

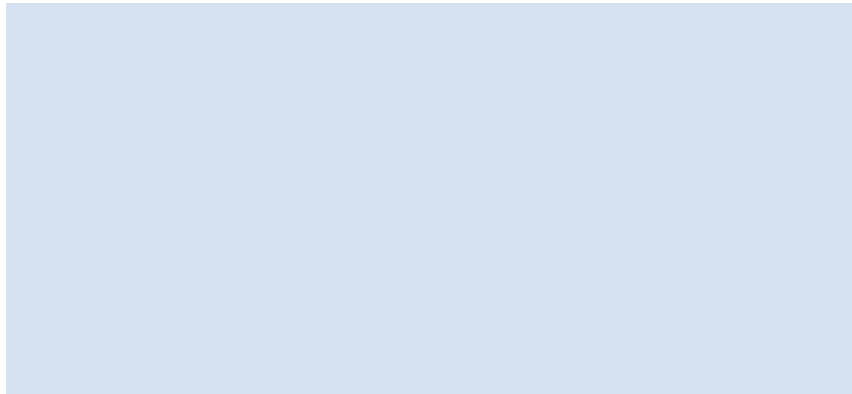
In the constant quest to improve marketing's effectiveness, it is easy to overlook potential weaknesses in how the views were reached and whether they are in fact new or breakthrough ideas. The ever-appealing concept of *loyalty* and its benefits provide a good example. The books and articles on which much conventional wisdom about loyalty is based, and many other marketing and management ideas, rely on a limited number of case studies to support the claims.

The problem is that only a few positive case studies are used and their results are generalised to all categories and markets. Increasingly these ideas are being challenged, not only in relation to loyalty but in this Quarterly Strategy Report for **word-of-mouth and happiness**. These challenges highlight the limitations of relying on award-winning case studies. Just as important, and perhaps more so, are studies of failures or, as was recently suggested, we need more "Branding for losers".

Many ideas being so vigorously pursued today are in fact old ideas reborn. **Neuroscience** is only supporting ideas that had been presented in the 1980s, as Wendy Gordon (UK) has pointed

out. Similarly, many of the ideas on why we are less happy the wealthier our societies become, reflect ideas that existed for centuries in many societies.

As **search** becomes the key to many marketing strategies and search engines become frames for perceptions of an online world, will we learn from these mistakes of the past and even work to learn from their lessons? Our reluctance to let go of what we know is amply demonstrated in our habit of holding onto market research techniques that lead us down the track to **feature bloat** at the expense of what customers may really want. ■



Not much happiness

The baby boomers are dissatisfied with their work. More than 25% of American women feel rushed and pressed for time and westerners are becoming increasingly immature (even acting like crybabies). Add to this what appears to be an epidemic of suicide and depression, and it is clear that the wealthier the society, the unhappier it is.

Focusing on why people are unhappy sheds some light on what steps marketers could take. Unhappiness affects purchasing behaviour, sometimes benefiting brands and in other categories damaging them. US psychologist Martin Seligman suggests

four possible contributors to our unhappiness. The first is the rise of individualism, which leads to a belief that we, our goals, pleasures and successes, are central. Unfortunately, the more we believe this, the harder we have to fall.

The second factor is the influence of the self-esteem movement, which has tried to make people feel good about themselves rather than giving them skills to succeed in the world. No matter how good you feel about yourself, you

still have to cope with failures. With this comes the rise of victimhood, where our failures are inevitably someone else's or the system's fault. This is the crybaby syndrome that is fuelled by some of the media.

Finally, there is the persuasive power of "short-cuts to happiness". Instant happiness comes through junk food, TV, shopping, sex, chocolate or any other form of instant gratification. Unfortunately, real happiness comes from working for things that matter to us personally.

Marketing plays a central role in the short-cuts, and can help to address some aspects of the other three problems. But many will not welcome the obvious response to the latter problem, due to its economic consequences. Even so, we cannot ignore a society in pain – nor can we separate it from consumption. ■

STATS

One adult in five is expected to have a major depressive episode at some stage in life.
Ross Gittins, Sydney Morning Herald.

The largest decline in job satisfaction over the past ten years occurred among workers 35-44, and the second largest decline was among those 45-54. 2005
Conference Board survey.

