

## THE MARKETING ASSOCIATION OF AUSTRALIA AND NEW ZEALAND



Newsletter of The Marketing Association  
of Australia and New Zealand

Issue #051201

### Editorial

People keep saying to me "I wish I had more time..more hours in the day" The inescapable fact is that everyone has the same number of hours in the day to work with. I have 24 hours, Leonardo Da Vinci had 24 hours and so do you.

It is up to each of us to decide how to use every minute.

You can waste your days in whatever way you choose. Sleeping late, complaining about your job and just wishing for a better life. Or you can spend more of the time you have creating a better life – a world devoted to improving yourself and the lives of others. How do you want to spend your days?

You have the power to live each day the way you want to live it.

Now, have a good - a really good day.

Brian Monger

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Jones the Grocer has expanded from one store in 2004 to 13 franchises in Australia. Six of these stores are trading, with the other seven to open soon.

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### More shoppers go online

Online bargain website DealsDirect.com.au released a survey suggesting the number of Christmas gifts purchased online will increase by 67 per cent to approximately nine million items. The number of online shoppers has almost doubled from 1.2 million in 2004 to 2.3 million this Christmas, an increase of 92 per cent on last year.

The main driver of this growth is households with children, who are more likely to buy multiple items for their family this Christmas.

The number one reason for this mass migration to the web is convenience.

According to the survey, 72 per cent of people want to avoid the Christmas rush at shopping centres, while 69 per cent say that having goods delivered to their front door is an incentive to shop online.

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### Mobile TV

Australia's free-to-air television industry has declared mobile TV the next battleground while downplaying the threat of new technologies to its \$3 billion in annual advertising revenues. "The new battleground of this business will be mobility," Mr Chisholm of Channel Nine said.

Channel Nine was involved in the trial of a new technology called DVB-H, which uses the digital TV spectrum to send normal TV channels to mobile devices. DVB-H, which is being tested in Sydney, is expected to provide a better mobile TV viewing experience than 3G mobile phones, which have limited storage capacity.

Channel Ten said they were also keen to take advantage of emerging technologies. "There's every reason that if we thought there was a profitable model to make unique [mobile phone] content out of Neighbours we would do it," he said. "But we are not here to further fragment what we have in free TV for no commercial gain."

There are an estimated 16.5 million mobile phones in Australia.

Mr Chisholm said even if the DVB-H trial proved successful, the networks had yet to decide if TV advertisers would be charged more for their ads reaching a broader mobile audience.

"Will we charge more? I don't know. Will people be prepared to pay more I guess is the answer, but it's too early to think about that," he said.

The networks also face a fresh threat from Telstra after it revealed plans this week to build a "next generation" broadband network that would enable consumers to quickly download movies and overseas TV series to their computers.

The stations agreed that younger audiences were becoming more difficult to reach but free-to-air TV remained an "incredible weapon" for marketers because its audience reach was "unbelievable".

The network chiefs also denied they were treating their audiences with contempt despite a growing tendency to allow TV programs to run over time or by changing scheduled shows at the last moment.

*The Australian*

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### Australian Volunteers International

Australian Volunteers International is Australia's largest and most experienced international volunteer sending agency.

Australian Volunteers International is committed to a vision of a peaceful and just world; a sustainable world, where all people have access to the resources they need, the opportunity to achieve their potential, the right to make decisions about the kind of development they want and to participate in the future of their own communities

Visit the [website](http://www.australianvolunteers.com) (www.australianvolunteers.com) to find out more about Australian Volunteers International and see the list of currently advertised local and overseas positions

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### Internet Ad spend to Grow in 2006?

According to the head of Fusion Strategy Steve Allen, the internet will be the Australian ad industry's saviour next year. Advertising on the internet will grow by 60 per cent and breach the \$1 billion mark, magazines will add another \$50 million in revenue to that sector, and pay TV will continue to grow by nearly 19 per cent. Together they will fuel a 9.28 per cent growth in advertising spending in the main media in 2006, according to the, who made his predictions last week at the annual CEASA conference. Estimates by other media buyers for next year are at least half that of Fusion's and the next highest prediction for growth in internet ads - from investment bank Merrill Lynch - comes in at 40 per cent. Anne Parsons, chief executive of Mediacom, said newspapers lagged behind other media in innovation and were preoccupied with issues that had little meaning to clients or agencies. "It only takes a couple of seasons before you are behind the eight ball, which is where they are now," she said. "The internet is the channel of the future - it's highly dynamic and offers great measurability. It does a lot of things that clients ask for.

