



June 2006 Issue

This month's issue marks the launch of a new exciting feature from a CMO Council partner—MarketingSherpa's Practical Stat of the Month. We also focus on new media, especially blogs—with articles by ClickZ columnist Pete Blackshaw and Rubicon Consulting's Nilofer Merchant. Enjoy!

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Editor's Cut



If you haven't checked out BusinessWeek's new IN: Inside Innovation quarterly section in the June 19 issue, you should. It's full of interesting data, profiles of leading business innovators, and insights you can transfer to your own organization.

I was especially drawn to the case study of Bank America's Keep the Change program, which detailed how BofA is solving the huge problem of getting consumers to open new accounts. The idea and implementation of Keep the Change is what innovation in business is all about.

Along the same lines, the CMO Council and Yahoo! are launching a competition that is all about innovation—innovation that drives great results. The Yahoo! Big Idea Chair Award will honor integrated, multi-channel marketing campaigns from technology and telecommunications marketers that exemplify Creative Excellence in Customer Engagement. Entries are open to CMO Council members only and will be judged on Challenge, Strategy, Execution and Impact. Look for complete entry information on our Web site in the coming days. The winner will be announced at our North American Summit scheduled for Oct. 4-6 at the Four Seasons Hotel in San Francisco.

The Big Idea Chair Award is just another reason to register for the Summit, which features great keynoters like Michael Linton, CMO of Best Buy, and a bevy of brand-name presenters and panelists. And to seal the deal, you'll be able to have your picture taken in the Big Idea purple chair. Book it, Dano (www.cmosummit.org).

We're also preparing to go back to school in the fall, as our Mastering MPM Certificate program starts September 11. Marketing Performance Measurement has always been a focus of ours, and now we are offering an MPM curriculum that is perfect for marketing professionals at the manager/director level. If you feel MPM is an organization-wide priority, we're offering group discounts for two or more staff. Go to www.mpmforum.org for registration information.

Finally, what happens to your brand when your database gets hacked and consumer information is stolen? We're in the final stages of a major thought leadership initiative called Secure the Trust of Your Brand, designed to understand the degree to which information security, business continuity and infrastructure integrity is shaping and determining brand confidence and value. Underwritten by AT&T, Symantec and Biz360, we're now compiling research collected by Emory University's Zyman Institute, Opinion Research Corp. and Factiva. Look for the full report later on this summer.

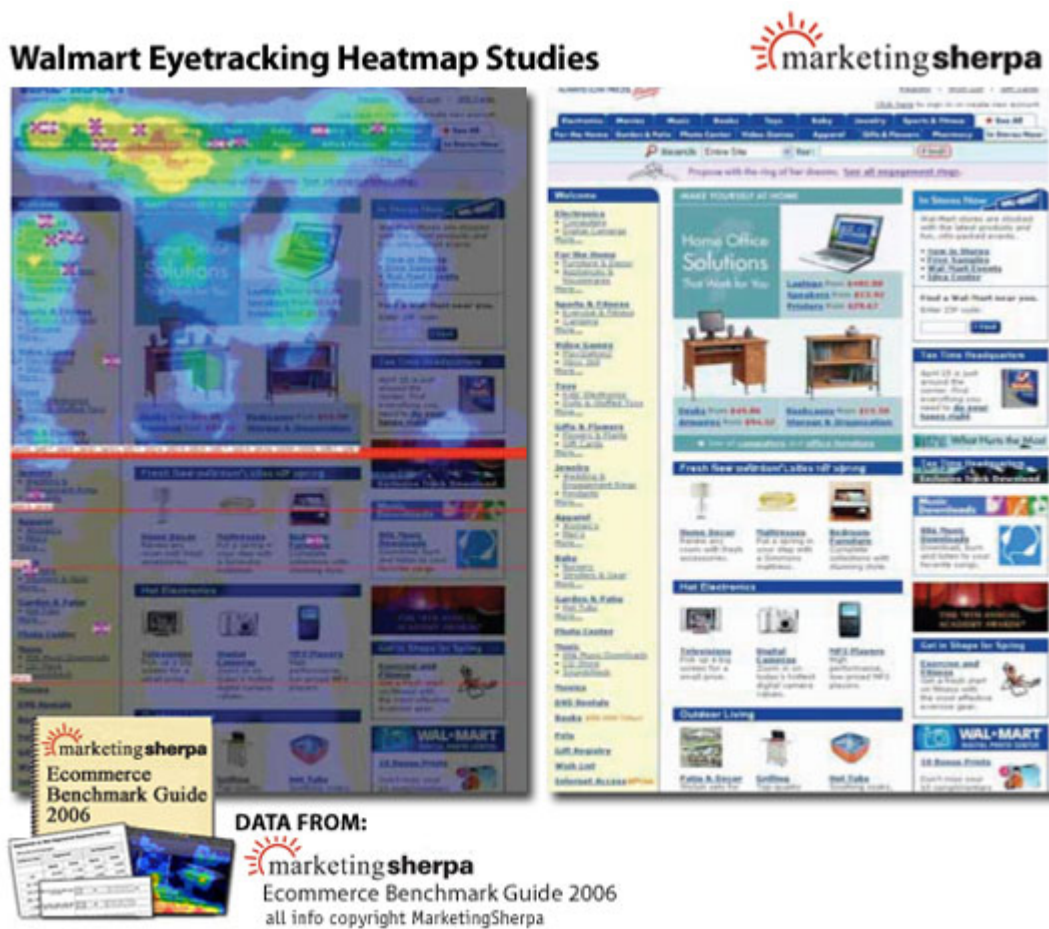
Speaking of summer, enjoy the warmer weather and this issue!