SEARCH TITLES

Middlescence = fed up with work!,
Why are we depressed?
Feeling rushed

“The always rushed are less likely to be very satisfied with their free time, their family life, housing situation, household income, standard of living, and (among the employed) with their jobs. Keep in mind, these data do not tell us whether feeling rushed leads to dissatisfaction or vice versa.” *Pew Research Centre*

“There are so many different features that even able users find it difficult to use the phone.’ The market, ‘truly is choking on technology.’” *David Hytha, T-Mobile*

Drowning in features

When a phone becomes a camera, then a music player and a digital assistant, are we meeting the unexpressed needs and desires of consumers or we are fighting a losing battle to differentiate products based on added features? Many commentators suggest this race to add features is doomed to be lost.

Real value may be generated by the brands that are brave enough to take away features, such as Vodafone Simple or Turkur in the mobile phone markets. They are going back to phones that make phone calls, and successfully selling products and services.

Feature bloat is not just part of the race to differentiate, it also reflects our love of the new, the tyranny of the constant upgrade, and also the simple fact that it can be done. Market research is also partly to blame because asking questions about the desirability of a new feature and the use of factor analyses lead to the conclusion that people want features.

Yet adding more features carries a high cost. For the manufacturer, it may be relatively cheap to add them to production but, if they are not used, then they are adding

unnecessary costs. Very often the added features are not used, as we know most people use only a fraction of the power and features of software programs. This reflects the loss of control we feel when faced with new features and the learning involved. We habitually choose those few features we want to use and ignore all the others, a problem demonstrated by X Box and PlayStation users who still use their consoles just for games.

The message is simple: be brave, recognise that research can lead us astray, and forego the next cool feature. ■

“We spent billions of euros as an industry on advanced-feature phones...Not only have we not gotten any good money back from our investment, but we’ve even hurt our investment. What was the problem? Insufficient attention to usability.”

David Hytha, T-Mobile

SEARCH TITLES

Who's in control of technology?, Is everything a channel? The other side of presence, Take off add-ons, Choking on features.

STATS

Up to 60% of marketing budgets are now poured into loyalty schemes, irrespective of their success. In the US, almost 80% of all households have at least one supermarket loyalty card, and in France this is even 90%.

AC Nielsen, Consumer Insight.

Industry evidence finds approximately 70% of CRM projects result in either losses or no bottom-line improvement in company performance.

Reinartz, Krafft and Hoyer.

“100% loyalty is rare, but is higher in the group composed of loyalty cardholders.” *Meyer-Waarden, L. and Benavent, C.*

Too much loyalty

The ubiquitous loyalty card is becoming a significant cost for many companies, but without a corresponding return.

The problem is the age-old one in marketing – once one tactic or strategy shows a modicum of success, everyone wants to do the same thing. And so it is with loyalty programs – everyone seems to have one.

costing less to serve, and being less price sensitive. The data show these benefits are only bestowed in some cases. The widespread use of case studies in making claims for loyalty programs (including those used by Frederick Reichheld in his widely cited articles and books) is not representative as only a few positive cases are presented.

“To some extent loyalty programs have become a cost of doing business in the retail sector, just as investing in fixtures and fittings, mail-drops and TV commercials are costs of being in business.”

Meyer-Waarden, L. and Benavent, C.

Unfortunately they are popular among marketers but they do not reliably achieve their sought-after goals. Instead the costs of loyalty programs become costs to stand still in the market, rather than to grow. Companies that led the way into loyalty programs may have seen some short-term benefits, because these schemes disrupted markets, such as airlines and credit cards. But as competitors followed, the markets returned to stability.

Further, there are now more frequent challenges to the widely accepted benefits of loyalty, including loyal buyers buying more often, spreading more positive word-of-mouth,

Successful examples of loyalty schemes, such as the overly cited Tesco, ignore others where no benefits are derived. Of equal interest to marketers should be case studies of failures and those schemes that provided only very limited benefits. But they do not make good headlines for the marketing media. ■

SEARCH TITLES

Misplaced loyalty, Loyalty cards run hard to stand still.

