





# THE MARKETING ASSOCIATION OF AUSTRALIA AND NEW ZEALAND

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## Quotes

The conclusion of design flows naturally from the data; we should not shrink from it; we should embrace it and build on it. - Michael Behe

What looks like a loss may be the every event which is subsequently responsible for helping to produce the major achievement of your life." -- Srully D. Blotnick

Turn failure into fertilizer and use it to grow! -- Denis Waitley

I never see failure as failure, but only as the game I must play to win. -- Tom Hopkins

Failure is only the opportunity to more intelligently begin again.- Henry Ford

Time is the coin of your life. It is the only coin you have, and only you can determine how it will be spent. Be careful lest you let other people spend it for you." - Carl Sandburg

Give a man a fish, and you stimulate demand for your primary product. Give a man a fishing rod and you stimulate another demand - for a recreational activity - Brian Monger

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## From the Media

### Under-30 crowd will drive media future

From the NCTA: Cable Industry Told to Focus on 'Millennials' in Atlanta. (AdAge.com) -- If you want to look at the future of media, look no further than the under-30 crowd -- that was one of the messages from the opening of the National Cable & Telecommunications Association Show at the World Congress Centre in Atlanta

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The annual gathering of cable network and distributor executives, in line with most every media and advertising industry gathering of the past two years, focused on the competition for consumers. But in addition to aggregating eyeballs to reap advertising revenue, the cable industry is also competing directly for consumers' dollars, as telecom companies roll out their own video services and time spent with broadband video threatens time spent viewing traditional cable TV.

"We've been looking at a group called millennials, which are people ages 8 to 27," said Anne Sweeney, president of Disney Television Group. "In this group 40% go home at night after work and school and use between five and eight different technologies. Then you have 40% of baby boomers who go home at night and watch TV. That's what's directing so many of our efforts in technology and content, especially as we look at our brands going forward and how they're going to be used going forward."

The media pie is expanding. Veronis Suhler Stevenson estimates that per-person media consumption will expand by more than 800 hours from 1998 to 2008. And one of Sunday's more interesting panels, a look at how 10 tech-savvy college students from Atlanta-area colleges consume media, suggest some existing business models are in grave danger.

When asked what technological device or service they would most likely pay for after college, the cell phone topped the list. A few students suggest they could survive with cable Internet and not cable TV, and one student relayed the story of his friend who'd watched "Lost" on TV for the first time last Wednesday, but it wasn't the first time he watched the hit ABC show -- he had seen every episode from iTunes and BitTorrent.

Students downplayed the importance of having a consumer device that "does it all," explaining that the laptop is already pretty close. Another student said he was budgeting \$700 to buy the iPod convergence device that rumours suggest Apple will unveil come fall. The device, he said, would be a cell phone, planner, media device and have AV hook-ups so users could watch iPod-stored shows on a big screen TV.

Nine of the 10 students used social media networks, most of them favouring the college-targeted Facebook over MySpace thanks to Facebook's more stylized design and better interface. One student drew laughter when he related how some college students were giving up Facebook for Lent.

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### **The 750-gigabyte hard drive**

Seagate Technology is aiming to be the 800 pound gorilla, by upping the capacity of its hard disk drives to a whopping 750 gigabytes, offering consumers of digital media more storage for their computers than ever before.

The drive Seagate will introduce - the Barracuda 7200.10, is the first computer desktop disk drive to hit the 750-gigabyte mark and represents a 50 percent increase from the previous industry maximum of 500 gigabytes.

Seagate, the world's largest disk-drive maker, is first releasing the product as an internal drive for PC makers. After that, it plans to introduce external hard drives -- add-ons that consumers can use to supplement their existing computer setups -- with a suggested retail price of US\$559.

After that, Seagate plans to introduce versions for other consumer electronics, such as digital video





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hundreds of millions of dollars from online revenues, companies that do all or most of their business over the Internet are increasingly pushing back.

"Merchants are not willing to accept this any more. They are fighting tooth and nail," said Kathleen Attinello, an executive vice president at Receivable Management Services, which fights chargebacks on behalf of online travel agencies, video game sites and other merchants.

Internet companies are trying to chip away at the fraud problem by hiring companies like RMS, employing technology that spots potential fraud before it happens and using payer-verification services such as those offered by Visa and MasterCard.

