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Optus put in a request for information two months ago and has trimmed its potential supplier list to three: Alcatel, Marconi and Chinese upstart Huawei Technologies.

Optus consumer and multimedia chief Scott Lorson said any future network it built would be video-compatible.

The problems for other service providers relying on Telstra's DSL network were laid bare in March, when the company unilaterally slashed its retail prices below wholesale rates. Telstra is still under threat of legal action by the Australian Competition and Consumer Commission over that move.

Adelaide's Agile Communications, the wholesale arm of ISP Internode, is the latest player to stake its bid for the triple-play of services with a home-grown ADSL2 network.

ADSL2 is the next generation of DSL services being deployed by operators, and promises speeds of 8Mbps -- more than five times faster than Telstra's wholesale ADSL.

Using Ericsson equipment, Agile will deploy the first five of an initial tranche of ADSL2-capable exchanges in South Australia and Victoria by the end of the year, and 17 more will follow in 2005.

Although a desire to untether itself from Telstra's wholesale ADSL service was part of the reason for doing this, the lure of voice and video made the business case stack up, Agile managing director Simon Hackett said.

Primus Telecommunications was an early leader in DSL but its growth stalled after Telstra's price cuts in April.

In June, Primus announced it would deploy new equipment from Marconi and was eyeing the triple-play model. Primus internet chief Campbell Sallabank said the company would probably wait until the ADSL2 standard was available in about 12 months.

Meanwhile, he said, Primus would explore a range of voice and video options using the network now being introduced to 200 Telstra exchanges. Primus had already commissioned 39 exchanges.

The roll-out to all 22 exchanges would cost between \$2.5 million and \$3 million. "That's certainly not all equipment," he said.

"About two thirds of that is the cost of getting into the Telstra exchanges." Although the equipment would initially deliver ADSL services at present speeds, Agile hoped to quickly turn on the ADSL2 capability to allow higher speeds when regulatory approval was given.

"The equipment works fine in the lab," Mr Hackett said.

"We are actually waiting for the telecommunications industry's technical standards body to





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team convey an assurance of trust and confidence to your clients?

6) Consistency - The secret is to consistently give good service all the time. Expect this from everyone in the organisation.

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## Want to Improve Your Organisations Sales Performance?

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## Top 7 Ways To Multiply The Leadership Effectiveness in Your Organization

### 1. Get Current Titled Leaders Growing in the Right Direction.

If you want to increase the level and effectiveness of your leadership right now, then the first thing you should do is start with those who already have a title of leadership. You will find that many of the people you have as "leaders" really aren't leaders at all so you have your work cut out for you! Sit down with your leadership team and let them know that you are going to be pushing them to grow in the area of leadership. It is imperative that the titled leaders get on board. If they don't or won't, then they have to go. No effective organization can continue with dead weight in leadership positions.

### 2. Establish a Plan of Action for Leadership Development.

Once you have decided to move forward with leadership development, you need a plan. I would suggest a one-year plan of reading and activities.

### 3. Identify Untitled Leaders.

You also want to identify the leaders you have who may not necessarily have a title of leadership. Know this though, they are leading! They are influencing the direction of your organization. They are leading and influencing others. Find out who they are and invite them

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into the official leadership process. How do you find these? Here are a few ways: Notice at your meetings who the other people look to for their opinion.

That is the leader. Ask people who they think has leadership potential. A few names will come up over and over. They are your leaders. Ask people to tell you who has the most influence outside of the titled leaders. Again, a few names will come up over and over. They are your leaders. Now, get them on board with you!

### **4. Develop a Culture of Leadership.**

Call your leadership development group something like "Emerging Leaders." Get t-shirts made up. Have special events for them. Get them involved. Honour their commitment and growth. Above all, let it be known throughout the organization that you value leadership development and you are willing to invest in people that way. Not only will you invest in them, but you will honour them and make it fun too!

### **5. Enable Leadership Attempts: Let them Try, Let Them Fail.**

This is where most groups fail. They will let people try, but they won't let them fail. Once they fail, they take responsibility away from them again. Leadership development must be a long-term commitment and this means you will have to put up with some short-term failures. As you do, the leaders you are investing in will be growing and learning how to do it right in the long run. Those are the people who will grow your organization for years.

### **6. Establish Mentoring: Watch Me Do, Do with Me, Do Alone, And Teach Another.**

Get the current leaders to teach the newer leaders. Have them take people along to do their everyday activities. Invest time in them, developing the relationship while they see how it is done.

Then let them do some of the work themselves while you are there. As that gets better, then it is time to let them do it by themselves. Tell them you can't make it that day but they can go make the meeting without you. Once they have mastered the task, have them turn around and mentor others. This way you are developing more and more layers of competent, Extraordinary Leaders!

### **7. Show the Benefits: Both Individual and Corporate.**

The fact is that people will do those things that will bring them benefits and rewards so go all out to show them what they will get from it as individuals and as a group. Show them that leadership development will help them make more money, have better relationships with co-workers and have better job satisfaction. Show them that leadership development will show itself in all areas of their lives, not just at work. Show them how the whole organization will grow, become more efficient, accomplish the goals they have established and really make a difference in the world around them. Show them the benefits and you will get their hearts for leadership!

