barrel when it comes to MPM in the technology industry. MM's managing editor in our lead article says it's time for the return of the brand.

Editor's Cut

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Editor's Cut



We have run several articles over the last few months on technology industry commoditization, including this issue's second in a series of articles on the subject from the Patrick Marketing Group (PMG), based on a survey they conducted in April and May of this year.

PMG points out that technology markets always run the risk of commoditization, which is absolutely true. It is also true for virtually every other industry or market in the world. Anyone can play the commoditization game, but marketing requires imagination. Think about what marketers did with plain old water.

The purpose of marketing is to determine market needs and wants and then use that imagination to offer a differentiated value proposition to potential and current customers in the form of a brand promise. The trick is to keep that promise every day.

Markets become commoditized because the people behind the brands believe they are delivering product or service solutions. That is part of the equation, but delivering a satisfying customer brand experience built upon a differentiated promise of value is their most important job. How well they construct their brand promise and delivery system and - most importantly - keep their promise over time separates the winners from the losers.

Chapter Four of Kristin Zhivago's new book *Rivers of Revenue* - reviewed in this issue - gets to the heart of what marketing must do to avoid commoditization. In "Developing the Promise You Can Keep," she says the customer's experience determines your brand. Companies that break their promises lose money. I would add they also go out of business.

In my article "Brand Is Not a Four-Letter Word" I offer several ideas on how to optimize your brand. At the core is customer loyalty and retention that delivers long-term revenue enhancement. This is where good marketers place their focus, not price-based commodity marketing. Brand loyalty is driven by the customer experience. Make your promise differentiated, compelling, and value-packed and then put in place the system to keep your promise every day and you'll avoid the hell of commoditization.

Over 20 years ago Harvard professor Theodore Levitt wrote a book called *The Marketing Imagination*. What he said then is as true today: "The marketing imagination is the starting point of success in marketing. It is distinguished from other forms of imagination by the unique insights it brings to understanding customers, their problems, and the means to capture their attention and their custom. By asserting that people don't buy things but buy solutions to problems, the marketing imagination makes an inspired leap from the obvious to the meaningful."

Commoditization is the obvious. A strong brand with a differentiated, value-based promise to customers that is kept is meaningful.

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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Brand Is Not a Four-Letter Word

The Council's just completed CMO Measures + Metrics MPM quantitative study showed branding at the bottom of the barrel when it comes to measuring marketing performance. CMOs also said that brand equity is one of the least reported measurements to senior management. Following the heady days of the late 1990s when brand was king in the technology kingdom, brand has deflated on the same curve as bottom lines.

What's behind the slide in brand importance within the tech industry? I believe there are three key reasons why companies are just not spending a lot of time or money on developing their brand(s):

Descent into the Valley of Doom .

The recession of the past several years hit the technology industry harder than other industries. When money flowed branding was a top priority, but when budgets were in freefall and survival was often at stake brand got the boot and lead generation got the money. The inescapable fact is that many technology companies view branding as a luxury.

This change was evident in a [Worldwide Study of Strategic Branding Within High Technology firms](#) conducted by Socratic Technologies and Nelson & Company in the fall of 2002. The study showed a statistically significant drop in the number of companies implementing brand strategies from the benchmark study conducted in 1997, a period of fast growth for the industry. The retreat from branding was most noticeable in small and medium size companies.

Clearly, when the good times roll, brand rolls right along. When the music stops, however, brand becomes a four-letter word. Several months ago I asked a senior marketing person in a very large tech firm if they were maintaining their brand program. She replied: "Brand is a dirty word around here. We don't even talk about it any more."

The strategic branding practices study also confirmed the CMO study's finding that companies are not spending time or money trying to measure brand impact on company performance.

This recession left an indelible mark on marketing. Accountability for marketing results and ROI is job number one for most organizations. There is a reason that MPM is the Council's top initiative for 2004 and this is it.

Hard Is Always Better Than Soft.