The ever-changing brain

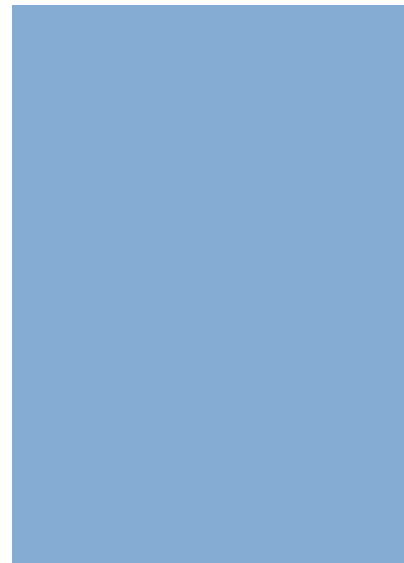
Beguiling images from neuroscience highlight the structures of the brain and how some of them may light up in response to different stimuli. These scans and images hide a truth we are yet to fully understand. They suggest that, once formed, the brain is constant and any damaged neurones cannot be replaced. Scientists once supported this view but it is now discredited.

“Many benefits seem to emerge from motherhood, as the maternal brain rises to the reproductive challenge. In other words, when the going gets tough, the brain gets going.”

Kinsley and Lambert, Scientific American.

Slowly there is increasing evidence that the brain does change. At puberty, the brain appears to grow more neurones and over the teenage years and into the early twenties, it slowly sheds neurones starting at the back of the brain and working forward. This may be one reason why teenagers are so emotional.

Other data suggest women’s brains change when they become pregnant. If other species are any indicator, the hormones in pregnancy change the structure of the brain and (perhaps scarily for marketers) this change seems to make



women smarter. Other data show the brain structure is changed through meditation, based on studies of Tibetan monks and supported by the Dalai Lama. Perhaps this is also linked to the development of expertise and its effects on the brain.

The implications of this research on marketing and its tools are far from clear. It suggests proponents of neuromarketing will need to take into account brain changes and each person will



US authorities are reviewing their policy to issue driving licenses to 16 and 17-year-olds as a result of Jay Giedd’s work in neuroscience.

“Having a baby is ‘a revolution for the brain’.”

Dr Michael Merzenich, University of California.

SEARCH TITLES

The changing brain,
Understanding the teenage brain.

STATS

Women who have children in their forties are four times more likely to survive to 100 than women who gave birth earlier. Pregnancy enhances women’s brains just when the memory decline of middle age normally kicks in, leading to better mental health and longevity. *Lambert.*

We are particularly at risk during our teenage years. Young girls are the group most likely to self-harm while teenagers are also the most vulnerable group of pedestrians and car passengers. Figures also show teenagers to be particularly at threat from sexually transmitted diseases, alcohol, drug-taking and smoking. *The Guardian*

experience different changes. Consequently, neuroscience may be able to identify areas of the brain that become active in response to a marketing activity, but it cannot tell us why. This is the ultimate challenge for neuromarketing and, at present, it means marketers cannot just peer inside someone’s head and begin to manipulate their behaviour. ■

Talking about talking

“Loyal customers spread more positive word-of-mouth” is one claim that has been challenged in the debate about loyalty programs. But this has not diminished the clamour for WOM and buzz strategies. Even requiring people to declare that they benefit financially or in other ways when they say something good about a brand does not seem to have prompted a decline in business for the operators of these buzz-generating panels.

“Even though these shoppers don’t share their pain with the store, they do share their pain with other people, apparently quite a few other people.” *Stephen Hoch, professor.*

Perhaps this difference relates to habit formation. The more often we repeat the same behaviour, such as buying the same brand, the less we think about it and the more it becomes habit. We have other things to talk about and to occupy our very limited cognitive time. New customers, not necessarily loyal ones, talk about a brand. This links neatly to the knowledge that most WOM is negative. Recent negative experiences are talked about, while continuing positive experiences form subconscious habits. ■

STATS

37% of those spoken to did not know of the agent’s affiliation with a commercial organisation.

When asked whether disclosure affected their view of the information, 75% indicated it did not.

About 5% of the people spoken to, who had not had the commercial arrangement disclosed to them, responded very negatively when told of that arrangement. *BzzAgent stats*

Fortunately for marketers, BzzAgent (USA) conducted research to demonstrate that declaring these benefits does not reduce the effectiveness of WOM. The study had major weaknesses (apart from its biased sponsor) notably, that it did not distinguish between sought-after and unsought-after WOM. This distinction is critically important in assessing the effectiveness of WOM.

While paid-for WOM is of interest to many marketers, even more important is spontaneous WOM with no direct influence from the company. This is the claimed benefit of loyalty but it must be challenged. Loyal customers may actually be less likely to discuss the brand or store than new customers. It appears that the people who are most likely to talk about a brand are those who have just found it.