Payment fraud is a bigger problem for Internet merchants than for bricks-and-mortar retailers because, unlike a face-to-face sale, an online transaction does not require a customer's signature or credit card imprint.

So it's easy for a customer to get a charge reversed -- and time-consuming for an Internet merchant to prove the sale was legitimate. In most online charge-backs, the cardholder denies ever making the purchase.

The predicament for Internet merchants is compounded because they, and not the card issuers, bear the liability in most fraud cases. It's the other way around in the offline world.

"It's a damnable problem for Web merchants," said David Robertson, publisher of The Nilson Report. The trade publication estimates the rate of credit card fraud to be 18 cents to 24 cents per \$100 of online sales -- three to four times higher than the overall rate of fraud. Fraud-weary merchants have adopted elaborate procedures for completing a sale, matching a customer's shipping address to the billing address, verifying that the card hasn't been reported lost or stolen and checking for any unusual activity on the card.

Card companies are also helping Web merchants fight back, offering payer-authentication services and other fraud-fighting tools and streamlining the process by which chargeback disputes are mediated.

"The rules have changed," said Tom Sullivan, director of e-commerce risk at travel site Expedia.com and chairman of the Merchant Risk Council. "Internet merchants now have the ability to say, 'Hey, this person accepted the terms and conditions explicitly, and as a result, shouldn't be able to charge this back.'"

The payer-authentication services, which Visa calls "Verified by Visa" and MasterCard calls "SecureCode," run on the same platform and work much the same way.

For cardholders registered with the programs, Internet retailers can ask for a password registered with the cardholder's bank, giving the retailer evidence of the purchase and leverage should a dispute arise.

Consumers participating in Verified by Visa accounted for 10 percent of the \$113 billion in total Visa online volume in the United States in fiscal 2005. Visa expects that share to grow to 14 percent by 2010.

Some merchants, however, are reluctant to embrace payer authentication because they fear the additional step in the checkout process will turn off customers.

"The last thing we want to do is prevent a good sale from going through, but part of the intent of the



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### Flash for laptops

Flash memory storage, traditionally used in cell phones, digital cameras, and MP3 players, is finding its way onto the laptop. Last October, Intel unveiled a hybrid technology in which flash is used with a conventional magnetic hard drive to increase battery life. Then, last month at the CeBIT, a technology show in Hanover, Germany, Samsung Semiconductor displayed a laptop in which 32 gigabytes of flash completely replaces the hard drive

Now, as storage densities rise and prices fall for flash technology, many industry experts expect that it's only a matter of time before it becomes common in laptops.

There are numerous advantages to putting flash memory into laptops. The technology is based on transistors and has a design similar to microprocessors (see "Storage Grows in a Flash"), making flash memory chips more compact and lighter than magnetic hard disks -- which could lead to featherweight laptops.

Additionally, flash has no moving parts, unlike a hard disk, where data is read from a spinning disk. This difference has two benefits: flash memory consumes less power, and it's more rugged and less prone to failure, because there are no moving parts. "Anyone who's had a hard drive wipe out knows you've got to be real careful with magnetic media," says Ed Doller, CTO of the Flash Memory Group at Intel.

Yet flash memory still has one major drawback: cost. Many believe that this will keep flash from replacing laptop hard disks in the near future. Currently, flash storage costs about \$25 per gigabyte -- roughly 100 times more than magnetic storage. By 2009, though, 20 gigabytes of flash could cost less than \$150, or about \$7.50 per gigabyte, according to SanDisk, a data storage company. But this is still three times more than hard-disk prices today, says Tom Coughlin of Coughlin Associates, a data-storage consulting company.

Despite the relatively high cost of flash right now, companies such as Intel are already taking advantage of the benefits that even a small amount of flash memory affords. The company's hybrid drive systems, available in early 2007, will use flash as a hard-drive cache. Some data will be accessed without requiring the hard drive to spin, saving energy. "

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### Japan stays on path to recovery

Japan's economy is logging its second-longest expansion since the end of World War II and is on track to grow by more than 2 per cent this year, Japanese Economy Minister Kaoru Yosano said. The upward trend should continue until the middle of next year, making the current growth streak the longest in post-war history, Mr Yosano said.

Japan's economy has suffered stagnation for about 15 years since the late 1980s. Its turnaround promises more balanced growth for the world economy, which has relied in recent years on breakneck consumption in the United States.