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MarketingSherpa's Practical Stat of the Month

One of the most avidly awaited sections of every MarketingSherpa Benchmark Guide is our Eyetracking Lab Results. For the E-commerce Benchmark Guide, we examined nine famous-name sites from Amazon to Wal-Mart (yes, including eBay.)

There were many lessons about the ever-present “golden triangle” of attention, importance of image size (larger is not always better), which copy would be read the most (above the fold as you guessed), where people click (not always on clickable hotlinks) and how online shoppers view category pages (more intense scrutiny than you may think.) We also uncovered a few mysteries, the biggest of which was: Why is Apple.com’s copy viewed far more intensely (especially below the fold) than anyone else’s? However, perhaps the biggest lesson of all is represented here by a sample of the study we conducted on Wal-Mart’s homepage.



We asked our lab subjects to browse this site with a (fictional) budget of \$200 they could spend on anything that caught their eye. Well, guess what caught their eye? The search box mostly. A few clicked on tabs or left-hand navigation links. Almost none strayed below the fold, and none above the fold paid much attention to merchandising nor did they click on any promotion above the fold.

Lesson – online shopping is not yet a “browsing” activity. Unlike brick and mortar shoppers who may enter stores especially in malls as an entertainment activity (“Let’s go see what they have in

here”), online shoppers are much more directed, even when they have no more direction than “spend some money.” People don’t seem to be looking around much. Online shoppers are *blinkered* by their goals.

In fact, you could say these online shoppers’ eyes treated ecommerce sites in a remarkably similar fashion to the way we’ve seen their eyes treat search engine results. Store as search tool versus shopping as entertainment – that’s a big change, especially for apparel and consumer electronics retailers.

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Get to Know: Bob Thacker, Senior VP of Marketing and Advertising at OfficeMax



When OfficeMax hired Bob Thacker six months ago, he brought a impressive background in marketing and brand development to the office products and services company. As vice president of marketing for Target Corporation from 1989 through 1998, Thacker led highly successful brand and marketing initiatives, including creating the relationship with designer Michael Graves and launching the Target brand in major metropolitan areas including New York, Chicago, Washington, D.C. and Philadelphia. Thacker subsequently served Sears Roebuck & Company as senior vice president of creative services, and then held the post of CEO and president of BBDO Advertising in Minneapolis. This 35-year marketing veteran has his work cut out for him, as he looks to improve OfficeMax's brand in a space where, he

admits, there is much consumer confusion. By the way, Thacker will present at the CMO Summit 2006 Oct. 4-6 in San Francisco.

MM: What attracted you to the job at OfficeMax?

Bob Thacker: OfficeMax is in a turnaround mode, but it's acting like a startup, so I call it a 'turn-up.' Because we're consolidating the headquarters [since OfficeMax was acquired by Boise Cascade] to Chicago from Cleveland, I've had to opportunity to build a marketing dream team. I've tapped into some very talented people, and we now have a really solid team here.

What attributes do you look for in building your staff?

The first thing is passion, plus people who are innovative and have a sense of fun. We don't have much money here so we have to have good ideas. We can't rely on traditional media. We're doing a lot of online things, a lot of viral things. My mantra is "don't make ads, make news." So when we do something. It's intended to surprise and maybe even shock people. My intention is to make a truly distinctive image for OfficeMax.

And what is that image?

There's so much confusion between the brands in this space. So we're trying to differentiate. First, we're redesigning the stores. We have a new concept called the Advantage Format, which is a smaller store with softer lighting, lower ceilings, and it's just easier to shop in. Along with that, we've just launched campaign (with DDB) for our ink refill service that features people with tattoos on their backs. It's very beautiful and provocative. The tattoos read "Save money on ink," and underneath it says "because not all ink is permanent, you may need to refill your cartridge." Ink sales are up 35 percent since the ads broke. And we're just getting started.

Since you've been able to build from scratch, how is your marketing organization structured?

Since we started with the blank piece of paper, we literally reorganized into a marketing agency model. We have ad managers that deal directly with merchants and key segments; an in-house creative group that deals with the print aspect. We also have a very talented group of designers, artists and writers, and they deal with the bigger issues of branding. Then I have a media group and a production group.

It follows the agency model with one exception: We have an employee named Fred Popp who runs the Center for New Thinking. It's a cross-functional forum that meets at least once a week, pulling in people from all different functions internally, and we pepper it with outside people. We take a question like, "What should Christmas feel like in OfficeMax?" and we brainstorm.

What does this Center of New Thinking accomplish?

I've used this before, and classic brainstorming has become a lost art. We're getting two things out of it: great ideas, and the rest of the company feels like their being embraced by the company. Different people within the company can bring their perspective and new ideas to the forefront. Great ideas just don't live in marketing. If the brand comes from the soul of the entire beast, then it has a chance of succeeding. If it's just frosting on the cake, the brand can be quickly forgotten.

What percentage of your marketing functions are measurable?

All of it is measurable because it's all tied to sales. Understanding the power of the brand is a more long-term investment, and it's something that I think many companies give lip service to.

How much marketing do you do online versus traditional media?

The bulk of our marketing dollars are still spent in traditional. But about 10 percent is being diverted into new media. Frankly, the upside opportunity is greater online than in traditional. Everything in traditional media is in play right now. It's fascinating, and sometimes frightening. I saw a study on media usage by the American consumer—in 1985, the average American spent 60 hours a week engaged with media. In 2004, the number was still 60 hours a week. The difference in 1985 was no Web, no cell phones, no text messaging TV was four networks, magazines were the major weeklies. Now the entire media marketplace has completely exploded. It has traditional ad agencies scrambling to change.

What are your three top objectives moving forward?