If it can't be measured, it is unlikely to receive funding. Measuring the value of brand has never been easy. Historically, brand awareness and associations - two key communications-driven brand equity components - have been the primary metrics used to determine brand success. The problem is: How do you translate awareness and positive brand associations into ROI? CEOs and CFOs are rather skeptical of any measurements that can't be related to business performance.

Large brand consulting firms like Brand Finance, Interbrand, and Prophet are making progress in developing more precise metrics for determining brand equity growth and its impact on company value, but solutions often are expensive and inconclusive.

One of the key findings from the Measures + Metrics study was that marketers retreat to those activities that can be quantified with hard numbers and demonstrable impact on results. When the bottom line is sinking, hard is better than soft.

Brand Is ??????????

What is a brand? Ask that question and you'll get many different answers. In our branding practices study almost two years ago we learned that most tech marketers equated brand with marketing communications activities or just the brand name and identity. Equally distressing was the level of brand understanding by senior management. Seven out of ten respondents felt top executives had limited or no understanding of branding. This was especially true in small and medium size companies. No wonder brand support evaporates when budgets dwindle.

In her new book *Rivers of Revenue* - reviewed in this issue - long-time tech marketing consultant Kristin Zhivago nails the essence of branding when she says: "Your brand is the promise that you keep, not the one you make." She says your behavior determines the customer's experience and the customer's experience determines your brand. Amen.

The very best companies understand this definition of brand and live it every day. That's why they are profitable during both the good times and bad times. She profiles Southwest Airlines and Fedex as two great examples of companies that understand how to use their brands effectively.

The Return of the Brand.

Given the reasons outlined above for inattention to brand these past few years, what can you do to put branding back on the agenda? Here are a few ideas:

- Redefine branding. Think holistically. Branding is a business strategy that impacts the company and its long-term revenue stream. Brand is the promise you keep, not just make. That means the CEO is the chief brand steward and each and every employee is the brand. In technology companies, the corporate brand is your brand. Every minute of every day brand touchpoint connections are made. It's your job to work with the executive team to create the promise and the framework to deliver on the promise and satisfy customers. There is no higher calling.
- Optimize your brand. Keeping promises is a hard job, but someone has to do it and that someone is you. Marketing has the responsibility to ensure that the customer experience with the brand is always superior. That's how brand promises get kept. Use research to monitor your brand touchpoints to see if the promise is being kept. If you find brand gaps between what you promise and what you deliver, prioritize the gaps and develop new strategies and programs to close the gaps. Then, continue to monitor internally and externally and make adjustments as required to meet the ever-changing needs of your customers.
- Demonstrate results. Internal touchpoint metrics can be put in place. Customer service, shipping, and other internal functions can be measured against keeping the brand promise and delivering a superior customer experience. This is the front line in brand promise delivery so choose wisely and reward generously. Use customer experience research to benchmark and track both internal and external touchpoint performance and use to adjust strategies and programs. Most importantly, focus on brand loyalty measurements. Awareness, associations, and quality perceptions certainly need to be measured and managed as key components of long-term brand equity, but the brass ring is brand loyalty. Promises kept equals delighted customers who not only stay with you as long as you keep your promise but also tell potential customers about you. Happy, loyal, retained customers continue to fatten the bottom line for a long time. And, they help you acquire new customers at a much lower cost. Make sure you have a system in place that captures retention value.

Brand is not a four-letter word. Brand is your business. When you put it in its proper context as the business strategy that increases revenue and enhances the long-term value of your company through keeping your promise to your customers, you'll get not only get executive understanding but support.