But now Japan is enjoying a rebound on booming exports and rising consumer spending.





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### Net ads pass print ads

It's a moment that has been anticipated for a decade, but that makes it no less seminal. This is the year, according to Merrill Lynch, the Internet collects more ad dollars than magazines.

Magazine publishers aren't worried about the Web collecting more ad revenue than their medium.

Assuming the forecast is correct, magazines will become the first big medium to watch the Web pass by -- unless you count phone books, which are also projected to fall behind in 2006. Yet magazine publishers insist that's not bad news, but rather an opportunity for those among their ranks that have already started the shift to being digital savvy, media-neutral purveyors of content.

Not really significant "The people who report on media like to think it's really significant," said Nina Link, president-CEO, Magazine Publishers of America, of the tipping point. "I don't. It just says there are more opportunities to reach consumers and make powerful partnerships. The powerful brands and media are going to thrive."

Christopher O'Connor, senior VP-group account director, MPG, said the digital dawn is frightening, in a way, for everybody because it is so complex, and keeping up with technology is so difficult. It's worrisome for ad-page sales in particular, he said: "Irrespective of what category you're looking at, all clients are looking to digital." As money shifts online, publishers have to be there to collect it.

Merrill Lynch analyst Karl Choi said publishers also have to try to bring the strengths that they promote about print-engagement and connections with readers-into digital arenas. "To the extent that user-generated content and social networks are very popular these days, the opportunity for magazine publishers is seeing how they can migrate these relationships online."

In truth, almost everyone is active on almost every digital front. Bauer Publishing's In Touch Weekly has one of the most modest companion sites among magazines, putting it at a disadvantage to Web-friendly rivals Star from American Media Inc. and Us Weekly from Wenner Media. But that reflects Bauer's European business model, under which it collects nearly all its revenue from newsstand sales. Even Bauer has built substantial sites for other magazines, such as teen titles Twist and J-14.

Big publishers are rolling out new Web sites or digital supplements for many titles. Meredith Corp., for example, will introduce a handheld media platform for American Baby in the next few weeks, while Wenner plans a new resource-driven site for Men's Journal this fall. Time Inc. plans to expand its mobile programs, podcasts and blogs to many new titles in coming months.

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### Battle of the brands

AC Nielsen has identified that Australians love their brands. "Until recently, Australian consumers have not been exposed to a wide range of high-quality private-label alternatives, but we are now starting to see this change," says ACNielsen Australia's communications manager, Deanie Sultana.

"Trust versus perceived risk is certainly a key component. Within Australia, private label enjoys the highest share in categories such as sugar, butter, paper napkins, flour and disposable cups and plates













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### Articles

#### Wahaha

The Chinese beverage company's expansion is no laughing matter

If you've travelled in China, chances are you drank at least one bottle of Wahaha brand water, or perhaps the company's iced tea, fruit drinks, or its Future Cola.

The Hangzhou Wahaha Group Co., Ltd., China's leading domestic beverage producer, didn't achieve success overnight. The company's predecessor, the Hangzhou Shangcheng District School-Run Enterprise Sales Department, funded its start-up operations in 1987 with a government loan. Zong Qinghou, the company's founder, and two retired schoolteachers initially sold milk products and popsicles out of a school store, but to benefit the students' health the group soon began producing and selling nutritional drinks. The company's success selling nutrition products in school shops led to its first big expansion: with Hangzhou government support, the company acquired a large, 30-year-old state-owned enterprise, the Hangzhou Canned Food Product Co., in 1991. The company then changed its name to the Hangzhou Wahaha Group Co. (The word "Wahaha" is meant to mimic the sound of a baby laughing and is taken from a children's folk song.)

The company's founder and two retired schoolteachers initially sold milk products and popsicles out of a school store.

Wahaha's second large-scale expansion occurred in 1994 when the company merged with three insolvent companies in Fuling, Sichuan, to set up its first factory in Chongqing. Establishing a factory in Chongqing helped the company in two ways. The location provided Wahaha with a manufacturing base in western China, enabling the company to reduce distribution costs. And the merger occurred when the central government was providing coastal companies incentives to invest in the west.

In 1996, Wahaha joined with Groupe Danone SA to form five new subsidiaries, of which Danone owns 51 percent and Wahaha the remainder; Danone now owns 30 percent of the whole company. With Danone's assistance, the company was able to invest in advanced production lines and improve efficiency. Thanks to the mergers and joint ventures, Wahaha's production doubled from 1996 to 1997.