“This storytelling has even more impact on the people the story is told to than the people who told the story.” *Stephen Hoch, professor*

SEARCH TITLES

Do it often or talk about it?, It doesn’t hurt to tell, Why the tale gets worse.



SEARCH TITLES

When more is less, The key to keywords, The dawning of cost per response, Search as the interface, Click fraud, From TV to search.

STATS

Fraud rates for Google ad campaigns range from 20-40%. Other studies have estimated that bogus clicking accounts for 10-30% of all clicks on sponsored links. *Washington Post.*

Google's \$US6 billion plus ad revenue makes it a bigger ad medium than any of the US TV networks or newspaper chains. *Wired.*

Fraud and future of search

The rise of search engines matches the explosion of information on the net. As the creation of new (or reworks of old) information continues, because the net gives everyone a voice, search engines will become more powerful. The downside is determining what information is wanted and whether that information is valid and correct.

Business plays a role in this explosion of information with its incessant communications,

internally and with customers. The general response to this "babel of business" is to produce more to maintain share of voice. However, they probably need more specific and carefully crafted messages that will be found and read at the right time.

Search engines must continue to move on from their current fundamentals of presenting results based a popularity contest (the number of links to that information). The obscure that answers a searcher's need is more valuable than the popular that does not provide the right answer.

As search engines become many people's interface to the net (witness Microsoft putting its Live search engine on the tool bar of Explorer to the chagrin of Google) they are

rapidly becoming the largest and most powerful ad media. For business big and small the challenges are to feature at the top of search lists and for highly relevant ads to be presented at the right moment. One cloud over this sunny future is click fraud. Click fraud affects advertisers who have to pay for clicks that are not from potential customers, and stops those customers from seeing relevant ads. Search engines do not reveal the exact levels of click fraud but, as they settle court cases and make payments to disgruntled advertisers, it is clearly a serious problem. ■

EXAMPLES

The GM ad for Pontiac (USA) ending with a screen shot of a Google page links traditional advertising to search engine marketing. But Mazda played to GM's game by placing directly competitive ads (Pontiac versus Miata) on the Adwords list.

"There are two keys things about a disrupter. One is that [search] is a fundamental new economic model for businesses to acquire customers. It is very disruptive because it works through the whole business."

John Battelle, cofounder Wired, The Industry Standard.

“Surprisingly often, the best way to locate a key piece of information is to walk down the corridor and ask a friend or email a colleague.” Francis Cairncross, Rector

EXAMPLES

Google is a 5-year-old company with ad revenues of \$6.1 billion in 2005. This is nearly double what it sold in 2004 and is more advertising than is sold by any US newspaper chain, magazine publisher or television network. Wired.com.

Not as directed as it seems

The rise of search engines creates an impression that search behaviour in general is a very directed activity. Searchers type in what they are looking for and search engines provide the most popular answers. Unfortunately, it is not the way we usually behave on the net. Searching is not such a directed activity.

Search reflects general internet behaviour, where 30% or more of online time is spent just surfing around. This does not

its connections. Instead of a search engine taking us to where we want to go, it is part of a much more complex pattern of behaviour, which is not always recognised by the search engine marketers.

This more complex behaviour and the fact that much online activity involves surfing around presents opportunities. It demands that we think more widely about what people are doing and make it easier for them to do so. Some media companies, including Time Warner, are already thinking in this direction with new sites aimed at specific audiences and to facilitate this kind of behaviour. ■

“Information consumes... the attention of its recipients. Hence a wealth of information creates a poverty of attention and a need to allocate that attention efficiently among the overabundance of information sources that might consume it.” Herbert Simon, Nobel-laureate.

STATS

52% of US net users use email on any day, 38% of users search on any day, 31% seek news and 30% surf just for fun. Pew Internet, USA.

In 2002, print, film, magnetic and optical storage media produced five exabytes of new information. That is the equivalent of 37,000 new libraries, each with 17 million books, or 30ft of books for every man, woman and child on the planet. The total has been rising at about 30% a year since 1999.

Peter Lyman and Hal Varian.

mean it is entirely unfocused, as it is likely to be based on the person's general interests. But it is not as directed or as purposeful as search engines might suggest.

When using search engines, we start with general terms, try variations and importantly, use the back space button regularly. When we do land on a site, we may surf through

SEARCH TITLES

Searching for a future, From the popular to the obscure.