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"Bastard" bosses cost companies money and staff and held organisations back in today's increasingly complex business world, an expert has warned.

The bad boss made "I" statements, put their own success above that of the team or company and pitted staff members against each other, according to David Peake, director of Quantum Edge.

Quantum Edge is a company of organisational psychologists that advises large employers including Westpac and BT on how to motivate staff.

The bad boss also stole credit for the work of others and used staff members as "cannon fodder" to protect themselves from blame or criticism, Mr Peake told a Recruitment & Consulting Services Association conference in Melbourne recently. Mr Peake said only about one in five of the corporate leaders he met understood modern day leadership.

He said too many Australian companies relied on outdated management styles such as "control and command" or US-style programs that did not work on Australians. "The very things that motivate Americans have the opposite impact on Australians" Mr Peake said.

"Australians can smell 'BS' from 50m. We are also unique in the way that we respond to leadership."

Mr Peake said Australians were motivated by fairness, transparency, doing work that benefited the wider community, team success rather than individual success, and being included in decision making.

They also respected bosses who were "captains and coaches" and who were prepared to "roll their sleeves up".

"Australians work best in a G'day culture," Mr Peake said.

They wanted to work for a boss who knew their first name and something about their life whether that be the ages of their children or their favourite football team. Employees also expected their bosses to understand their role as well as its contribution to the company.

He said Australians were a nation of "volunteers" who would do anything for a boss who "connect with them on an emotional level". However, if they feel excluded or devalued they would quickly become detached.

Most would remain silent and appear to be going along with management. If the situation were not resolved, a detached employee would actually become a "quit stay" – someone who had mentally quit the job. These workers usually took more sick days than other workers and did only enough work to stay in the job.





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Contrary to what you believe, the brain doesn't think by choosing what it wants. No it doesn't; the brain "eliminates" what it doesn't want.

Think about it for a second. When you're in the ice-cream store looking at all of those choices, you seem more confused than ever. You think you want choice, but when faced with one hundred-squillion flavours; your brain goes a little waka waka. You become "the dog" all over again.

You struggle to choose, and finally when you do choose you actually do it through a system of eliminating what you don't want.

Ergo: more elimination means more brainwork.

It's logical, isn't it? If your brain goes through elimination to get to a single choice, then the more things it has to eliminate, the more difficult it becomes to choose one thing. Often the brain just gives up. Yes, goodbye, sayonara and hasta la vista, baby! And customers faced with innumerable choices head rapidly for the "goodbye, see ya later, I need to think about it" door.

We want choice, but we don't want the nuisance of having to choose. Aaaaaaargh, isn't this irony driving you bananas?

Now, now... don't get so antsy. No one is suggesting you do a Henry Ford. Henry, the inventor of the Model T, was probably discredited with a quotation attributed to him: "People can have the Model T in any colour--so long as it's black."

The truth is that the Model T was available in green, red, blue and grey. In fact, right at the start, black wasn't even available as an option. The switch to all-black cars was probably a move to reduce the time lost waiting for the various paints to dry. In fact, in 1926, colours other than black were once again offered in an attempt to rejuvenate sales.

So choice is a good thing, then...

Absolutely! Your customers hate to have a gun held to their head. They want choice, but not so much choice that they're totally confused.

But now I can see it in your face... you're the one that's totally confused. You don't want to alienate your customers—nor do you want to confuse them.

So how do you use the power of command with choice?

The only way I can explain this is to give you a couple of real-life situations, as played out sequentially on a Web site. Of course you can use this concept offline as well, but since you're already online....

Let's run through a sequential audit on a Web site.





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This fear, albeit a bit dramatic, is not only coming from students but also is shared by their parents. In turn, it is passed on to politicians who try to prove which of them is better at achieving improved education outcomes.

However, as John Howard wants us to be a nation of entrepreneurs and Mark Latham is providing us with rungs of opportunity, the link between education and prosperity is not as clear as some think.

In the BRW Young Rich list, published recently, an examination of the richest people under 40, tertiary education does not correlate to wealth. Only 40 per cent of those on the list have university degrees. Instead, most pursued their entrepreneurial venture soon after leaving school.

Many of these rich young people argue that formal education delays one's ability to pursue dreams or blunts innovative thinking. The richest person on the list, John Ilhan (39), who made his \$300million fortune through his mobile phone company Crazy John's, speaks for many successful entrepreneurs when he says: "Without university you have the idea that one plus one could be three, and in business that is a good thing."

Students, parents and we as a society should take a less rigid approach to university studies. Young people should be allowed to pursue their interests – if this does not include studying at university, so be it. Tertiary education is not for everyone and it by no means determines how successful you will be in life and even how rich you can be.

Although it is considered that education should be done while young, the early years are also the best time to pursue entrepreneurial ambitions because young people have fewer obligations and greater optimism in their ability to succeed. With greater flexibility in education these days, pursuing studies later in life, if the entrepreneurial venture fails, can be a better option.

For some entrepreneurs there is something in the education system that is anathema to their entrepreneurial spirit. For example Clair Jennifer, 36, and worth \$12 million from her retail empire Wombat, says: "I considered school a complete waste of time and I just wanted to get out in the world and achieve something."