Today, Wahaha's corporate headquarters are still in Hangzhou, and the company has roughly 70 subsidiary companies and 40 manufacturing bases scattered throughout China. Wahaha employs about 10,000 staff and its sales networks cover every county in China. One-third of the company's production occurs at its largest facility-in Hangzhou's Xiasha Economic and Technological Development Zone.

Despite production difficulties because of severe acute respiratory syndrome, energy supply shortages, and raw material price increases in 2003, the company surpassed its sales target of ¥10 billion last year (\$1.21 billion). In 2003 its total beverage production reached 3.7 million tons, up 14.6 percent over 2002. Wahaha accounted for 15.6 percent of China's total beverage production. Last year marked the company's sixth consecutive year as China's number one domestic, non-alcoholic beverage producer in production volume, assets, sales revenue, tax, and profit. Its 2003 income from all products totalled ¥10.23 billion (\$1.24 billion), of which ¥8.43 billion (\$1.02 billion) was sales revenue and ¥1.37 billion was profit (\$165.46 million). The company's assets total ¥4.4 billion (\$531.4 million).

Although the state owns a majority share, the company is also foreign- and group-invested. Perhaps because it is often said that the state holds a "passive stake" in Wahaha and because Zong-the company's founder, chair, and general manager, who was sent to labour in the countryside for years

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during the Cultural Revolution and thus received only a junior-high-school education-has played such a large role in the company's development, Wahaha is often regarded as a private enterprise. Wahaha is now carefully expanding beyond the mainland. It works with a trading and distribution company in Taiwan and in July completed a factory for its cola products in Indonesia. Wahaha products are on sale in France, Germany, Hong Kong, Italy, Japan, Malaysia, the Netherlands, Spain, Taiwan, Thailand, and the United States. But Shan Qining, Wahaha's Foreign Liaison Office vice director notes, "The hardest part of going global is handling new markets. For example, it would be easier for Wahaha to sell products in Southeast Asia than in the West. The move is less risky because many Chinese are already in Southeast Asia. To target US customers, we will likely need to alter products to suit their tastes."

Wahaha currently produces 30 varieties of milk and yogurt drink, purified and mineral water, carbonated soft drink, fruit and vegetable juice, sports drink, and tea, as well as congee (rice porridge), canned food, and health products, such as children's vitamins. In 2002, the company further diversified into children's clothing. It may soon develop personal care products, including shampoo and toothpaste.

According to Shan, the company's hottest-selling products in China are bottled water and vitamin-enhanced milk drinks (the state has approved the sale of Wahaha's vitamin-enhanced milk in schools nationwide). He elaborated, "Wahaha's milk products and bottled water are strong sellers-our main challenge is to increase our cola sales. Chinese consumers are gradually accepting colas, but which cola brand will they select?"

Wahaha started making its own cola in 1998. Feichang Kele (translated as Extreme Cola or, more commonly, Future Cola, for its sound) tastes like a cross between Coca-Cola and Pepsi, but bears a red and white label that strongly resembles the Coca-Cola Co.'s world-famous one.

After selling milk products successfully in the United States in 2003, Wahaha, inspired by a US-based request, decided to try its luck in the US cola market this spring.

After selling milk products successfully in the United States in 2003, Wahaha, inspired by a US-based request, decided to try its luck in the US cola market this spring. In late April, Wahaha shipped 170,400 bottles of Future Cola to its US distributor, the Manpolo International Trading Corp., a small import-export company located in New York's Chinatown. In June, Manpolo distributed the entire first Future Cola shipment to the small Chinese-American grocery store chain Hong Kong Supermarket, Inc., which has stores in New York and Los Angeles-the first time a mainland Chinese cola had hit US stores. Wahaha's goal is to have Future Cola sit on the same shelves as Coca-Cola and Pepsi and sell for roughly the same price. But given its limited initial distribution, it looks like American Future Cola fans will have to wait a while before they will find it stocked at local convenience stores.

### Competition

Wahaha considers its top cola competitors the Coca-Cola Co. and PepsiCo, Inc. followed by the Taiwan-founded companies Uni-President Enterprise Corp. and Tingyi (Cayman Islands) Holding Corp. Coca-Cola dominates the mainland's soda market. According to PRC government statistics, it held a 24 percent market share in 2003 compared to Future Cola's 7 percent share.