First, to differentiate the brand; second, to improve sales; and third is more of a personal goal—to take an organization and create a beautiful thing to admire, and build the most respected marketing organization in retail.

You Have Less Credibility

By Nilofer Merchant

I hate to be the one to break this to you, but you have less credibility than you once did. It's nothing personal, mind you. There's something bigger going on that's impacting all high-tech companies. Because of it, you'll want to shift the way you approach the market, before your competition whips past you.

One of the fundamental paradigm changes going on in consumer marketing today is that the vendor's voice is becoming less valuable than a peer-to-peer voice. It used to be that traditional PR announcements and well-placed, well-designed advertising were the most valuable ways to create market awareness of your product. But that's changed.

TV is losing power. Print ads are being side-stepped. But you're not likely to hear that from the vendors who help Fortune 1000 companies do marketing. Agencies still get paid based on 30-second ads and media buys. The idea that those things don't matter as much anymore seems outrageous.

Consumers just don't want marketing

Could this really be true? Here are some statistics collected by Yankelovich* on marketing receptiveness:

- 54% of online users today resist being exposed to or paying attention to marketing
- 56% avoid buying products that overwhelm them with marketing content
- 69% are interested in products that permit blocking, skipping or opting out of marketing

*Yankelovich Marketing receptivity study, 2006

Buyers no longer rely on you as a vendor or your authorized partners to learn about new offers. They don't trust the spin factory. They want to hear it from each other. Here are some relatively new forms of communication that confirm this trend:

- Digg.com is a news delivery service fully integrating the Web's culture of participation. Users submit stories, other users endorse that story as having value, and then with enough endorsements or 'diggs,' that content (and writer) gets promoted to the home page. This month, Digg has over 200,000 registered users, and six million pages served up daily. Interestingly enough, Digg taps into a generational bias that sanitized news isn't news at all. It's the power of the peer group that makes Digg content valuable.
- Everybody is a network. In the past, networks were defined by control of content or distribution. Now when your friend points you to something to read or watch, that's a network. The collection of people putting a YouTube video on their blogs is a network. BlogAds bringing together 800 blogs for an MSNBC.com ad buy is a network. When you subscribe to a collection of feeds, or when you publish a blogroll, or when you put a tag on your blog post, or when you use a Flickr tag that others use, you are a network. Networks are about sharing now, not control.

The new consumer marketing model is group-based

I believe this. A fundamental paradigm of Web 2.0 is that consumers believe in the power of groups to shape ideas, to shape content, to effectively filter the world. The best Web 2.0 applications get better as more people use them. Since the Internet masses are increasingly both the content creators and the content filters (the ones who rate, tag and otherwise filter content to

make it easier for others to find good stuff), the more people who weigh in on something, the better and more valuable it becomes.

In business school terms, what this amounts to is buyer power. When buyers can readily exchange information, shop for discounts, and find alternatives easily, they typically have power.

Marketing is getting more context-based

Internet advertising is especially powerful in its ability to target specific segments of customers. For example, enter the search word “beer” in the Yahoo! search engine, and notice the relevant advertisement (for Miller Genuine Draft) that appears on the top of the search results page. Similarly, entering the search word “beer” in the AltaVista search engine leads to a results page that contains an Amazon.com link to a list of recommended books about beer! Vendors and manufacturers need to realize there’s a difference between people who want to drink beer vs. sell beer vs. comment on beer tastes.

Six Apart just released a beta of its Live Journal blogging tool that allows users to limit visibility of their blog based on user community. We’re being enabled to talk to different groups in different ways. This is the start of a much bigger paradigm.

Seller power – get it back

There are several things I think high-tech firms must do to address these shifts:

Enable user interaction

First, change communications and your Web platform to be interactive. This is a fundamental shift from the old model of producer to channel to consumer.

You must build ways to co-create with your customers. While this process is not yet perfect (people who vote on something may not necessarily buy that same something), it is going to become a powerful way of both designing and creating offers. I think it will also shape brand loyalties.

Not that everything must or will be co-created in the future, but the fundamental direction of tapping into the collective experiences, skills and ingenuity of hundreds of millions of consumers around the world is a complete departure from the producer-versus-consumer innovation model so common to most corporations. A Nike ad in Times Square allowed customers to dial mobile commands and change the footwear that appeared in the ad. This (over the top) moment is a small start that marks how we will be using interactive, two-way messaging between marketers and consumers.

Make it a conversation

Move from a one-to-many communications medium and instead, enable a conversation. The Web has to become interactive. Business is changing when and how we interact with customers. We’ve been treating customers like they need to be handled with kid gloves. We wait until the product is perfect, we package it all up, then we release it. This new world is much more egalitarian. Software isn’t necessarily an 18-month cycle of development. With Yahoo!, or Google or Amazon, software is updated as needed. This means products will change more rapidly over time, morphing to customer desires and tastes.

Customers have a lot on the ball and great feedback to give you. With the advent of simple development and communications tools, it is both easy and interesting to talk with customers. That starts with email, but over time it will become richer and more easily customized to various audiences.

Allow users to tell you who they are

Consumers expect us to have different “audience settings.” A Web page that doesn’t recognize

who the person is limits the conversation. Users should be treated differently than non-users, who should be treated differently than competitors. Different audiences are allowed to do different things: Post comments, share tips, share information, and add data. Permissions become very important. The company that figures how and when to fully customize its Web presence is going to win, and win big.

Think about the difference between being a long-standing customer vs. being a prospect. Each has different expectations of a Web site. The size should be tailored to each of them instead of squeezing everyone into a one-size-fits-all model.

Create advocates

Finding a way to create enthusiastic advocates is a key direction I encourage my clients to take. The most important thing is to develop, sponsor, and incubate influencers as market advocates.