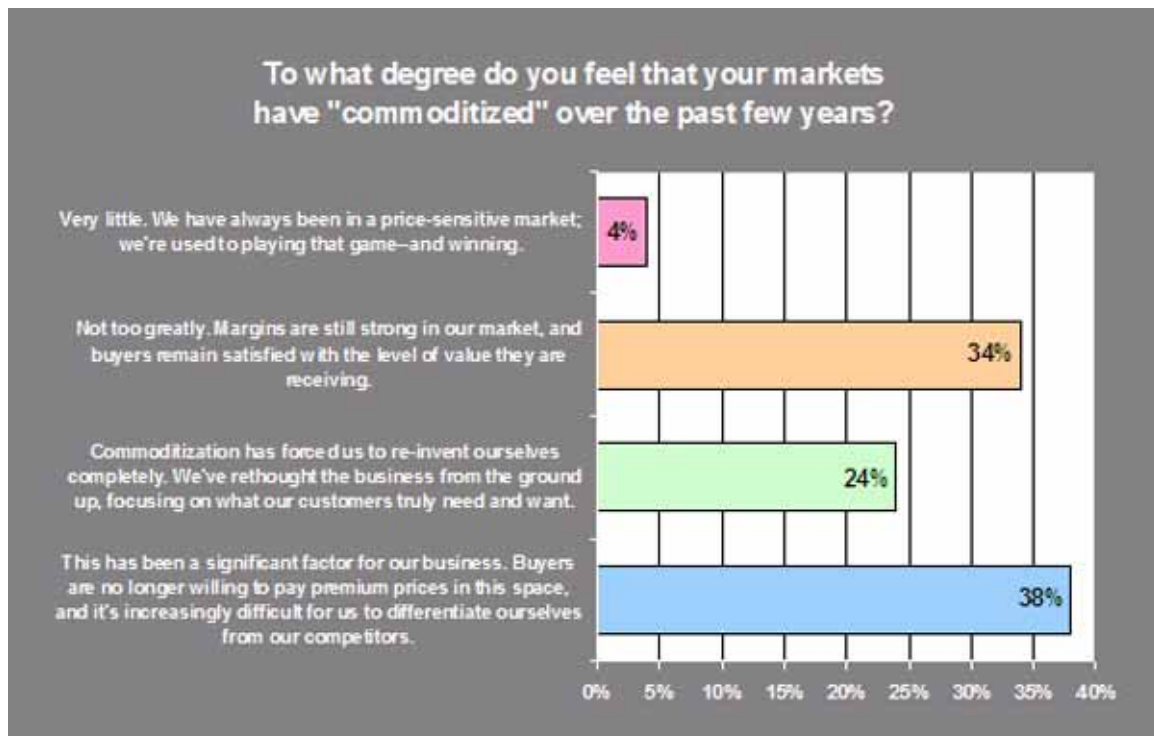
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Dealing With Commoditization: Finding New Ways to Add Value to Customers' Changing Lives. Part Two in a Series of Three

Marketing strategists today must develop new ways of dealing with the rampant commoditization that is affecting virtually every market.