According to Shan, "Seven years ago, when Wahaha was preparing to launch Future Cola, people laughed because previously several Chinese companies had tried to sell cola, failed, and either went bankrupt or were bought out by Coca-Cola or PepsiCo." But in 2003, he claims, Wahaha's total beverage production [3.75 million tons] exceeded that of Coca-Cola in China.

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Wahaha does not worry too much about domestic competition. It has had to battle imitations, however. Shan explained the company's strategy. "The best way to fight counterfeit products is to lower your own prices. This pricing strategy will make fake-product makers drop out. Wahaha also reports intellectual property problems to local police." According to Shan, Wahaha is able to keep costs low because the company produces its own bottles and caps.

### Marketing a "patriotic" brand

Wahaha has employed three main marketing techniques. First, its advertisements, especially for Future Cola, promote its products as patriotic brands. Advertisements promote Future Cola as China's own cola (never mind the foreign investment) and encourage consumers to support the nation, by selecting Wahaha over foreign competitors.

Second, Wahaha carefully chooses which regions it will target for each product. Shan explained, "Some products, such as our water, sell better in the city and some products, like our cola, do better in the countryside. Consumers in all areas will choose Wahaha water, but consumers in large cities are unlikely to choose Future Cola.... Wahaha's focus on rural areas for Future Cola does not mean it has given up on cities-but city grocery stores have very high entry fees. For practical reasons, we wanted to introduce the product with lower costs."

The company's hottest-selling products in China are bottled water and vitamin-enhanced milk drinks. Because Coca-Cola and Pepsi were already strong in China's cities, where fashion-conscious consumers have more to spend on food and drink, Wahaha launched Future Cola in the countryside in 1998. The relatively small price difference between Future Cola and the US brands makes a difference to many rural consumers (in China, Future Cola sells for about ¥2 [\$0.24] per bottle-about 6 cents less than its US rivals), which is one reason that Future Cola has sold well in the countryside.

Third, the company frequently uses celebrities to promote its products. Hong Kong actor and comedian Stephen Chow promoted a series of Wahaha tea drinks, Chinese-American pop singer Wang Lihong promoted bottled water, and Taiwan's Yu Chengqing (Harlem Yu) helped launch Future Cola. Wahaha runs frequent TV commercials that, according to Shan, mainly run on China Central Television Channel 1 around news time.

### Distribution

Wahaha's distributors in China are responsible for capital, storage, and delivery-but Wahaha dealers help them with management and marketing. The company maintains two grades of distributors: more than 1,500 first-level dealers that need to meet distribution targets and manage large networks and capital; and 12,000 second-level dealers that deal at smaller levels. The company has 35 provincial sales offices, 2,500 sales team employees, and more than 2 million sales outlets across China.

When asked about Wahaha's future, Shan replied, "Our general manager doesn't like five-year plans because the market changes so quickly. But the company hopes to increase this year's sales revenue by 10 percent over last year."

Though it seems certain that Wahaha will continue to grow in China, it will likely take a while for Wahaha products to develop a stronghold overseas. And if the company truly wants Future Cola to compete in the US cola wars, it may wish to adjust its US market-entry strategy. It is logical to launch Future Cola in Chinese-American grocery stores. Yet without expanding its distribution, the cola will remain unknown to many American consumers. Why not repackaging the product as an alternative, "Indie" cola that the nontraditional-cola drinking crowd will enjoy? That, or price Future Cola below major US competitors. Or, because extreme sports are ever-more popular for young American athletes





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most recent annual review, she told you how fantastic you are and then identified the areas where you need to improve. She then worked with you or asked you to develop your professional development plan to improve in those areas.

Marcus Buckingham, co-author of *Now Discover Your Strengths*, says this: "Guided by our parents, our teachers, our managers and by psychology's fascination with pathology, we become experts in our weaknesses and spend our lives trying to repair these flaws, while our strengths lie dormant and neglected."

Working on improving your weaknesses will help you become better at the skill you weren't excelling at. Over time, you will improve in a lot of these areas, and you will come eliminate some of your weaknesses.

This is great if your goal is to be known as the person who is average at a lot of things. But think about it. Do you ever get excited about things that are average? Are you loyal to products that are fine? Do you think Apple's evangelists would be more attached to Apple if it spent less time being creative and innovative? Would Ritz Carlton customers become more loyal if it changed its focus from being the best in delivering superior service?