Media agencies attacked companies such as Roy Morgan and Nielsen for the high cost of their syndicated research. Ms Parsons said current fees were "grossly inflated".

"We are doing more of our own research," she said. "There is a willingness among clients to go down the path of more targeted research."

#### **Growth trend for Australian advertising in the main media.**

- Internet to grow 60 per cent, topping \$1 billion
- New magazines to pump \$53 million into category
- Pay TV up 19 per cent
- Retail sales growth to reach 4 to 5 per cent
- Main media spend up 9.3 per cent & highest estimate yet

1999 \$7.1bn

2000 \$8bn

2001 \$7.4b

2002 \$7.5bn

2003 \$8.3bn

2004 \$9.4bn

2005\* \$10.33bn

2006\*\$11.29bn

**Estimates: source: Fusion Strategy**

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"This tool, more than anything, is a competitive intelligence tool," Nielsen//NetRatings managing director Australia Andrew Reid told Media. "It allows you to not only monitor your own online activities but keeps you up to speed with your competitors."

The new product is a reaction to the recent explosion of online advertising, which grew 63 per cent in the past financial year to \$488 million, according to figures from the Audit Bureau of Verification Services. Internet research firm Frost & Sullivan says that by 2009, internet advertising will reach \$1 billion.

Nielsen//NetRatings says the lack of detailed data has created a gap in the media industry's understanding of the emerging sector. The service, which costs \$4000 to \$6000 a month, trawls through 250 leading sites and 4000 URLs, and is updated daily.

*The Australian*

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## Ad industry needs a new definition

Advertising either is dead or requires a new definition, industry executives told a conference for St. Louis-area creative directors on Friday.

Change is inevitable, given the hundreds of channels on digital cable, the power of TiVo to skip ads and the rise of the Internet, the executives said.

Agencies, they said, must move beyond the network television commercial or get trampled by more-creative strategies.

"When you had three channels and 60-second commercials, everybody saw it," said Daniel Russ, senior vice president at GSD&M in Austin, Texas. "Kids today don't respond to commercials the way we did."

St. Louis Post-Dispatch

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## 10 Signs You Work in Marketing:

1. You think a "half-day" means leaving work at 5 o'clock.
2. You think Einstein would have been more effective had he put his ideas into a matrix.
3. You ask your friends to "think out of the box" when making Friday night plans.
4. You know the people at the airport and hotel better than your next-door neighbours.
5. You wear grey to work, instead of navy blue, to make a bold fashion statement.
6. You normally eat out of vending machines and at the most expensive restaurant in town within the same week.
7. You find you really need PowerPoint to explain what you do for a living.
8. You refer to the tomatoes grown in your garden as "deliverables."
9. You get all excited when it's Saturday so you can wear casual clothes to work.
10. You lecture the neighbourhood kids selling lemonade on ways to improve their look-to-buy ratio.

## Media Engagement 2006

Conference 27 – 28 February





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As the high-volume customers drive down prices through leveraged negotiation, a marketer is able to offset the need to appease these powerful buyers by margining well everywhere else in their business, as long as they have an adequate population of low-volume buyers.

In this light, the 80/20 is not always an argument to wash our hands of low-volume customers. It actually is an argument to use a blended profit margin to achieve continued growth and competitiveness without being priced out of the highest-volume deals. Those high-volume deals, while having decreasing returns proportionate to their scale, are critical for a business to achieve the necessary economies of scale to competitively lower overall costs of production and distribution.

In other words, the highest-volume 20% of your customer base will drive profitability through creating efficient scales of business, while the lower 80% will drive profitability through aggressive margins. It is easy to see how these two strategies would work best when they feed off each other's efforts, rather than working in isolation. Indeed, there are often harsh growth limits for your business set by selling only to the "best" 20% of your customers, or engaging only in low-volume deals.

This is not to say that relationship marketing efforts to keep the loyalty of "golden" 20% should be abandoned; rather, the health of our marketing relationships with other 80% of our customers needs to be equally addressed and certainly not abandoned. The only exception to this general rule is when the margins on high- and low-volume customers are largely identical or random. In those cases, ignoring the 80% is probably a good idea.