In the BRW Rich 200, which identifies Australia's richest people, most do not have degrees. In fact, of the top 10 richest people in Australia, only one (property developer Harry Triguboff) obtained tertiary qualifications. It might have been thought that entrepreneurs would gradually become better educated, as the broader population has, but the Young Rich list challenges this. Clearly, a university education is not related to entrepreneurial success. A degree is not all about making money but, by the same token, universities do not have the monopoly on learning and personal fulfilment. By pursuing a business venture young people can learn a lot, particularly about themselves and how they interact with others. Not only can entrepreneurship teach people a great deal about life, but by starting young they can teach us all a lot about business. Despite their youth, many of those on the Young Rich list have a great deal of experience. For example, South Australian Jim Zavos, founder of EzyDVD, has



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had 23 years of retailing experience. Starting his first business at 17, he now dominates the video disc sector and has built an impressive personal fortune of \$15 million.

Arguing that young people should not go to university sounds heretical and it should not be misinterpreted as advocating ignorance over enlightenment, but it is recognition that we should not take a one-size-fits-all approach to success. For some young people, aiming to go to university is not aiming high enough. There are probably some on the Young Rich list who were regarded as misfits for not excelling in their studies. However, it was not until they struck out on their own that their full potential became evident.

If we as a society are encouraging people to go to university at the expense of pursuing their entrepreneurial activities, we will all be the worse off for it. What is more, who then will create the wealth? The ultimate irony is that university graduates will no doubt line up to work for those non-university graduates on the Young Rich list.

Robert Skeffington is deputy editor of BRW magazine. Its Young Rich list was published on **September 16**.

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### Telstra Tests Web Videos

**Michael Sainsbury September 20**

Telstra is making a new play in the media industry, experimenting with new technology in Brisbane and Melbourne to broadcast video services over the internet to television sets.

The technology, called IPTV, is already being deployed by telecommunications providers around the globe.

Microsoft recently signed a \$15 million a year deal to provide Telstra with the bulk of its software needs. Internet equipment maker Cisco Systems is also understood to be involved in the trials.

So far the trials in Australia have been limited to Telstra's hybrid fibre coaxial cable networks, which pass about 2.5 million homes in Sydney, Melbourne and Brisbane and parts of Adelaide and Perth.

The network is owned by Telstra and provides most of Foxtel's pay-TV service, as well as Telstra's high-speed internet services to more than 160,000 residential users.

The trial is the first results of an internal video strategy paper commissioned by Telstra Big Pond Media chief Gerry Sutton, people familiar with the trials say. Mr Sutton was Telstra's main negotiator in the Foxtel-Optus-Telstra pay-TV rationalisation talks that culminated in the October 2002 deal between the companies.

Under the Sutton blueprint the first phase could see a video-to-PC download service introduced before the end of the year. Big Pond chief Justin Milne said previously that he



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planned to have such a service available by next year.

The strategy document is also understood to include the prospect of an eventual move to a video-to-TV standard definition service via DSL (digital subscriber line) using CPM (customer premises equipment), which would comprise network connectivity and a storage device in the home.

The paper also mooted a long-term play aimed at offering internet services through TVs. Telstra has targeted a second IPTV trial over its DSL network before the end of the year. Simultaneously, it is working on plans to upgrade its DSL services to next-generation technology, according to the company's technology chief, Ted Pretty.

Telstra launched its original DSL network in 2001. Since then the technology has improved to offer faster, video-capable speeds. DSL is designed to transform the old copper phone lines into fast-speed data lines.

To offer video services Telstra needs to upgrade its networks and Mr Pretty said evidence of this should start to emerge towards the middle of next year.

### **The Australian**

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## **Mobiles Closer To Getting Wings**

**Steve Creedy September 17**

Another haven from annoying ring tones and loud personal conversations is being closed off as researchers work on ways to make mobile phones available on aircraft.

European aircraft manufacturer Airbus is experimenting with new technology it says will pave the way for widespread mobile use on flights as early as 2006.

Airbus said yesterday it had completed the first in-flight trial of a GSM mobile phone on an Airbus A320 at the manufacturer's Toulouse home base in France.

The demonstration involved both voice communications and text messaging to ground-based mobiles and fixed phones as well as to another mobile phone on board.

Technology developed by Airbus and telecommunication specialist Icarelink involves setting up a small "picocell" inside the aircraft.

A call is picked up by the picocell, routed through a computer server and transmitted through the Globalstar satellite communications network to the ground.

The 2006 target suggests Airbus is looking at offering the new mobile phone technology on its A380 super jumbo, the first of which will come into service that year.

Airbus and US plane maker Boeing already have competing in-flight internet systems and the





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intellectual property, making it easier for small and medium sized companies to commercialise innovations created in the course of government work.

"The government is committed to policies that assist the growth of SMEs (small to medium sized companies) and their development and I want to make their ability to win government contracts easier," she said.

Senator Coonan also announced plans to identify networks of so-called 'Angel Investors' with the view to possibly tying such private sector investors to public sector funds.

Angel investors are usually entrepreneurs that have already been through a successful start-up, and invest both cash and expertise into new ventures.