Now don't get me wrong. If you have weaknesses that are getting in the way of your success, by all means work on them. If, for example, your goal is to be the business development manager for your company but your presentation skills are horrendous, you will have a hard time ascending to that role, because making presentations is an essential skill for developing business.

### **Enhancing Your Strengths**

But once you know that you have all the skills that are essential to attaining your goals, focus your professional development on enhancing your strengths. This is essential to building your reputation and expanding your success.

We all know people who are closely associated with the things they excel in. Thinking back to my various jobs in the corporate world, I remember numerous people because of their tremendous strengths.

There was Carol who was the best storyteller I ever met. She could turn any marketing campaign into a powerful story that no product manager could reject.

There was Bryan, whose presentations were like *Seinfeld* episodes. They started out with three independent stories that somehow connected in the end in an incredibly witty and poignant message. He kept his audience riveted throughout the entire presentation.

And there was Nancy, a marketing director who had a solid relationship with every member of the sales team. She knew what they sold, who their customers were, how many kids they had. Her memory was an amazing and powerful tool for building solid relationships.

What if you were to take a radical approach to professional development and, instead of focusing on your weaknesses, actually spent time on things you are already really good at. Now, instead of being good, you'll be outstanding, incredible, amazing. You can become the person who builds a reputation around what makes you exceptional.

But first you must know what your strengths are. Management philosopher Peter Drucker says, "Most [people] do not know what their strengths are. When you ask them, they look at you with a blank



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Document Agreements and Action Plans: When a topic is finalized, create a "who does what by when" table to help clarify and move from "good idea" to Action.

Close with Confidence: Recap accomplishments and evaluate the session so your next one will be even better.

End on Time: Remember to thank the group and support staff for their work.

### **Benefits:**

- a. Establishing ground rules for participants will get the group to actually help you achieve your desired outcomes.
- b. Master presenters establish and use these and other guidelines to assure that each event they are involved in meets their high standards for quality and effectiveness.
- c. Your reputation will go up with continued use, and you'll be pleased with the results you obtain from every presentation or meeting.

### **Action Plan:**

- a. Adopt your own set of guidelines, based on the above, and let your team know that you plan to put them in place for the next session.
- b. Run your next event using your guidelines, and do a formal evaluation. See what people have to say about your process and adjust your guidelines (or execution) accordingly.
- c. After a few successful trials, institutionalize the basic guidelines and consult with your team on further improvements.

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## **Determinants of a good business strategy**

Competitive business advantage grows out of the difference in the cost of creating the value offering and what buyers are willing to pay for it. Value represents what buyers are prepared to pay. Superior value comes from offering superior value for prices lower or equal to competitive offerings.

Many, factors need to be considered in formulating strategy. Six broad determinants usually dominate the design of strategy:

1. Market opportunity, industry attractiveness, and competitive forces.
2. The social, political, regulatory, ethical, and economic aspects of the external environment in which the enterprise operates.
3. What an organisations skills, capabilities, and resources allow it to do best.
4. Emerging threats to the organisation's performance.
5. The organisation's culture, core beliefs, and business philosophy.
6. The personal values, aspirations, and vision of managers, especially the most senior executive(s).

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### Al Ries might be dangerous to your brand

Dan Herman, PhD

In the business world's hall of fame a special place is reserved for Al Ries. He is without any doubt one of the most prominent gurus of strategic thinking. More than 30 years ago, together with his partner Jack Trout, Ries coined the term "Positioning" – a concept which, to these very days, shapes the way of marketing and branding all over the world. Only very few other concepts come close in importance.

Despite the rebellious-revolutionary spirit and the surefooted even vain phrasings which characterized them from the very start of their careers, Ries & Trout did not always grasp in full the magnitude of the revolutions they initiated. Their early books, "Positioning: the battle for your mind", "Marketing Warfare" and "Bottom-Up Marketing", proclaimed in fact, without their authors expressed awareness, the death of the Marketing Approach ("marketing successes are achieved by satisfying the unsatisfied needs of customers"). Furthermore, Ries and Trout suggested an alternative approach which could be named "The Competitive Approach". They drew guidelines for conducting a business in competitive markets for which the Marketing Approach is quite useless. The reason for this incompatibility is simple as it is counter-intuitive. If everybody is trying to satisfy the unsatisfied needs of customers – everybody is doing the same thing and this is a very uncompetitive behaviour.