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## Resolving conflict in your workplace and professional life:

Too many of us become agitated when we encounter conflict or disagreement out of concern and fear. It's odd when you think about it, because conflict is a part of nature, a part of life. Unless you are a hermit, odds are that conflict is inescapable. And so, you need to approach conflict calmly, as an expected part of dealing with others.

### **Consider conflict a way of learning to see things more clearly.**

Abandon the concept of winning and losing when faced with conflict. Instead, adopt a strategy of resolution. Unless you are on a battlefield, chances are the person you come into conflict with is not The Enemy, but instead is probably someone whose goals are generally the same as yours, or at least interrelated with yours.

### **Be flexible.**

When the other side senses that you are interested in finding a solution, you likely will have created an ally where a potential adversary once stood. Rather than confrontation and conflict, you can work together in cooperation to find a solution that suits both sides.

Avoid negative or confrontational language. Rather than "buts" and "you're wrongs" try using positive language that disarms rather than confronts, such as "I understand your position and..." or "I can see your point and here is where I'm coming from..."

Talk through the situation with a neutral party to gain perspective and clarity from that person, and also to better understand the conflict through talking it out. It is always helpful to get a problem out in the open and to get input from people you trust and people who understand your frame of reference so that they can help you better understand what you are going through and tell you, for better or



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Sometimes, the segmentation variable could suffice for the purpose, ("listen to me, all you red-heads out there..."). In most cases (for instance, the segment of those who consume beer only outside their home), you would have to characterize your segment before you could address them. In other words, you would have to define what describes the customers in that segment, beyond your segmentation variable, and also, what makes them different from consumers in other market segments.

The characterization of your segment is a task that is not the same as defining your segment. It is a distinct next step. But now, if you can be truly sincere with yourself, I'm convinced that you have already found out that it does not work.

What do I mean by that? Well, according to the conventional segmenting method, people in each segment should differ, to some extent, from the people in the other segments. Nevertheless, usually, they do not. Let us say that in a certain segment, there is a majority of women: 60% versus about 50% in the entire population. Even if the difference is statistically significant, is this a "feminine segment" then? And what about the other 40% who are men? Let us assume, for example, that in one of the segments, there is a relatively high percentage of religious people. Is this a "religious" segment? Absolutely not. The vast majority within this segment is clearly not religious, even though their proportion is higher than it is in the general population. Thus, in each and every segment, with slight variations, you could meet almost every layer of society.

So where did this idea, on which the conventional segmenting method is based, come from? In the distant past, and in traditional societies (sectarian) the people's behavioral patterns were pretty much modeled by their affiliation to a certain gender, a nationality/tribe/race, a certain religion, a social/economic status, a profession, and an age group — much more than today, anyway. There were clear clusters of elements pertaining to appearance, general behavior and particularly consumption. Then, back in those days, if you knew one element of a particular cluster, you could quite easily guess the others. But all this has changed. As people are becoming gradually more individualistic, and as possibilities have multiplied, people have become less and less definable as types.

Back in the 70s we were taught that because of this process, it is worthwhile to conduct psychographic segmentations which includes characterizations according to lifestyle groups. A widely accepted approach such as VALS (Values, Attitudes, and Lifestyles) classified people into 10 "lifestyle groups," later reduced to eight. Disappointingly, it was subsequently discovered that the groupings couldn't predict, with reasonable credibility or consistency, specific purchase decisions, or preferences in specific product categories. The alternative was to use those groups for purposes of personal-psychological characterization. So, then again, just like in the case of the demographic, and socioeconomic classifications, we find in each and every segment of each segmentation project, "representatives" of all lifestyle types, and, well, we didn't make much progress here, did we?

If you have been segmenting for many years, you already know that the problem has just been worsening with time. The reason why this is so is that there has been a long lasting consumer trend going on, with numerous implications, because of which we should change the way by which we segment the market.