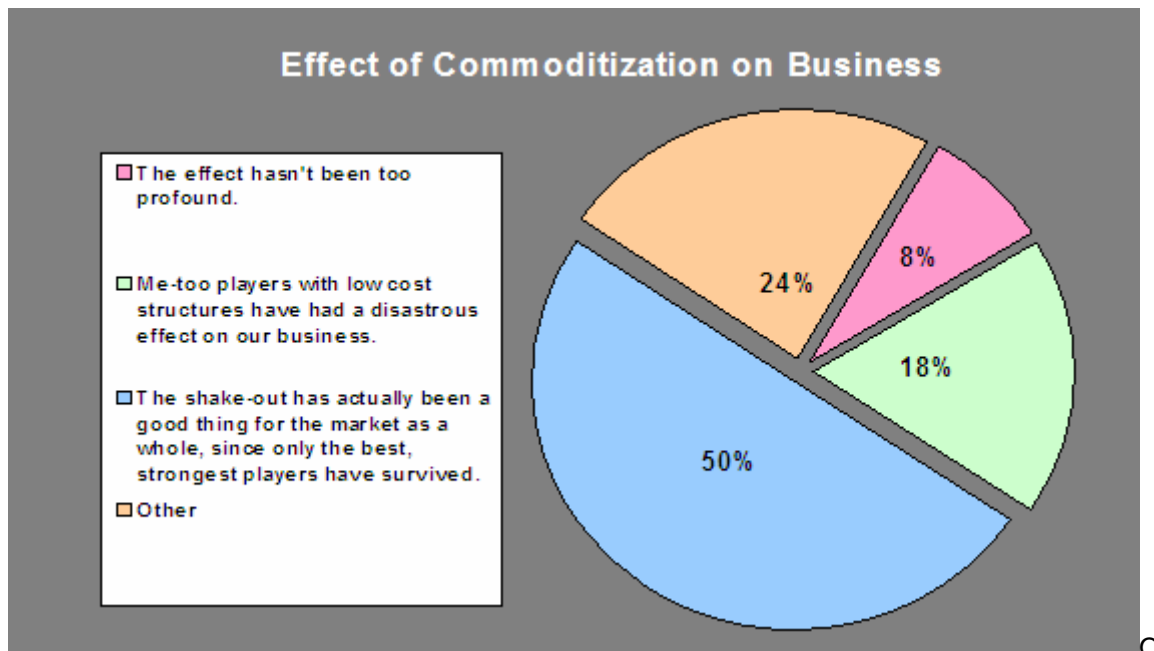
To develop a better understanding of this critical issue, Patrick Marketing Group (PMG) conducted a survey of 50 marketing executives in April and May of 2004. This research effort provides real insight into the erosion of brand loyalty and the diminishing willingness of customers to perceive the value of previously differentiated products and services.

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



Organizational Darwinism - Seizing the Opportunity

Half of those interviewed admit that commoditization has had some positive effects. "The me-too players have had a definite effect, but not disastrous. It has forced us to be more aware of our profile and response to our customers," reports the executive director of sales and marketing at a large printing company.



thers see real opportunities emerging from this pressure that didn't exist previously. As one person put it: "It offers a huge opportunity for us as the dinosaurs die."

Yin/Yang - Commoditization Creates Its Opposite

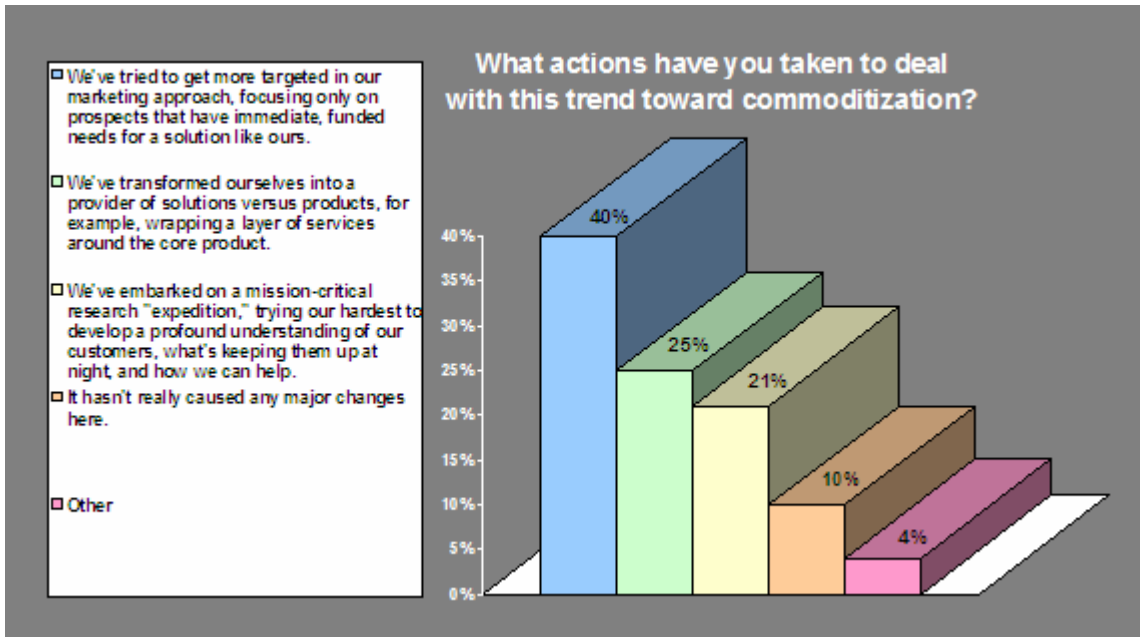
The director of communications at a Fortune 250 IT company says: "We see a significant shift to commodity-based price models at one end of our market, while the other end is unwilling to risk their IT on unproven commodity options." And this idea - that certain markets are bifurcating into commodity and high-value environments - is not out of line with other independent industry information. As reported in *TechTransform*, "Technology is always vulnerable to commoditization (which means less branding value)...now more than ever. The message: be an efficient commodity provider at the core, or go to the edge and deliver great value to the user."