If you believe me that vendors are not as influential as users, you must know your users and cultivate them as your advocates. Having you say how great you are is one thing, but having real users say how great you are is incredibly powerful. I pity the vendor who keeps trying to outspend the competition on costly marketing campaigns but can't understand how to build and deploy an influencer marketing strategy to shape perceptions in the world.

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Fed Focus: Sage Insights from a Leading Government Executive to CMOs: Know Your Customer

By Gal S. Borenstein



Known Fact: Marketing to the federal government is complex and challenging. At the core of this labyrinth is the notion that your solution, product or service needs to impress, influence, and educate a platform of multiple stakeholders that affect your chances of successfully increasing market share. **Unknown Fact:** Often, Fortune CMOs' strategic thinking is limited by the limiting feedback provided by their own sales organization. The result is loss of insight and value points in competitively positioning your channel for higher ROI in public sector. *Marketing Magnified to the rescue.*

In an exclusive opportunity to probe the mind of one of the most accomplished government leaders, we asked Mr. Samuel Tinsing Mok, Chief Financial Officer of U.S. Department of Labor (<http://www.dol.gov/ocfo>), to share with the CMO Council his strategic insights and perspectives on Public Sector Marketing, Branding, and Return on Investment. We selected Mr. Mok because he is one of the only government executives that has achieved the pinnacle of performance management with an All-Green score Financial Management and Improper Payments at his government Agency. The score is part of the Balanced Score Card, a document that is published each year which ranks the performance management of government agencies in relations to achieving goals set in the Presidential Management Agenda. Supported by business-savvy DOL Secretary Elaine L. Chao, Mr. Mok has shaped his financial agency to be a case study for effective and visionary usage of technology systems to create better business intelligence for better decisions as the federal government aims at a higher bar of overall performance. Mr. Mok's professional career spans both the American private and public sectors. In the private sector, Mr. Mok began his career as an auditor with Main & Hurdman (now KPMG Peat Marwick) and later served as a Senior Auditor with Parnell Kerr & Forster. In 2006 Mr. Mok is the recipient of the prestigious Donald L. Scantlebury Memorial Award for Distinguished Leadership in Financial Management Improvement and was named one of the top 100 executives from government, industry, and academia of the "Federal 100" who had the greatest impact on the government information systems.

MM: We know that part of the continuing challenge in government is that private sector and public sector sometimes don't share the same experiences given their different backgrounds. You have a unique position in that you have been in both private and public sector leadership positions. What has been your experience?

Mok: Both areas have more in common than most people realize because both areas demand results and delivery of quality results. The difference is the definition of the word "result." In the private sector, results are measured largely by profit margin or return on investment. Basically those figures dictate most executive decisions. In government, results are defined by public policy interests and social value. I'll give you an example: if you run a bus system in the private sector, executives look at ridership, route usage, and return on investment on equipment. In the public sector, many buses are not that full but still need to be operated so people don't become closed off. What the government is trying to do is to get the best value for the taxpayers' dollars and the government is held accountable. The government and its agents, people such as myself, are held accountable for delivering results. In the private sector, you are hired to deliver results, end of discussion, and you will be rewarded amply if you deliver the results the way your investor wants. In the government, you are in a position of public trust. So, therefore, you have to look at what is the social agenda, what is the public policy agenda.

MM: Having experienced both sides of the fence (public and private sectors), is the government really changing or is it just putting on a face of change and remaining the same in its terms of its ability to affect and improve processes?

Mok: If you have been to Luray Caverns in Virginia, you will see the stalactites and stalagmites. They are formed over a very long period of time, one drop at a time. So if you go there and come back an hour later you aren't going to see a lot of difference. If you go there and come back two days later, you're not going to see a lot of difference. But over a period of time, those stalactites and stalagmites are formed and they become a natural wonder. In many ways, the federal government is like that. If you watch it everyday, some of the differences may not be noticeable. However, as I compare my Defense Department days to my State Department days to my Treasury Department days to now, I see many parts that have changed. I'll give you one example: when I was at Defense and State, the federal government had no financial statements, none of the government agencies had auditable finances, and it was not even on the radar screen. Now every federal government agency has financial statements in accordance with general accepted accounting standards and agencies are audited according to general accepted auditing standards. It took almost twenty years. Under this administration, we are closing our books in 45 days; previously it used to take forever. Now we are not only creating accurate information, but we are trying to deliver it in a timely manner. And the next step, I think, as more agencies receive clean audit opinions, is how to get this information to be useful to decision makers. So it is this kind of evolution that I see. If you want to measure it in the short term, you're not going to see many differences. But over a long period of time, it's like the stalagmites in Luray Caverns, they are strong, they are solid and created over a period of time, and they will have lasting value.

MM: Naturally, people outside the Washington Beltway, tend to look at it as “the government is just buying another system” or “they are just upgrading another system and then there is going to be another upgrade and another upgrade.” Has there been a vision or mission that you sought to implement so that technology is more than a tool?

Mok: Absolutely, that's why I asked my staff not to call this a new accounting system or a replacement accounting system because it is not an accounting system. It's a financial management system that not only produces timely and accurate information, but information that really has to be relevant and useful. “Timely and accurate” was the hallmark in the past, but that is not enough. The information also has to be relevant and useful. It sounds kind of cliché, but it is offering a paradigm, the right information to the right people at the right time. After we have achieved that, the next goal is to integrate financial and performance information to enhance decision making.

MM: We know that control over information technology budgets and outcomes has become somewhat of a contentious issue within corporate America as well as government in the sense that you have CFO, and then CEO's and CIO's and sometimes COO's. All the C-Levels have a stake in the role that technology will take. How did you position your needs as a CFO as it relates to technology to ensure that transformation is occurring to the satisfaction of your mission?