First of all, let's face it, our consumer refuses almost completely to abide by segments that create homogeneous groups (heterogeneous from others) according to demographic, socio-economic variables, or even according to lifestyle. Our customer will not behave and consume under our stereotypical forecasts. He is a "collector," and therefore I call him the eclectic consumer. He likes the old (Frank Sinatra), as well as the new (fast internet), the comfortable (frozen foods) as well as the effortful (cooking, DIY), the expensive (BMW) as well as the economical (hardware do-it-yourself

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stores), the international (Giorgio Armani) as well as the locally rooted (folk dancing), the sophisticated (Nokia) as well as the simple (family), the epicure (a double macchiato) as well as the crude (football).

Yet, what is it that constitutes the long lasting cultural trend that has been modeling the eclectic consumer? The eclectic consumer is motivated by the Fear of Missing Out. At present, over 70% of the population is motivated by the Fear of Missing Out. About 30% could be considered highly motivated by FoMO -- that means a great big number of customers.

The eclectic consumer has become frenzied by the abundance of opportunities, and is now addicted to the concept. She does not want to miss anything and so her life is multiplex yet laden. She is always accessible by cellphone or email, updated, open to new concepts, and not so afraid of changes. She spends fewer years than she used to spend in the same apartment, same job, and same marriage (that is, if she does not belong to the group of the eternally single). In contrast to the past, she is proud of being flexible and developing, and is not committed to a fixed personality. And, by the way, she is much, MUCH less loyal to brands than she used to be. In fact, she embraces new brands so impetuously, that the marketers are convinced as to their own ingenuity.

So, how do you market to the eclectic customer who is afraid of missing out? Well, there are many facets to this art; however, at this point I want to focus on market segmentation at an era in which customers refuse to be classified in convenient clusters, considering that this phenomenon is prevalent in many product categories.

One central insight for the re-designing of market segmentation is as follows: the eclectic consumer, who will not miss anything, connects to different, even contradictory, motivations he has at different times. Because these motivations are not necessarily compatible with one another, the eclectic consumer is constantly in motion from one stereotype to another, from one lifestyle to another. That is why he chooses to drink pro-biotic yogurt when he gets up in the morning, and to grind up a steak and French fries lunch at noon, topping it off with a cigarette. After work, he meets up with friends for a delicate Japanese dinner, which he concludes with a bottle of fine French cognac.

In order to adapt to this consumer reality, our segmentation (and subsequently, our products and services, our advertising and so on) should be formulated not according to groups of people, but according to motivations and uses. Note that when I refer to "uses" I mean, among other things, psychological uses, such as mood control, self-esteem enhancement, and fantasy support, and I also mean social uses, such as signaling others things like group affiliation, specific atmospheres, or impression control.

Note that this constitutes a formation of a real revolution in segmentation thinking. You might think that this is not so much about segmentation as it is about consumer behavior analysis. Let us recall the original purpose of market segmentation. It is the furcation of the market into smaller units enabling us to focus our marketing/branding/advertising activities, and to achieve differentiation, so that we could win advantages we could not get when working with the entire market.

The search for small consumer groups has evidently stopped delivering results. However, the pursuit after groups of "purchases/consumptions" rather than of people, could offer new horizons. Let us sharpen things a little. According to the old segmentation, each group is characterized by a need/preference/motivation. The new approach preserves this concept. Yet, in the new reality, and according to the new approach, the motivation is no longer common within a defined consumer group. A segment is now a group of purchases/consumptions qualified by a certain context of purchasing or consuming a product plus a specific motivation.

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When we segment according to this approach, we analyze consumer behavior; we identify the various contexts of product consumption, and the different motivations that characterize consumers who experience those contexts. The new relevant segments could consist of certain moods (such as the "I'm going to teach that husband of mine a lesson he's never going to forget" segment), certain social situations (such as the "Wow, I haven't seen YOU in a long time" segment), all according to what is relevant to that specific product category. Note that when we meet a given purchasing context (a dinner at a restaurant) there are varied consumer motivations that exist ("Tonight we're going out solo, no kids," versus "We're celebrating grandpa's birthday"), and they would be considered different market segments.

A specific consumer is likely to participate in one segment, few segments, or no segment. Nevertheless, much like the old segmentation, every segment accounts for a share of our sales, and we can do our profitability calculations accordingly.

I know this can seem a little strange at first, so let us examine an additional example. Let us say that you are a shampoo manufacturer. Then, the segment of "I'm going to look fabulous in that party" would be responsible for a certain percentage of your income, and so will the segment of "I do so need a half an hour to myself," and the segment of "my god, all those expenses are wearing me out, I must cut down a little." The same consumer could belong to each of those market segments, at different times.