"The government will scope the investment and operation of business angel networks in Australia to gauge how we can better facilitate a match of the money with an appropriate business," Senator Coonan said.

"These investments may also be linked with, and support seed funding from government sources," she said.

Like Labor, Senator Coonan also announced Coalition plans to encourage more women to enter the technology workforce, and added other measures to encourage employers to use technology to introduce of more family friendly work practices.

Although broadband and computing technology that allowed people to work from home had become more affordable in recent years, Senator Coonan said Australia had one of the lowest rates of "teleworking" among developed countries.

The coalition plans to set up a teleworking taskforce reporting directly to Senator Coonan on ways to overcome workplace attitudes that have impeded the growth of teleworking in Australia.

### **Australian IT**

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## **Air NZ, Qantas Lose Appeal**

**Correspondents in Auckland September 20**

Air New Zealand and Qantas Airways have lost their bid to get their proposed alliance approved in New Zealand.

New Zealand's High Court recently declined the airlines' appeal against a NZ Commerce Commission decision to block the alliance.

The airlines needed approval in both Australia and New Zealand to get the alliance through. Competition regulators in both Australia and New Zealand last year rejected a plan for Qantas to take a 22.5 per cent stake in Air New Zealand for \$NZ550 million (\$500 million),







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Panther and Rocky.

Recently Sony's Columbia division is one of the highest-grossing studios in Hollywood, thanks largely to the success of the Spiderman franchise. From The Times in London

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## **Yahoo To Buy Musicmatch**

**From correspondents in Sunnyvale September 15**

Yahoo said recently it was buying digital music group Musicmatch for about \$US160 million (\$230 million) in cash in a move aimed at boosting the Internet portal's online music offerings.

"Yahoo is committed to being a major player in digital music," said Terry Semel, Yahoo chairman and chief executive officer.

"This combination bolsters our strategy to capture the largest audience of consumers as they make the shift to digital music and supports Yahoo's goal to give consumers the greatest choice, control and flexibility in how they interact with their music."

Yahoo has been widely expected to launch a new service for online music downloads aimed at competing directly against Apple's iTunes and others, notably the recently launched online store from Microsoft.

Founded in 1997, Musicmatch developed music management technology, including its Jukebox software, which allows consumers to manage a music collection on a personal computer.

Most recently, the company introduced an on-demand streaming music subscription service, providing access to more than 700,000 songs.

The combination will increase Yahoo's music reach from 12.9 million to an estimated 23 million listeners.

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## **Urgent Need For Plan To Produce "Skills"**

**Kate Southam, September 15.**

Australia now had a shortage of 21,000 skills, which in turn had left one out of two manufacturers unable to find the right staff, according to a new survey.

The survey by the Australian Industry Group (AIG) found that the largest skills shortages were in chemicals, petroleum, coal products, transport equipment and machinery industries.



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Queensland reported the highest number of skilled vacancies followed by NSW and then Victoria.

Large companies were the worse hit with 63 per cent of those employing 100 people or more reporting difficulties finding the right people. Of the small to medium companies surveyed, 52-57 per cent reported difficulties recruiting the right skill sets. The survey involved 760 companies, representing a quarter of total industry activity, with an annual turnover of \$50 billion.

Companies were asked what happened when a position became available. A third reported receiving zero applications. Another third said the people that did apply lacked the necessary qualifications and the remaining third said candidates lacked the skills and experience that would make them a right fit for the role on offer.

The AIG said while its review focused on manufacturing, skills shortages were also being experienced in other industries such as construction, defence, publishing and printing. AIG chief executive Heather Ridout said tackling the spreading shortage should be a top priority for state and federal governments as well as corporate Australia. "Continuing priority needs to be given to lifting the innovative performance of our economy with a strong focus on research and development performance and on education and training," Ms Ridout said.

In a separate report, the AIG claimed that the work carried out by the Australian National Training Authority had significantly improved the system of producing workers with the right skills. However, overall the system remained "fragmented and supply oriented". The report said major reforms were urgently needed to keep pace with the "seismic shifts" that had occurred in the international economy.

"Skill shortages coupled with new patterns of employment, new kinds of work and work organisation and new ideas concerning skills, knowledge and learning in industry dramatically increase the need for further (training) reforms ...," the report claimed. The AIG said that governments also needed to do more to keep mature Australians in the workforce. The Australian Treasury estimated that GDP growth per capita would slow to about 1.5 per cent pa over the next 40 years due to the aging population. This compared with a GDP pa rate of 2.4 per cent during the 1990s.

"If the estimated reduction in GDP occurs, incomes will reduce, unemployment (would) increase and Australia's ability to compete globally will be severely impaired," according to the report.

Other challenges facing Australian companies were competition from China and a lesser extent India. The US Free Trade Agreement would also increase "the range, complexity" of business life, according to the AIG.