Mok: The way I look at this is if you think of the circus act where there is a huge steel ball with different motorcycles inside going in circles. Each chief, whether you are CFO, CIO, Chief Human Capital Officer, Chief Acquisition Officer; each one is a different motorcyclist. So the question then becomes who is the lead motorcyclist, or who is in charge of what goes on in the steel ball. Each motorcycle going at a high speed or going upside down inside the sphere is equal with the others. They must coordinate and act very carefully. If one particular motorcyclist thinks he or she is the lead, more important, or otherwise does not care about what the other people do, then you are going to have a fiery crash. Each Chief has to operate with the very simple rule that one's freedom to move his or her arm ends where someone else's nose begins. That is basically rule

number one. Rule number two is, when you operate like this, like I described in that circus act, more and more motorcycles will join as time goes on. The routine has to be more precise. I even though it looks random, there has to be a clear path for everybody. Everything must be well planned, coordinated, and controlled as a team instead of one person dictating to the others that this is the way something must be done.

MM: In many ways, corporate America is certainly interested in learning how leading government organizations are looking at the “Big Spend.” Everyone knows about the PMA, the Presidential Management Agenda, and certainly the search words are coming from both information security and financial security management. To what extent does any federal C-Level get involved in defining what they are spending and to know where money should be spent?

Mok: A government agency is like a bank, it has many vice presidents. Each Agency Head within a Department is one of the vice presidents. There is a lot of money in a bank but this money does not belong to the vice presidents. The vice president himself cannot really spend the money. Any expenditure or loan approval in a bank is cleared through a committee and the bank president has the ultimate responsibility. It is the same thing in a Federal agency. All spending decisions, at the end of the day, are really made by one person—the Secretary of that agency. The CIO, CFO, and the other Chiefs are only giving advice. A lot of people think that budget formulators carry a lot of power. In my mind, this is not true. They are just implementers and vehicles. It looks like bank vice presidents approve loans when in fact they don't approve loans. They go through a list of procedures, they have internal requirements, and they can't override these. That's what the budget process is.

MM: If you had to think of the 3-5 things that technology marketers and emerging leaders need to know before they approach a government agency with a proposed solution, what would they be?

Mok: First is research your client and your client's business needs. I am going on my fifth year as a CFO here and you would be surprised at how many people walk in here not knowing what we do, really not having a clue in terms of why we need certain things. Technology leaders need to do their homework and research the client and the client's needs. The second thing is that the firms know what they are, whether they are a service provider or a value-added consultant. To me there is a very big difference. Somebody who runs my server farm is a service provider. Somebody who fixes my computer when it is broken is a service provider. A consultant, as I always say, a true consultant brings value in terms of new ideas, knowledge, and expertise, which is not the same as a service provider. Then the other thing is that companies sometimes make huge mistakes by thinking, “if I hire a former big wig in that agency, I have the lay of the land in that agency.” This is not really true. The fact that somebody speaks Chinese doesn't mean that person knows China. The fact that somebody lived in China for a period of time does not mean that that person is a Chinese person. So, it's a very important concept that many consulting firms fail to understand.

MM: What are the top two things that technology companies should avoid saying in their marketing efforts?

Mok: What I find is that many leaders are under tremendous pressure, like everybody else, to produce short term profits. So what they always try to do is take the path of least resistance. Meaning, they take the body shop approach, they try to make money on volume versus margin. Therefore, it is a lot easier to get a contract and bring a lot of people in and bill. But, it is a very short-sighted process because what happens is you have to continuously stuff the pipeline. Whereas, if somebody spends some time developing a concept and selling it, it would just be like building a water pipe that connected to a river and it just continues to flow. If I come in to a

particular federal agency and sell them a concept that I can help them craft, deliver and design, it's a long term relationship and you also bring value.

MM: You mention that marketing is an extremely important value for companies that are trying to bring themselves into the government market. If you could put on the thinking cap from your perspective as a government executive, what would be the most effective ways of reaching you?

Mok: Henry Luce, who founded Time magazine, pioneered the concept of successful marketing by creating a demand and then coming back to fill it, making a huge fortune in the process. Before Time magazine was invented, most Americans lived very well without reading a news magazine. He created that demand and then created the best magazine for many years, for many decades. That is unusual. A lot of the time it is more efficient to learn what the real needs are and come up with the best process or product to fill that need. That is probably the easiest way but that takes a lot of up front work to determine what the needs are. It's easy to go in to a federal agency with an answer and go look for the problem. I think that is where the difference in marketing and branding is. When I go look for something, I usually want to get someone or a group of people who have accomplishments in that area through articles I read, seminars they held, and general reference that everyone acknowledged them to be the leader. So, marketing and branding requires two things. One, branding is name recognition. When I think of a company and I can't associate it with something, that company has no brand. When I think of taking pictures or cameras, I think of Kodak, I think of Canon, I think of those companies. When I think of Xeroxing or reproducing, I think of Xerox and so forth. When I think of a company, I need to think of something. The second thing is, now that they have that, come in and convince me of that brand, come in and convince me why I need you guys. That's marketing. That's the big difference between the two. It's a continuous process. If I have a legitimate need, it must be filled, end of discussion. If you come up with a great concept or great process that can convince me it will fill that need, the branding or marketing is nothing more than an ideal reduction to succinct value.

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From ClickZ: BioKicking the World Cup Blog Ball?

By Pete Blackshaw

Increasingly, brands are stepping up to participate in so-called conversations with consumers. Often, they use major events as the catalyst and context for this new form of bonding, expression, and dialogue. Blogs are often the centerpiece of such experimentation, and for good reason.