Affect on Channels Strategies

Many survey participants discussed the effect that commoditization has had on their channel strategies, such as selecting partners who can help tell the company's story at a higher level. The director of sales and marketing at an industrial manufacturing concern notes: "It has forced us to consider deeper and broader sales channels, incorporating more distribution. Three years ago, this was insignificant in our overall marketing and sales channel strategy."

Investing Only Where ROI Can Be Proven

To the surprise of no one, the issue of ROI came up frequently. Several respondents discussed the need to measure and track the ROI associated with each marketing investment, with comments like: "We're much more concerned about value and return-on-investment."



This article is the second in a series of three that will be concluded in our August issue.

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New Book Show CMOs How to "Find the Money"



A new book by long-time technology marketing consultant Kristin Zhivago called *Rivers of Revenue: What to do when the money stops flowing* lays out a step-by-step revenue generation system that turns traditional technology marketing and selling on its head. The method laid out in *Rivers of Revenue* is built upon the customer's *buying process* rather than on conventional marketing and selling processes. .

Zhivago divides the buying process into two distinct stages: Buyer Desire and Buyer Scrutiny. In the Desire stage, the buyer is dreaming about the purchase. Are your potential customers indifferent to your product, lusting after it, or somewhere in between? The book explains how to find out and then helps you build a campaign that plays to their level of interest-and increases it.

"As soon as a buyer gets serious about making a purchase he or she moves into the second stage, Buyer Scrutiny," says Zhivago. "The dreamer suddenly turns into an investigator who insists on all questions being answered satisfactorily before handing over the cash." *Rivers of Revenue* shows how to prepare the materials and messages to answer those questions properly and support the buyer's process-from first inquiry to completed sale.

One of the most powerful concepts in the book is the categorization of the world's products and services into four categories of Buyer Scrutiny. "Light Scrutiny products are impulse purchases. The buying process is short and uncomplicated," Zhivago says. "Intense Scrutiny products, at the other end of the spectrum, are characterized by very elaborate, drawn-out buying processes. The marketing and selling required to inform the Light Scrutiny buying process is completely different than that required for an Intense Scrutiny product," she says. Zhivago's book specifies budget allocation percentages for each type of product.

Zhivago also says she has perfected the art of interviewing customers, having conducted thousand of customer interviews. She obviously loves to do it. She comments, "If you do it right, it's actually a pleasure to interview customers-for both parties. And, what happens afterwards dramatically elevates your role in the company." She promises you will know, personally and precisely, how customers feel about your product, what customers want your company to do, and how they want to be sold. Armed with this knowledge, she says, your course of action becomes crystal clear. Instead of guessing, you will know what will work. And, in your next meeting, you will be the expert on customer behavior. "Others in your company obviously have no problem arguing with a marketer. But no one wants to argue with a customer," Zhivago concludes.

Zhivago, whom MarketingSherpa's Anne Holland refers to as a "hired gun CMO brought in to turn troubled marketing departments around," also addresses company political power issues in the chapter entitled: Reaching for the Power Baton. She explains how marketers can gain a place at the strategy table-and the CEO's respect.