**Kate Southam, is editor of [careerone.com.au](http://careerone.com.au),**

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#### **6 Ideas to Boost Catalogue Sales**

Even that powerful selling tool known as the catalogue can show, signs of fatigue. How do you counter competition, new trends, economic slumps, and direct mail overkill? DOC2.DOC

#### **Parallel Marketing**

Parallel marketing is the technique of turning traditionally non advertising tools into powerful marketing devices. It was probably created originally to promote professional services without violating canons of behaviour, or as a genteel way to sell products or services without seeming to be "commercial. " DOC3.DOC

#### **Serial Selling**

Writing a series of collection letters can be as much fun as tap dancing on a high wire. The objective is to persuade a slow-paying customer who has hitherto shown no interest in writing cheques to ante up some money. DOC4.DOC

#### **Copywriting Tips for Direct Marketers**

There are certain axioms of experience that copywriters call on to simplify their task and polish their final product. Here are some of them. DOC5.DOC

#### **Learning From A Book of Five Rings**

For a brief time, the Japanese martial arts classic A Book of Five Rings enjoyed a vogue among business people who saw in it the source of Japanese business strategy. In Japan, entrepreneurs do turn to A Book of Five Rings but as a psychological guide to strategy, not a source book of strategic answers. DOC7

#### **Climbing the Seven Steps of a Sale**

The oldest sales formula around-"AIDA"- has been with us for so long that we may have forgotten where it originated. It was 1925 when E. K. Strong, in his book The Psychology of Selling, first proposed this formula for salesmanship. He said that, in order for the salesman to move he prospect through the phases of buying readiness, it was necessary to: "A, get Attention; I, arouse Interest; D, stimulate Desire; A, ask for Action. " DOC9.DOC





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CitySearch in August. Ask Jeeves users are returned CitySearch business listings and reviews for local searches.

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### Malaysia's Makeover

Its new leader has cracked down on corruption, attacked cronyism, and started divesting state holdings. Investors are taking note

When Malaysian Prime Minister Abdullah Ahmad Badawi took over from Mahathir Mohamed last October, he quickly defied the sceptics who said he would do little to alter the legacy of his predecessor's 22-year rule. Badawi mothballed questionable government mega projects and clamped down on corruption. Perhaps most important, he promoted transparency in a bid to break the cosy ties between government and selected businessmen that typified Malaysia Inc.

However, even the most sanguine about Badawi's ability to chart his own course were amazed when on Sept. 2; the federal court overturned the sodomy conviction of former Deputy Prime Minister Anwar Ibrahim. Anwar was Malaysia's most famous prisoner, whose arrest and conviction were widely believed to be politically motivated and driven by Mahathir, who says he still believes Anwar is guilty. The consensus view is that Badawi didn't interfere with the courts.

Indeed, the reversal is certainly a triumph for the rule of law. Anwar's release would have been unthinkable under Mahathir and is widely heralded as evidence of an independent judiciary. But less than two weeks later, an appeal to overturn a conviction [for which Anwar had already served his sentence] on corruption charges failed. So though Anwar is now a free man -- he's in Germany seeking medical treatment for a back ailment he says resulted from a police beating in 1998 -- he's barred from holding any political office until 2008.

Keeping Anwar on the sidelines may turn out to be a good thing for Malaysia. He's regarded as one of the country's most charismatic public personalities, and he will now be free to advance reformasi -- Malaysia's reform movement -- unfettered by political concerns. With no party to answer to and no constituency to represent, he can speak out against injustice and corruption in a way that no political insider would dare do.

"Anwar is free to criticize. He will help Badawi keep UMNO [the ruling party, which he heads] honest," says Steven Hagger, head of Malaysian research at Credit Suisse First Boston. "If anyone does anything dodgy, Anwar will be the first to point it out."

Meanwhile, Badawi has just come out with his first budget, and it signals an end to the aggressive pump priming that characterized post-financial crisis Malaysia. He has vowed to



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slash the government deficit from 4.5% of gross domestic product this year to 3.8% in 2005, based on an assumption of 6% growth next year, vs. 7% in 2004.

Another promising element of the budget is the decision by the Securities Commission to open the country's stock-broking business to foreign-owned companies. Though the outsiders will be permitted to engage in institutional trading only, they'll be eligible for a share of the lucrative business of managing part of the \$42 billion Employee Provident Fund, a compulsory retirement scheme that the government is gradually outsourcing to the private sector.

Badawi's initiatives to divest some of the government's holdings in private companies are also winning kudos. Through the state investment arm Khazanah Nasional, the government now owns controlling stakes in companies accounting for nearly half of Malaysia's \$110 billion stock market capitalization. Badawi's government signalled its commitment to divestment in early March when it gave the green light to Khazanah to shed its nearly 11% stake in fixed-line operator Telekom Malaysia.

What made it even more significant was that the deal involved selling a 5% stake to Temasek Holdings, the Singapore government's investment arm, indicating an improvement in the formerly rancorous ties between the two countries.

The Badawi government also seems intent on turning Khazanah into a more independent, fiscally responsible body. For years, its investment portfolio has reflected political pressures. It was often seen as the investor of last resort, backstopping ailing companies run by government cronies. Return on investment was secondary to political considerations.

But under Badawi, there's a concerted effort to staff Khazanah with finance professionals whose first priority will be to maximize returns. Heading the agency is Azman Mokhtar, a former investment banker with Citigroup (C ) who was hired in June.