The FIFA World Cup, which just kicked off, is one such event at which, as with the recent Winter Olympics, we're seeing new attempts to connect and bond with consumers and reinvent how sponsored content wraps around or amplifies experience.

Coca-Cola, in particular, is embarking on a bold new, albeit nascent and too early to tell, World Cup blog initiative. The initiative not only pushes the envelope on consumer-generated media (CGM) and user participation in advertising but also refreshes (I couldn't resist) the deck on event marketing. (Full disclosure: Coke is one of my clients in my day job, although this initiative isn't directly part of our core work.)

Coke BlaK or Coke Flat?

In addition to its usual duties as a major event sponsor, Coke is empowering an ambitious blogging platform fortified by a network of experienced volunteer bloggers called "weallspeakfootball.com." More than 30 bloggers representing over 15 countries are now enrolled, and some of the best names in European multimedia blogging will participate. Many others are still signing up.

The heart and soul of the effort is a large "flat" in the heart of Berlin, where the bloggers can connect, engage, sleep, eat, drink (Coke products, I presume; definitely not Pepsi), practice foreign languages, scream out the window, and, of course, blog in a Wi-Fi-on-steroids environment. The image that comes to mind is one of those vibrant "everyone wants to party with everybody" youth hostels on the college Euro-trip circuit -- places that created serious competition to the Louvre in the diary book in terms of overall experience.

Olympian Foundations

Unlike most brands, Coke has the benefit of prior learning and experience leading into the World Cup event. During the Winter Olympics in February, the brand initiated a student-led blog network entitled, "Torino Conversations." It was intended to create a broader scope of global story telling around the Olympics.

"We were reaching out to journalists and communicators and communications students from future and current [Olympic] host companies about their experiences at the Olympic games," Philipp Bodzenta, director of global marketing communications, explained to me in an interview.

Results were sufficiently encouraging, Bodzenta explained, to push the blog thinking even further. With built-in partnerships with several European agencies, the site netted over 100 in-bound links, received nearly 100,000 page views a day, and snagged impressive shelf results on search engines. The student bloggers were even allowed to interview and podcast the chairman of Coca-Cola.

Early Seeds of World Cup Blog Effort

One of Coke's first key decisions for the World Cup initiative was to start with more experienced bloggers. "The Torino initiative received very positive feedback, but some of the students we enrolled had limited experience in blogging," explained Bodzenta.

The brand also built the program and platform around the concept of unity, a point clearly reflected in the name itself: weallspeakfootball.

"Our intent is to bring people of different nations together around this common experience," Bodzenta adds. "The blogging platform has the potential to break down the barriers that sometimes arise from football and soccer: fan debates, conflict, favoritism, or even hooliganism."

Berlin, he added, nicely extends this metaphor, as the "city was once divided and now has come together."

Pretty idealistic stuff here, but, then again, the blogosphere rewrites rules with such a fury you never know what's possible. And brands are always aspirational goals, right?

World Cup Reality TV?

The biggest swing variable for Coke, I think, will rest with the vloggers. The program has recruited some of Europe's leading vloggers, among them Gabriel McIntyre and Gabe Bauer of xolo.tv, Anil de Mello of Mobuzz.tv, and Katharina "Lyssa" Borchert of Lyssas Lounge. It's also encouraging anyone interested in participating to fill out an application form.

The deliberate focus on vlogging is a very important direction, as the blog has the potential to serve as a de facto TV station for both news and reality TV junkies looking for deeper perspective on unrivaled global event. Though I suppose there's always some danger of what I call the Tahoe Regression (i.e., CGM content sliding outside the brand's intended acceptability parameters), the entire context for weallspeakfootball feels like a reasonably safe bet.

Accepting comments around the blog posts seems to be a strong focus. And though accepting comments is rarely a friction- (or spam-) free exercise, you can't really embark on a credible event-based blogging initiative without them.

Although Bodenza insists, "This is a *platform*, not an advertising exercise," the truth is it's a little of both. That's just fine. I'd characterize this as blended, or nudged, CGM. What's key for marketers is keeping everything fully transparent.

Importantly, this is a promising example of a brand opportunistically exploiting what I call the ex-spot -- that moment of experience in which consumers (in this case, soccer fans) are best positioned to speak about something. Half the game in marketing is about piggybacking momentum, and Coke's blog experiment appears to be capitalizing on the "it's happening now, here in Berlin" ex-spot.

What will be interesting is how well the brand leverages the content on an ongoing basis. Will the content, for example, become the basis for future ad copy, or will it prime the pump for the next big event Coke sponsors?

"We're only scratching the surface here," Bodenza's insists.

And so progresses the never-dull -- not even for a moment -- global blogosphere. Stay tuned!

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The Download

Global Market Brief: Irrational Exuberance Redux From Stratfor

Markets are quirky things, reacting to some events as if they were nothing and others as if they were everything. As Stratfor [noted two weeks ago](#), ample reasons exist to expect a global recession in the future -- just not in the immediate future.

Recessions do not happen between heartbeats; they are presaged with plenty of warning tales of woe and signs of imbalances. Markets in fact do a very good job of signaling when rough times lie ahead. And the signs show that we are approaching the turning point now.

The key is to look for froth. Froth is activity resulting from the enthusiasm characterizing a bull market that strikes the outside observer as insane. Think back to the heady days of early 2000, when dot.com giddiness was, well, insane. Internet portal stocks traded at more than \$300 a share, everyone and their mother was investing in "by-e-mail-invitation-only" opportunities with names such as dogcollarsgalore.com, and Enron was the most valuable company in the world.