Together and apart, they brought us ideas like the need to focus first on the competitors and only later on customers, the need for strategic focus, the importance of strategic differentiation (a concept borrowed from others), the advantages of adopting an opposite behaviour to that of the competitor, of divergent innovation and of primacy in the consumer's mind (because it's better to be first than to be better). Although Ries never said it clearly, he can even be credited with the understanding that the competitive strategy and the brand are two facets of the same coin, rather than the brand being a kind of make-up applied to the product or the company in order to make it more attractive. Regretfully, Ries's continued influence is becoming today a considerable danger to successful brand building and brand management. Despite his historic importance, in the current business and marketing realities, Al Ries is outdated and limited to the point of damaging.

Despite his often use of terms like Psychology, Perception and the Mind, Ries's entire theoretical account of consumer psychology can be summed up in two principles. The first: People find simple claims easier to understand and learn, than complex claims. The second: People understand new information in terms of what they already know. Undoubtedly true but hardly sufficient for successful strategizing and branding.

Ries has always excelled more in common sense than in psychology, which often defies common sense. For that reason Ries is missing major changes that occurred in recent years in consumers' behaviour. Even disregarding these changes Ries simply fails to understand the psychological and social instrumentalities of brands. Unconscious motivations are beyond him. Impulsive purchases evade him. He doesn't get why consumers "buy things they don't need" and other such phenomena which are sources of huge profits to those who do understand them. He doesn't understand brands that where destined to cater for such needs. The secret of Ries's power always lied in his simplistic formulations. He claims to 'universal truths' and formulates Do/Don't rules that overlook complexities. But our world is a complex world and therefore whoever tries to implement such rules may lead his brand and business to obliteration, no less. In order to justify these severe and harsh statements, I invite you to examine with me the six main tenets of Ries's credo.

Ries says: Innovation should be based on creating a new product category (car) or on diverging an existing category (mini-van) but not on crossbreeding / grafting between categories (car-plane). It is a law of evolution.

That sounds good, but is incorrect. Crossbreeding is very useful in agriculture for creating new

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species. A Tangelo, to name one example out of many, is a hybrid created by crossbreeding Pomelos and Tangerines. The cellular phone is becoming a device offering rich communication options as well as personal entertainment centre by crossbreeding a cellular phone, a walky-talky, an internet connection, a receiver/transmitter of MMS and data, a radio, a MP3 player and more. The PC in general and Windows OS in particular is a crossbreed. A car and a plane or a boat, may not have mixed up but a car and a living room have, in luxury car such as the Maybach. There are crossbreeds/grfts that work and then there are those that don't. Want a new simple rule? It works when the compromise which the breed demands in the benefits of the different components is smaller than the benefit offered by them combined. If you operate according to Ries – you are reducing your options for innovation.

Ries says: Brands need to focus in one product category. It is not advisable to extend a brand from one category to another. It is best to create a new brand instead.

This is correct only when the brand was originally created with a strong affinity to a certain product category. But this is no must. Virgin is a brand that exists in tens, even hundreds of product categories and is successful in many of them because its promise ("being mischievous, breaking the rules, screwing the big guys and having fun") is not limited to one product category. Another UK brand – Dunhill - exists in many product categories catering to a variety of life style requirements of the modern day gentleman. My own Abstracting technique promises to replace Brand Extension. It assists the creation of brands which have beyond-category benefits and the re-branding of existing brands into such. The model includes seven extents of branding, each consecutive one another step away from product dependency to a higher level of intangible added value.

As I have already mentioned, Ries has a difficulty in understanding brands that offer the consumer a psychological-emotional or a social (rather than tangible-practical) instrumentality for reaching goals / benefits. But let us put aside for a moment the sophisticated brands (although they are the ones yielding their owners the highest profits).

Ries does not like diversified conglomerates but they do make money nonetheless. What about Samsung, Mitsubishi, GE or even HP? Actually every private label of a supermarkets chain exists in tens if not hundreds of product categories and its promise (usually something like "good value for your money" - nothing unique or brilliant) crosses all of them. Even this type of huge profits earning brands fall out of Ries's narrow canon.

Ries says: It is better to be first (In the consumer's mind) than to be better.