Mokhtar has been studding his staff with other private-sector financial stars, including Ganen Savanathan, whom he poached from UBS (UBS ), where Savanathan headed its equity capital markets group in Singapore. Savanathan is expected to streamline the portfolio and use the proceeds to scour the region for new investments as part of the government's plan to expand Khazanah's portfolio beyond Malaysia. One of its first forays will be in Indonesia, where it's teaming up with Malaysian Bank to bid for a stake in Bank Permata.

People outside of Malaysia like what they're seeing. Foreign fund managers, who have avoided Malaysia since 1998, when the central bank imposed capital controls, have been flocking back. Investment from overseas has helped push the Kuala Lumpur Stock Exchange index up 14% in the past 12 months.

Buyers of Malaysian bonds are bullish, too. On Sept. 14, Telekom Malaysia scored a resounding success when it raised \$500 million on a 10-year bond issue that was oversubscribed 8.5 times. Its yield of 5.282% -- just 112 basis points above 10-year U.S. Treasuries -- reflects a remarkably low risk premium in a country that institutional investors shunned just a few years ago.





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### Flying Pigeon

The storied bike maker has shed weight, added models, and regained lost sales

It's tough being a bicycle maker in China these days. The streets are so crowded with cars that two-wheelers don't enjoy the exalted status they once did. Indeed, Shanghai and other cities have banned bikes from some thoroughfares. There's no shortage of competition, either: China was home to just a half-dozen bike builders in the 1980s but has 300 today. All that didn't stop Sha Yunshu from taking over Flying Pigeon Bicycle Co., one of China's most storied -- and troubled -- brands. "I thought if I had new ideas and could produce good-quality bicycles, I could save the company," says General Manager Sha.

In the early 1980s, Flying Pigeon was the country's biggest bike builder, and its 20-kilo black one-speed models were the pride of hero workers nationwide. There was a multiyear waiting list to get one, and even then you needed good *guanxi*, or connections -- not to mention about four months' wages for most workers. In 1986, at the zenith of its prosperity, Flying Pigeon sold 3 million bikes, all of them black. "In the planned economy, Flying Pigeon's market was guaranteed by Chairman Mao," says Sha, a 30-year veteran of the company.

Adam Smith has been less indulgent. When China started developing a market economy, Flying Pigeon failed to adapt, and its fortunes soured. As other companies moved toward ever-more variations of racing, road, and mountain bikes, Flying Pigeon soldiered on with its overweight, single-gear model. Sales plummeted like a wounded bird, to just 200,000 bikes in 1998.

Under Sha's leadership, Flying Pigeon is taking wing again. The company last year sold some 1.2 million bikes, Sha says, and this year he expects to sell 1.5 million. Revenues are projected to grow to almost \$50 million, up more than 30% from last year. Sha declines to say how profitable the company is. Next year construction will start on a new, \$1.2 million factory to make bikes under contract for foreign brands. Sha already has one such deal, with Japan's Maruishi Cycle Industries, and is hoping to sign more soon.

Sha's first step after taking over in 1998 was to shut down Flying Pigeon's old factory in central Tianjin and move to new digs in an industrial zone on the city's periphery. He left behind most of the 7,000 employees -- a number that had changed little even as sales fell by more than 90%. Starting anew with a staff of just 300, Sha emphasized good workmanship, and today as much as three-quarters of each worker's salary of roughly \$250 a month depends on productivity and quality. Flying Pigeon "has really been gaining momentum," says Antony Lo, president of Taipei-based Giant Group, the biggest bike maker in China.

The era of basic black is gone for good, too. Flying Pigeon bikes now come in 300 models and many colours, and the company even advertises. Its bikes are sold in more outlets, including supermarkets. And Sha has instituted a monthly meeting to discuss how production should be shifted to meet demand. "In the planned economy, people didn't care whether we sold our products," he says. "Nobody tracked sales."



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There have always been cult brands, mostly smaller labels unknown to the masses. But these days, building cults or at least strong communities, is a widespread strategy. No wonder companies that are able to instill a sense of ownership in near-fanatical customers showed the biggest gains in our fourth annual ranking of the 100 most valuable global brands. The loyal, if sometimes nagging, band of true believers behind No. 43 Apple -- combined with tremendous success of the iPod -- helped the dollar value of the brand jump 23.7%, to \$6.9 billion, over the past year. That was the biggest increase in this year's ranking, which is compiled in partnership with leading brand consultancy Interbrand Corp. A dollar value is calculated for each brand using a mix of publicly available data, projected profits, and variables like market leadership.

Apple was hardly alone in enlisting recruits. EBay makes its debut at No. 60. Fellow hot property Samsung Electronics, No. 21, jumped 15.7% in value to \$12.6 billion -- a move that Seoul-based global marketing chief Eric B. Kim attributes to "building communities around our brand." Along with honing a high-end image with its feature-packed cell phones and flat-panel TVs, it nurtures loyalty with events for users. Yahoo! (YHOO ) and Amazon.com (AMZN ), Nos. 61 and 66, respectively, also made significant gains. But success isn't limited to the young. Cult icon Harley-Davidson (HDI ), No. 41, climbed despite having been founded more than a century ago. While the value of those brands is a fraction of the top-ranked \$67.4 billion Coca-Cola brand or No. 2 Microsoft, with \$61.4 billion, those behemoths have lost brand value over the past year. And they, too, have started to recognize the need to nurture stronger ties with consumers. Witness moves by Microsoft to hold mini trade shows in airport lounges for consumers and the soda giant's creation of hip "Coke Red Lounges" for teens in suburban malls.