Such behavior was not normal.

While at the time it seemed slightly out of place, in hindsight, it was laughable. The bubble popped, and most of the dot.com millionaires found out just how much their stock options were really worth.

In the United States, we do not seem to have returned to such heights of stupidity just yet, but elsewhere, developments are beginning to do more than simply result in some raised eyebrows. There is a correction in the making, and the key questions moving forward will be: How sharp will this correction be? And how soon will it be upon us? We expect the changes to manifest most notably in the following three areas.

A Break in Oil Prices

After strong price gains in 2003, 2004 and 2005 -- and an 8 percent gain in the year to date -- oil prices are finally stagnating at about \$70 per barrel. The fundamentals -- production at maximum, steadily growing demand -- remain solid, but that does not necessarily justify current prices. Much of what is keeping oil prices high at present are Nigerian militant premiums; Venezuelan president premiums; Iraqi war premiums; international terror premiums, etc. As these premiums really only represent the fear of something happening, should that fear be quelled, prices -- both in the current and the futures markets -- should quickly and substantially lessen.

Another one of those premiums -- the Iranian nuclear premium -- may be at just such a turning point. For the past year, oil markets have become increasingly jittery over concerns that U.S. efforts to contain Iran will lead to war. Such concerns may be broadly ridiculous -- Iran wants to negotiate with the United States, not fight with it -- but have shaped price developments nonetheless.

For the past two months, such concerns have risen to a fever pitch -- until they suddenly fell back in the past two days as U.S.-Iranian negotiations lurched forward. Remember, Iran and the United States ultimately desire similar things in the Middle East -- an Iraq that is not out of control, and a non-threatening Arab world. When the bluster and anger of negotiations gives way to an agreement -- and in light of the past few days, that seems likely to happen sooner rather than later -- at least one of those oil premiums will simply melt away. And two others, the Iraqi and the terror premium, will not seem quite as scary.

Traders counting on those last two premiums to keep prices buoyant were delivered a rude shock June 8 with the announcement of the June 7 death of Iraqi jihadist [Abu Musab al-Zarqawi](#). Al-

Zarqawi is extremely unlikely simply to have been found by U.S. forces the same day the Iraqi Parliament approved Iraq's new government. Compromises have been made, and the faction that depended on the jihadist insurgency to further its goals -- the Sunnis -- has now delivered on its end of the bargain. All is certainly not sunshine and chocolate in Iraq, but a government has formed, and all parties seem to be on board. Any hot air Iraq had been injecting into the oil markets is about to cool down significantly.

Atmospherics aside, there are a couple of hard fundamental reasons to expect some softening in the oil markets too. Gasoline inventories in the United States -- the world's largest gasoline market -- have been building for the past six weeks, activity that is quite odd for the summer driving season. Moreover, commercial stocks of crude oil in the United States -- the world's largest crude oil market -- are now more than 346 million barrels, a level last seen during the oil glut of 1998. Yet prices are still in the neighborhood of \$70 a barrel.

This is not normal.

With refining capacity slim and with the beginning of [hurricane season](#), the United States may not be able to look forward to a gasoline price crash, but a crude price reduction in some (large) form seems long overdue.

China, Meet Reality

Weird things are also happening in China. Stratfor has long discussed instabilities inherent in China's [financial system](#) and [banking sector](#) in particular.

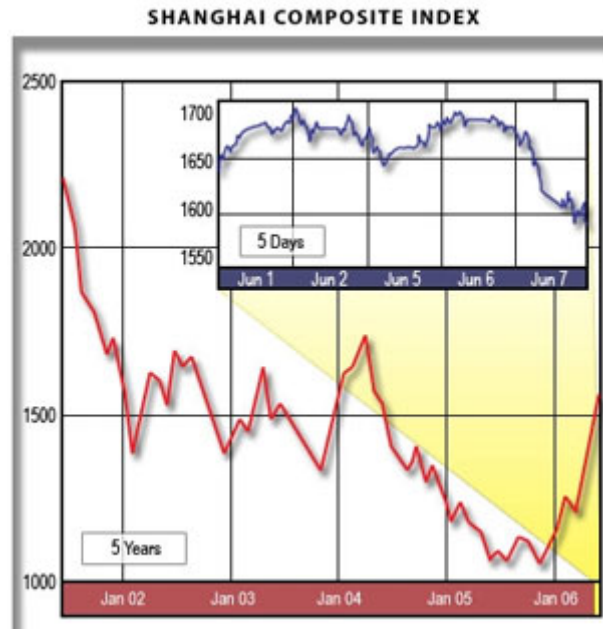
The short version is that Chinese banks are state-owned, and operate as distributors of funds, not loans. The entire system is predicated upon preserving social stability, not ensuring the efficient allocation of capital. Consequently, as China attempts to integrate with the international system, political systems designed to keep this Frankenstein-like patchwork of financial potpourri functional and fashionable begin to break down. The result is that people begin to notice the discrepancies, and in time doubt the future stability of the entire system. Stratfor had these concerns stretching back to the last Asian financial crisis in 1997-1998.

A batch of better-known international institutions -- Fitch, Standard & Poor's, McKinsey Global Institute and [Ernst & Young](#) -- let rip with their own take [on these concerns](#) in May. In a nutshell, everyone agrees China's financial system has hundreds of billions of dollars more in nonperforming loans (NPLs) -- a fancy term for loans the banks know they will never collect payment for -- than the government is admitting. The only question the international institutions had went to the manageability of this problem.