According to this approach, then, our marketing activities, at all levels, should be aimed toward a context of purchasing/consumption plus a certain motivation, and not toward groups of consumers.

Finally, let us examine one more example, a segment of the big and significant market of fashion accessories, especially the low priced ones. That's the segment of "Hey, that's new, where did you get it from?" The central benefit motivating this segment is the psychological/social instrumentality: the opportunity to win a little bit of renewed attention from their surroundings. Marketers specializing in this segment tend to launch short-term brands (although many do not go beyond short-term products). Why short? Because novelty is very quick to fade and this need is one of the regenerating needs (that require ever-new sources of satisfaction) aptly catered to by Short-Term Brands.

According to the new approach described here, you could launch such a product or a brand; however, it will not be designed to appeal to a particular group of customers. Entirely different customers, with relation to their genders, age groups, socio-economic layers, family orientations, and achievement seeking levels, will purchase your product when ever they experience a longing for getting a little bit of extra attention, again.

*Dan Herman, PhD, is owner and CEO of Herman Strategic Consultants. For more information and free content, visit his website: [www.danherman.com](http://www.danherman.com)*

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## **Changing the Tone of Business Communication**

### ***Suzan St Maur***

A couple of generations ago, business writing was incredibly longwinded and heaped with endless, fawning formalities. The simplest concept was dressed up with "I refer to your letter of such-and-such date" and "I most respectfully suggest that" and "I am enquiring as to whether this matter has been brought to your attention." And so on.



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Nor were marketing materials an exception. "Your valued customer," "our esteemed client," "upon receipt of your kind payment of \$X" and other gibberish were littered all over brochures, direct mail and other marketing communications.

There was a point to it, though. You could hide behind it. You could use it to say very little or gently dismiss something. And, if you were clever, you could use it to get across the most vile, evil messages so subtly that the recipient wouldn't realize how foul you were being until s/he had read it four times.

Now, with our focus on bold, blunt, "write-as-people-speak" prose in business, we no longer have the fancy phrases to lurk behind. We're on our own.

So why has business writing become so much more direct in the comparatively short period of two generations or so? Is it just the advent of computers, or is there more to it?

It's sobering to look at body copy in consumer ads from as few as 50 years ago. The writing style is a lot closer to that of our current, day-to-day business communication than to its contemporary business-speak. In fact, it absolutely mirrors much of the style we use in online (and offline) business communication today. Why?

Simple. Unlike many other forms of business communication, advertising copy has always had to get straight to the point, with no frills, and communicate with its target audiences in their own language.

The David Ogilvies of this world were preaching "write as people speak" as far back as the 1950s. Little did they know how apposite their words would seem some 50-odd years later, albeit in a slightly different context.

After all, most business writing has a marketing function of some sort or another. So for writers of business communication to take a leaf out of the ad copywriter's book is not a bad thing.

Aha, but Computers...

Many business writers—including me, I admit—have suggested that the informal, no-frills writing style everyone uses online now has its roots back in the way the tekkies used to chat onscreen in the very early days of the WWW.

But now I'm not so sure.

After all, tekkies have never been known for their writing skills (sorry, guys, but it's true). Also, to some extent, the languages involved were not what the tekkies spoke to their friends and families. Rather, it was the programming language of BASIC, COBOL and various others... oddities unlikely to inspire literary fluency.

No, I think for this we owe a great deal more to the business decision-makers of the late 1970s and very early 1980s. Fed up with shelling out large sums of money for huge computers housed in top-security air-conditioned buildings run by expensive data personnel in white coats, the business bosses sat the computer manufacturers down and gave them a harsh reality check.

"Forget all this mystique and hocus-pocus," said the CEOs. "We don't care what's in the boxes or how they work—we only care what they do for us. We want machines here on our desks that talk a language we understand and do something that tangibly improves our bottom line."

From Mystical Panacea to Down-Home Tool

Computers became office systems and word processors and standalone PCs that could be used by ordinary folks. Now I don't know about you, but I found a newfound verbal freedom which encouraged me to write as people speak—and, perhaps unwittingly, emulate the me-to-you style of consumer advertising copy.