The goal: to foster a sense of shared experience and of belonging. Starbucks Chairman Howard D. Schultz balks at the notion that his brand, which ranks 98th in our survey and jumped 12% in value this year, is about selling various iterations of coffee. Says Schultz: "The product is the experience." His shops may sell latte, but what people really crave is the hip, relaxed ambiance, the music, even the baristas who remember the regulars' favourite concoctions. Sounds crazy? Not to student Amy Berkman. Approach her at her favourite New York City outlet and she lets forth a stream of opinions on everything from ideal chair configurations in the store to the type of mustard they should use on their ham-and-cheese sandwiches. "Something more tangy and grainy would work better," she says, sipping on her daily chai latte. She cares because this is where she hangs out with her friends. Berkman doesn't like coffee; she likes the experience of being at Starbucks.

The brands that have managed to build cult like followings have done so by being, well, cult like, at least in some aspects. They are self-consciously different from rivals. They're bound by a set of clearly defined and rigorously enforced values. And they fulfil a range of needs for their members -- er, customers. The fastest-growing ones often project an aura, an attractive group identity. Conjure up an image of an Armani customer or a Porsche (PSEPF ) driver and it will evoke a set of personality characteristics as much as it evokes a product preference. They also beget proselytizers -- customers who will chat up the brands to their buddies, set up Web sites, attend events, and proudly identify themselves as adherents, according to strategist Douglas Atkin of ad agency Merkley & Partners, who recently wrote *The Culting of Brands*. Nobody has to pay them. They are owners as well as customers.



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The classic example of a cult brand is Harley-Davidson. The 101-year-old brand gained 4% in value this year to \$7.1 billion. Sure, there are new models like the sleek V-Rod line and fresh features aimed at wooing women, but the real buzz comes from the 886,000 members of the company-sponsored Harley Owners Group. They're the ones who organize rides, training courses, social events, and charity fund-raisers. They pore through motorcycle magazines and wear the Harley-branded gear to feel more like rugged individualists and outlaws when they hit the road on weekends. A quarter of a million of them descended on Milwaukee last Labor Day to celebrate the brand's centennial. No wonder more than half of new Harley sales are to current customers who are trading up. The brand is self-reinforcing.

It doesn't take a cool category like motorcycles to yield a cult brand. Some are found in far more mundane sectors -- like furniture retailing. In Shanghai, Wang Jian Shuo runs a Web blog that, among other things, delves into his likes and dislikes with No. 40 Ikea, the Swedish furniture chain that offers modestly priced, ready-to-assemble furniture with cute names. He writes about everything from the 12 cents ice cream cones in the store cafeterias to how, as a newly graduated student in 1999, he spent his first month's salary on a "Billy Bookcase." Notes Wang: "Ikea seems to know my life better than any other furniture brand." Among those posting responses to his musings are a Malaysian fan who started his own Ikea forum and another who makes jokes about Swedish meatballs.

Such exchanges underline a key aspect of brand communities in the modern age: They evolve in ways that the head office often can't control. Newly empowered consumers can appropriate and manipulate the brand in whatever way they want. The Neistat brothers' anti-iPod Web site has generated 1.4 million hits from around the world. And it's not just brand fans who can make a difference -- or inflict damage. Witness the success of Super Size Me, in which documentary filmmaker Morgan Spurlock chronicled his decline in health while eating meals at McDonald's (MCD) for 30 days in a row. Although it denies any link, McDonald's Corp. recently did away with the Super Size meal option. They called it a menu simplification.

The key for brand builders is to give empowered consumers a great product and the tools to use it however they want. Jeffrey P. Bezos, chief executive of Amazon.com, whose brand value grew 22%, believes there is a distinct community built around his brand, even though it's now used by more than 30 million people worldwide. For him, community is defined as "neighbours helping neighbours make purchase decisions." That means allowing negative customer reviews, even if it sabotages a possible sale. It meant halting spending on conventional advertising last year to funnel money into cutting prices and improving service in the belief that the community itself would spread the word. What Bezos does control is the range and quality of his site's offerings. "The thing that we did early on is that we made it very easy for people to find very obscure products," notes Bezos. "If you're not doing something that people will remark on, then it's going to be hard to generate word of mouth."

Some companies are using mass customization to bind their customers ever more tightly to their brands. The efforts extend beyond the individualized Web pages that characterize Web sites like Amazon.com and eBay. It means allowing customers to set up fan sites on the Web or personalize items. Some companies, like No. 18 Honda Motor (HMC) and Nike, offer tools



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to help customers put their imprint on a product -- such as choosing unique colour combinations and messages for their sneakers. But relinquishing control has proved to be hard for some marketers. No. 6 Walt Disney (DIS ) and No. 82 AOL (TWX ) have famously chased down fans for unauthorized use of copyrighted material. As brand "futurist" Andrew Zolli argues: "When you get to the point where you're suing your customers over their use of your brand, it's time to change your business model."