Ries gives ample examples like the fact we all remember the name of the first man walking on the moon, but not the second one. He interprets this to suggest that we will remember and pay attention only to the pioneer of a category. This is part of the Positioning theory. But the Positioning theory, right from the start, was not in line with the up to date knowledge of how the memory works. Positioning is based on a metaphor of mountains with tops that you can "conquer" and "own". There is no basis for such an idea. The consumer may recognize Rolls-Royce as a prestige brand, but this will not lead him to perceive Bentley is any less prestigious. While brands may be associated with just one concept (the best are not, think Ferrari) - it doesn't work both ways. The consumer doesn't limit himself to only one brand of prestigious cars. Similarly in fashion, Gucci and others didn't block the relatively newcomer Prada from breaking into awareness. No one can have exclusivity on any "top", concept or word, in the consumer's mind. This metaphor is inappropriate and misleading the marketing people who use it.

Moreover, the rapidly spreading "Fear of missing out" (FoMO) that is becoming a primary motivation driving consumer behaviour, encourages consumers to seek the new. I spotted FoMO for the first time

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in 1998 and have been researching it ever since. This motivation leads to an unprecedented willingness to try and adopt novelties, often simply because they are... new. Not only does Ries not account for the fundamental changes that occurred in consumers' behaviour – appears that he doesn't even notice them. Even worse, his way of thinking is idealistic rather than businesslike. Even if Me-Too products will never become category leaders, as Ries claims, and even if Coca-Cola energy drink KMX will not ever outperform Red Bull, still the second and even the third ranking brands in the market can make handsome profits. So what is wrong with that?

Ries says: Take a word and built it a brand. A brand should "own" a word in the consumer's mind.

We already dealt with the ownership issue, but why a "word"? Will any word do? If you are about to implement this rule by Ries, you may spend a lot of money associating your brand with a "word" that will not bring you any gain. You can decide for instance, that your word would be "leadership" or "cutting edge" (but be careful friends! The most attractive words have a lot of takers!). Let's even say that you succeeded and that now market research shows that consumers indeed associate the word you chose with your brand – why do I claim that it can be useless? If your word is not associated with the consumer's buying consideration (and if the consumer does not use the very word in his thinking – even if she does use implicitly that criterion), it would have no effect whatsoever upon choosing your brand.

The consumer's buying considerations are sometimes conscious and oftentimes not. They may be conscious but not verbal. Ries is a man of words but the consumers aren't necessarily. What you want in fact is that your target audience will have very a clear anticipation (that can be universalized, just felt) for some benefit forthcoming your brand. Such anticipation makes the consumer smile when your brand comes to mind. All strong brands arouse their specific anticipation, preferably unique to them. In fact, such anticipation is THE defining characteristic of brands.

Ries says: Brands take off slowly and their success is measured in decades. Brands which take off fast – die fast.

Ries obviously haven't heard about Harry Potter, or about Nokia which became a world market leader in only a few years, or about the Easy Group, which was established only in 2000 and is already a successful concern that incorporates a dozen of companies in diverse areas like aviation, cellular communication, hotels, banking, etc'. Simply put: Ries is wrong. There are brands which take off very fast. Some of them, not all of them, really do behave like meteors and are very successful for a short period of time. In recent years many companies opt to do it purposely, realizing that it is more probable in today's markets to make it big for the short run. Strategically, it is possible in many categories to launch consecutive blockbusters and have, in the long run, a high average market share and to hold consumer loyalty effectively. They usually do it combining long and short term brands in novel architectures. I have recently introduced a comprehensive methodology for creating and managing Short Term Brands (STB) in a masterful and profitable manner.

Ries says: Advertising, because of its increasing lack of credibility, is nearly incapable of building a brand. PR is more effective than advertising in imprinting a brand concept in the consumer's mind. The role of advertisement is to remind the consumer something already known in order to reinforce it.

This peculiar claim already drew a lot of fire, as it was meant to. But seriously now. You can expect a very limited control over messages you send to the market via PR. Journalists will have their own mind and agenda. How then, can PR be used as the major means for evoking and shaping a specific anticipation in the consumer's mind? Ries goes on to claim that limited resources to support an emerging but yet unprofitable brand for a long period of time is another reason to count on PR. But the media's interest in a new brand is brief at best! There can be no doubt that advertising does a