Zhivago has written articles and monthly columns for *Adweek's Technology Marketing*, *BtoB*, *Business 2.0*, *Software CEO*, *Product Marketing*, and *Sales Advertising Marketing (SAM)* magazines. She also edits *Marketing Technology* and *The Revenue Journal* newsletters. Since founding her consultancy in 1979, she has performed revenue re-engineering consulting for startups as well as multinational corporations.

Rivers of Revenue: What to do when the money stops flowing can be ordered at <http://www.RiversofRevenueBook.com> or call toll-free, 877-4RIVREV (877-474-8738).

Top Six Sales Guide Mistakes

Most companies spend their marketing budgets generating market awareness, but precious little equipping their sales force with the *knowledge* to sell. And in today's economy, selling is anything but easy.

That's why developing effective sales guides is so critical. A good sales guide educates your sales force on how to position and sell your offerings to the prospects most likely to buy. It also functions as a reference tool, organizing details for just-in-time access to help sales people feel in control of the sales process. It helps to build confidence in your offering so that sales people feel comfortable presenting it to customers and confronting the competition. And a good sales guide motivates your sales force to sell.

Unfortunately, many companies publish ineffective sales guides that can ultimately cause revenue to slip. Listed below are some of the most common sales guide mistakes, and how to avoid them.

Mistake 1: Failing to involve the sales force.

Many marketing departments develop sales guides without any input from their "customers"-the sales force. The result? A document that's disconnected from their real-world challenges and only serves to widen the chasm between sales and marketing.

The fact is, to develop effective sales guides and tools, marketing needs to understand how customers buy (i.e., how a sale takes place) and how sales people sell. So take a lesson from product development and *talk* with your internal customers before you begin. Locate a willing cross-section of your sales force, and pick their brains to learn what they consider most useful- and most frustrating-in sales guides they've used in the past. These frank conversations may yield insights that will surprise you and reshape your sales guide strategy, as well as take a huge step toward bridging the gap between sales and marketing.

Mistake 2: Providing inadequate competitive information.

Sales guides often paint a too-rosy view of the company's competitive position, or contain outdated competitive information. Look at it from the sales team's perspective-how would you like to go to war with inaccurate data on your enemy's strengths, weaknesses, and position relative to your own? Most likely, you'd feel like you were set up to lose.

So give the sales force what they need to *win*. Provide an unbiased summary of who they're up against, how your company compares, and how they can win in tough competitive situations. Be honest about an offering's weakness relative to the competition, and explain how to handle those vulnerabilities when talking to prospects. It's easy to position your product against a competitor's weaknesses-it's the competitor's strengths that pose a challenge.

Mistake 3: Failing to motivate.

Sales people feel tremendous pressure to produce. Their jobs are always on the line, so they naturally seek out the fastest, surest route to quota. The problem is, the fastest route may be what's familiar-the existing product line-rather than what's new. Your challenge, then, is to motivate the sales force to sell your new offering.

An effective sales guide "sells" sales people on the new offering by including the revenue potential of various kinds of deals (including a breakdown of solution components and percentages) and customer success stories that help build the offering's credibility to the sales rep, as well as to customers.

Mistake 4: Failing to respect the sales force's time.

Sales people are constantly bombarded with information about products, changes, upgrades, special offers, etc. The last thing they need is a lengthy, disorganized document that doesn't help them find important information when they need it.

So strive to develop a concise, easy-to-use sales guide. Be choosy about the information you include. Organize your content by thinking about the natural flow of questions a sales person would ask about a new offering. Make it easy for sales people to look up what they need quickly. Use charts and tables whenever possible to condense large amounts of information. And make sure that your sales guide is interesting to read.

Mistake 5: Using generic marketing messages.

Generic messaging blurs the differences between your offerings and those of your competitors', resulting in a deep-seated confusion that sales people may convey to your customers. And, generic messages cripple the sales force's ability to position your offering for different industries and audiences.