Even brands that have largely grown through acquisitions and smart pricing understand the importance of building a distinct image and fan base. As Peter Stringham, group general manager of HSBC Holdings PLC (HBC ) bank in London notes: "Nobody needs a new anything anymore." Instead, what has allowed No. 33 HSBC to jump 15%, to \$8.7 billion, this year is clear differentiation as "the world's local bank" with a flavour that varies by location. On Jan. 28, for example, it kicked off the rebranding of newly acquired Mexican bank GF Bitel with a free live concert in Mexico City for 10,000 people by pop singer Luis Miguel. In New York, it grabbed attention by offering free taxi rides in a cab emblazoned with the bank's red and white logo to any passenger with an HSBC bank card.

In contrast, some old-line brands seem to be coasting on sheer size rather than an ability to forge a unique relationship with customers. Even brands that have enjoyed decades of success and have instant recognition with consumers can lose some sparkle. Over the past year heavyweights like Microsoft, Coca-Cola, and Walt Disney saw their brand values erode. Others, like Finnish mobile-phone giant Nokia Corp. (NOK ), No. 8, are struggling to regain momentum. "Nokia used to differentiate but I don't think people would know what to associate with it now," argues Jan Lindemann, Interbrand's global director of brand valuation. Nokia's head of global branding, Tapio Hedman, admits that "some young people may find Nokia too everyday, too middle of the road." But he disputes the notion that his brand could plummet 18% over 12 months, as it did this year in our ranking, arguing that brand equity takes years to win and lose. "Once you have it, it's a bit like insurance," says Hedman. "It's not likely to be eroded very fast unless you make one mistake after another."

That may be a dangerous point of view to take. Just ask Royal Philips Electronics (PHG )' new chief marketing officer, Andrea Ragnetti, who blames the lack of buzz around the Dutch electronics giant, which dropped 2% in the rankings, to No. 65, on years of under investing in the brand. "It's seen as a dull, solid, reliable brand but nothing really special, nothing sparkling," says Ragnetti, who is currently trying to narrow the brand's target demographics and recast its message.

That doesn't mean big brands can't connect with customers. Even massive players like No. 4 General Electric Co. (GE ), which saw its brand value gain 4%, to \$44.1 billion, can adopt a fun, flirty style. The most popular section on the company's Web site is the "GE Pen," which allows users to doodle in a variety of colours and styles before e-mailing their handiwork to a friend. Since launching last year, it has received more than 43 million impressions. When the site went down for a few days to upgrade, the company was deluged with e-mails that asked where it had gone. Does it help the company sell more ovens or advertising on NBC? Probably not. But it certainly gives users a warmer feeling about GE. These days, anything that makes fans out of fickle consumers can be priceless in building a brand.

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Living brands  
Why people need visions and values  
Why organizations need purpose and values  
Defining the brand  
Bringing the brand to life  
Sustaining the brand: stories and myths  
Measuring success  
Managing the brand  
Conclusion

### **Brand Portfolio Strategy : Creating Relevance, Differentiation, Energy, Leverage, and Clarity** **David A. Aaker**

With the explosion of brands in today's marketplace, a mastery of brand management has become essential to successful business strategy. Faced with an increasingly complex landscape of multiple products, global reach, and dynamic markets, many companies don't know how to make the tough choices necessary to avoid the disorganized proliferation of brands and sub-brands that don't project a clear identity. Now, for the first time, David Aaker defines the structure and scope of the brand portfolio strategy firms must put in place to get the most from their brands. Cited as "the most called-upon expert on branding in the United States" by Advertising Week, Aaker shares tools and concepts for creating a well-articulated brand structure that supports strategy - replaces waste with synergy, confusion with clarity, and missed opportunities with leveraged assets. He shows how to: Keep brands relevant Energize and differentiate brands Grow by leveraging brand assets Participate in value and premium niches Filled with fresh case studies and examples from brand portfolio strategy pioneers - such as Coke, Citibank, Sony, Hewlett-Packard, Visa and Volvo - this book is a crucial addition to the literature.

This marketing text teaches companies how to understand and exploit the finely graded social system that brands inhabit in the marketplace. Projecting both "personality elements" and "emotional and self-expressive" qualities onto brands, customers are sceptical of parvenu brands that try to move up into super premium markets, contemptuous of brands that move down into "value" markets, and uneasy about brands that associate with less reputable labels. To help businesspeople sort through and capitalize on such perceptual niceties, Aaker, a consultant, professor and author of Building Strong Brands, plots out a complicated taxonomy of master brands, subbrands, endorser brands, brand alliances, branded energizers, silver bullet brands, cash cow brands and "fighter" brands (the latter protect more important brands from being sullied by competition with lesser brands). Aaker encourages companies to think of their brands as members of a football team, each with a well-defined role to play, and offers a wealth of case studies and exercises to help managers decide how to handle their portfolios. Aaker's readable prose imparts real substance to these concepts, and provides insight into such issues as how to clarify a confusing assortment of brands, differentiate a company's brands from its competitors', introduce a new brand or kill off an old one.

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