Generally, when NPLs become a major problem, banks must either be bailed out, or they must collapse. Since 1998, the Chinese government has attempted bailouts and asset transfers in amounts nearing \$500 billion. But without fundamental changes to the way that these banks make loans, the problem has only grown. China thus faces a conundrum. It could use its U.S. Treasury bill-holdings -- worth in excess of \$600 billion by most estimates -- to bail out the banks if there is an acute crisis, but flooding the market with such sales risks crashing the dollar. And with the yuan pegged to the dollar, China's exports -- the source of that all-important cash flow -- would suffer greatly.

Against this sad backdrop, the Bank of China (BoC), one of the country's largest such state banks, launched its initial public offering June 1 in Hong Kong. Bad timing, right? Apparently not. Not only did the BoC take in \$9.7 billion, but foreign interest was so robust that the bank decided to issue supplementary shares June 7, netting it another \$1.5 billion. It also announced June 7 that it hopes to issue shares on the Shanghai Stock Exchange later this month.

In response to this announcement, the Shanghai Stock Exchange Composite Index dropped by 5.3 percent -- its steepest plunge in four years.



This also is not normal. People apparently paid attention to all of those international institutions' reports -- but apparently those people trade in Shanghai, not Hong Kong.

The Dead Giveaway

And finally there is perhaps the weirdest market of all: Europe.

The only major European economy that has experienced a surge in exports of late is Germany. And growth in Germany, besides only exceeding 2 percent in two consecutive quarters since 2001, has been sliding for about a year now. Inflation is well above the European Union's treaty-determined maximum level, and an interest rate hike June 8 will only serve to slow growth -- not speed it up. European stock markets have looked for an excuse, any excuse, to trade down these past three weeks. And on June 8, they hit a new low point for the year. This new low is understandable when one considers [Europe's various structural problems](#).

Yet European surveys show consumer and business confidence is *increasing*, giving rise to declarations by pundits that European economies are in the middle of a boom.

This is not normal either. And few things serve as more telling signs of an impending global downturn than European exuberance.

- **EUROPEAN UNION:** The European Union agreed to pay France and Italy to turn 147 million gallons of surplus wine into fuel or disinfectant so prices remain competitive. The "crisis distillation measure" has been used in four of the past six years to keep excess wine from undermining the domestic market. EU Agriculture Commissioner Mariann Fischer Boel said crisis distillation "is becoming a regular feature that does not address the core issue of excessive wine production." The European Union, which makes and drinks around 60 percent of the world's wine, has distilled into industrial products an average of 10 percent of its total production annually since 2000, according to the European Commission. French and Italian wine are covered by the program, with

requests to join in pending from Spain and Greece. So long as the European Union continues to engage in such measures, locally produced European wine prices will not drop, European wine quality will not increase, and for both reasons "New World" vintages will continue to erode European market share.

- **KUWAIT:** Kuwait said June 7 it will begin production from the Dorra natural gas field, an offshore petroleum deposit the ownership of which is disputed between Kuwait and Iran. Though Kuwait is very oil-rich, it lacks sizable deposits of natural gas -- with the exception of the Dorra field. Kuwait hopes to produce some 6.2 billion cubic meters of natural gas annually from the project from the "70 percent of the Dorra field that is not disputed by Iran." The language is eerily reminiscent of Kuwaiti statements in 1990 regarding production plans for the Ratga oilfield straddling the Iraqi-Kuwaiti border (Iraq refers to the field as South Rumaila.) At the time, Baghdad cited Kuwaiti denials of Iraqi accusations of slant drilling in the Ratga field as justification for Iraq's August 1990 invasion of Kuwait.
- **UNITED STATES:** Testimony by U.S. Federal Reserve Board Chairman Ben Bernanke on June 6 about the "unwelcome" strength of inflationary pressures triggered the second major global sell-off of equities in three weeks. Interest rate hikes in the eurozone, South Korea and Turkey contributed to the broader trend. The [first sell-off](#) began May 17 with the release of higher-than-anticipated U.S. consumer price index data.
- **INDIA:** In light of rising global oil prices, the Indian government raised gasoline prices by 9.2 percent and diesel prices by 6.6 percent June 5, sparking widespread domestic agitation.
- **BANGLADESH:** The 84 factories of the Savar export zone north of the capital, Dhaka, reopened June 7 after the new chief of the Bangladesh Export Processing Zones Authority (BEPZA), Ashraf Abdullah Yusuf, met with the factory owners. The workers in the area had barricaded roads and damaged factories in a push for better pay and working conditions. It appears that BEPZA is changing its course and will respond to some of the demands of the workers: All back pay to workers will be given by June 12, and authorities have allowed trade unions to form in order to negotiate for better pay. Though this may have allowed BEPZA to reopen, it is not necessarily a positive step for investors eager to exploit Bangladesh's cheap labor, as it could embolden workers across the country to take similar action to achieve better benefits.
- **RUSSIA:** At the 23rd World Gas Conference in Amsterdam, the Netherlands, on June 6, Russian natural gas monopoly Gazprom CEO Alexei Miller said competition over access to energy between the three largest natural gas markets -- Europe, Asia-Pacific and North America -- will continue to grow. Miller also said liquefied natural gas technology will not prevail over current transportation methods in the foreseeable future (all of Gazprom's exports are currently pipeline based.) During the conference, Gazprom and Netherlands-based Gasunie agreed to sign a memorandum of understanding on the company's participation in the Northern European Gas Pipeline (NEGP) project, headed by Gazprom. The agreement would see Gasunie gain a 9 percent share at the expense of German participants BASF AG and E.On, while Gazprom would gain a share in the Balgzand Bacton Line, affording it access to the lucrative British market. It is unclear, however, if the deal will go through, as Gasunie may be unwilling to finance the NEGP project, which has gone over budget -- and Gazprom appears to be trading away something that it does not have: its German partners' share.