Sales people need a concise product definition, a unique value proposition, and a succinct elevator pitch, developed with consensus from product management, sales, marketing, engineering, and communications. If appropriate, tailor the messaging for different buyer profiles. Otherwise, the sales force may struggle to communicate the offering's competitive advantages.

Mistake 6: Choosing the wrong writer.

Sales people often complain that sales guides contain too little information to be useful, or too much technical detail to bother reading. Why do so many sales guides fall so short of the target?

Most often, it's the biases and background of the writers. When written by marketing staff, sales guides may shy away from technical detail. When written by technical staff, messaging information may be ignored. Neither group may understand the sales process. And, the specialized writing and organizational skills that sales guides require are not typically a job requirement for sales, marketing, or technical personnel.

Good sales guide writers can translate technical information into simple, accessible prose, but they're familiar with the sales process and have a marketing bent. They're expert project managers capable of managing multiple drafts, hundreds of comments, and countless details. And, they're skilled in quickly identifying the most important elements in massive amounts of information, and synthesizing them into tight, clear writing.

If none of your employees have this combination of skills, or if the ideal candidate doesn't have the bandwidth to complete the project quickly, you may wish to consider hiring an experienced sales guide developer. While contractors may not have historical knowledge of your company's offerings, they offer several tangible benefits, including organizational and writing skills, as well as full-time dedication to the project. And, outsiders can sometimes be more effective than employees because they have no turf to protect: they're only interested in getting the job done well.

Avoiding these sales guide mistakes won't always increase the corporate bottom line. Other market factors, such as the type of product being sold, the economic and competitive climate, etc. all affect whether an offering fails or succeeds. But making these mistakes can certainly *decrease* the bottom line by alienating the sales force and sabotaging an offering's potential for success.

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CMO Council: Ad Measurement Key For Marketers

As reported in the *OPA Intelligence Report* Chief Marketing Officers (CMOs) are frustrated by the lack of measurement for their campaigns. A new survey of technology marketers by the CMO Council found that 90 percent believe that measuring marketing performance is a key priority -- yet 80 percent of respondents have no formal marketing performance measurement (MPM) systems in place. In fact, 70 percent said they spent 2 percent or less of their marketing budgets on MPM, but 60 percent said they want to increase spending in that area over the next two years -- a big opportunity for online publishers who offer strong measurement tools.

Separately, MediaPost reported that a panel of CMOs at a New York confab said they were planning to put more money into online media and search. The CMO at Pepsi-Cola said the company was planning to increase its online marketing budget, while an exec at Walmart.com said "we will continue to play around with new ideas on the Internet," according to MediaPost.

Low-Priced DSL Is Helping Broadband Expand

For publishers banking on more broadband visitors to their sites, the news this summer is promising. First, the FCC reported that overall broadband access was up 42 percent in the U.S. in 2003, with DSL leading in growth over cable modems, 47 percent to 45 percent. DSL still has a long way to catch cable, with 9.5 million lines vs. 16.4 million cable modem lines. Worldwide growth of DSL has been solid as well, with a 15 percent increase in lines for the first quarter of 2004, according to DSL Forum. China and Japan lead the U.S. in raw numbers of DSL lines, but South Korea has by far the greatest penetration: 28.3 DSL lines for every 100 phone lines, the survey found. Peru and Malaysia had the highest growth rate in Q1, at 60.8 percent and 52.2 percent respectively.

And things could be getting hotter for DSL this summer, according to the Los Angeles Times. The paper reported that DSL prices were down to \$26.95 per month in California, using a local phone package from SBC. As DSL prices near dial-up prices, many more people will likely switch. The only dark clouds come from a lapse in FCC rules that will allow Baby Bells to charge more for competitors to lease their phone lines - for voice or DSL.

One-Third of U.S. Marketers Are Heavy Online Spenders

WebTrends and eMarketer surveyed attendees at the Ad:Tech San Francisco conference on advertising technology and found that one-third of respondents spend over 41 percent of their marketing budget online. Nearly 14 percent spend 21-40 percent of their total budget online.