

THE MARKETING ASSOCIATION OF AUSTRALIA AND NEW ZEALAND



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of Australia and New Zealand

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Editorial

Success means different things to different people. For some it is the accumulation of wealth or the realization of a dream. For others it might be career advancement, the achievement of long-standing

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101 senior marketers interviewed were satisfied with their company's ability to effectively measure return on marketing investment.

Moreover, of those currently operating an ROI measurement program, only 36% involve their agencies - fearing a "fox in the henhouse" effect, the survey says.

The study, conducted by Marketing Management Analytics, was conducted between April and May of this year. It found that only one-third of respondents were satisfied with their ability to measure and act on ROI - although this is a major improvement on last year when a similar study found only 19% thus satisfied.

Twenty percent of those questioned reported rapid progress in developing ROI-measurement programs, although they have yet to complete the process. For the remaining 50%, accurate ROI measurement remains a distant dream.

Over 50% of the sample queried have a formal marketing-accountability system in place. For these to function effectively two elements are necessary, the study avers: Financial commitment and the cooperation of cross-functional teams.

AdAge

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Bank appeals to 'village mentality'

Bendigo Bank Ltd faces some tough challenges in its bid to crack the cluttered Sydney market, but believes it can appeal to the city's more village-minded customers.

The bank with strong rural roots has 13 branches in the Sydney metropolitan area, nine of which are based on its Community Bank franchise model.

The Community Bank franchise was launched in 1998 in the wake of a wave of branch closures in rural and regional areas by the larger banks.

It requires communities to raise enough capital - usually around \$500,000 - to launch a branch, which is then run by local shareholders with backoffice support provided by Bendigo's core staff. And while the model has taken off in small towns abandoned by the bigger banks, half of Bendigo's 178 Community Banks are in cities.

However, Bendigo managing director Rob Hunt said with such a limited reach in the market at the moment, gaining Sydneysiders' attention was difficult.

"It is a well-banked - some would say overbanked but I think well-banked - and well focused on market," he said.

"Sydney is a big, big city but it's also a city of many villages," Mr Hunt said.

"We are obviously appealing to that village mentality."

The Community Banks nationally hold more than 75,000 accounts with \$1.2 billion in business banking.

AAP

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but his real passion is World of Warcraft. "It's an online internet game that people play worldwide. I have many friends online, with some real-life ones here in Melbourne," says Bart. "I spend nearly every minute I can on the game since I use it to talk to every friend I have around the world. Instead of using the phone, me and my friends can talk to each other in one big group and have fun battling as well." Bart also uses the computer for research and school work. He has a mobile phone but doesn't text on it much, although he has friends who send 25 or more text messages a day. He has an iPod nano, a Game Boy 3 console, and he uses his mobile phone camera and the family digital camera. Bart watches on average an hour of free-to-air or pay TV a day.

Amie Saunders, solicitor, 26.

Amie has her own notebook as well as sharing a computer at home. She has a broadband connection and spends one to three hours a day on the internet. She occasionally uses MSN but uses her computer for work, email, as an organiser, for shopping, downloading music and research. Amie got her first mobile phone when she was 18. She has an iPod, which she uses for an hour a day, and she spends about an hour a month downloading music. She also has a DVD player, digital camera, digital photo printer and a heart-rate monitor. On average Amie watches about an hour of free-to-air TV a day.

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The car pool

Could we see a tie-up between General Motors, Nissan and Renault? The three-way deal is an interesting idea in a market where car brands are being squeezed from every direction - particularly those hailing from the US and Europe. Could this be the solution?

http://www.brandweek.com/bw/news/autos/article_display.jsp?vnu_content_id=1002800576

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Carrefour's Chinese core

How is supermarket giant Carrefour faring in the notoriously difficult Chinese market? Jean-Luc Chéreau, the head of Carrefour China, discusses the spread of the company - offering valuable insights for other companies considering the region:

http://www.mckinseyquarterly.com/article_abstract_visitor.aspx?ar=1799&L2=16&L3=17&srId=17&gp=0 (free registration required)

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Women hold the pursestrings

It will come as no surprise to anyone that women - the people who control the money in many families - are getting their own banks. An Austrian bank, more focused on talking and relationships, has opened for female customers only. It's not the only one - this is a trend ranging from Canada to Pakistan:

<http://www.springwise.com/>

<http://www.womenandco.com/womenandco/homepage/>

<http://www.fwbl.com.pk/>

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police raids are diversifying their strategies, turning to competitive pricing and trying out new technologies to even up seemingly overwhelming odds.

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Scamming the Nigerian scammer

The tables have been turned on at least one Nigerian scammer after an online vigilante successfully played him at his own game with an intricately laid "anti-scam" operation.

The campaign netted a life-sized wooden carving of a Commodore 64 computer keyboard which was sent all the way from Africa to the scambaiter who is code-named Shiver Metimbers. Millions of dollars have been conned out of gullible Australians who fall for a variety of Nigerian scams (also known as 419 scams) received via spam email or in a targeted response to an online advertisements they have placed.

Shiver Metimbers runs a website called 419eater.com, which is an internet hub for scam-baiting advice and war-stories. But his most recently celebrated exploit is what he describes as an "artwork anti-scam" in which he poses as the director of Derek Trotter Fine Arts.

To ensnare his victim, Shiver Metimbers replied to numerous scam emails with a standard letter apologising that he was too busy to accept their business proposition at this time, asking instead if they knew of any local artists that might benefit from his financial help.

When he found a willing victim, his anti-scam unfolded in much the same way as a typical 419 scam, promising payment only after a substantial investment had been laid down - in this case the receipt of a series of commissioned wooden carvings from a local artist.

With some creative photo editing, Shiver Metimbers was able to string along his quarry with claims that the two carvings sent had mysteriously been damaged enroute, the first through a mysterious shrinking process, and the second by a rogue African hamster.

At the end of the campaign, his booty included a wooden carving of UK characters from the Creature Comforts TV series, and a carving of a Commodore 64 computer keyboard.

After sending over these intricate but unusual wooden carvings, the sting in the tail came when the 419 scammer received seemingly "official" police notification that his recent dealings with a person calling himself Derek Trotter were in fact with a notorious art forger and fraudster who had now been arrested.

Nigerian scams have been around for many years, but are now far more prevalent owing to the ease with which they can be orchestrated via the internet.

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China car sales jump nearly 50%

Auto sales in China rose nearly 50 per cent in the first half of this year, with US giant General Motors taking the lead, according to industry data reports.

The data from the China Association of Automobile Manufacturers showed total sales in the first half at 1.8 million units, up 46.9 per cent from the same period of 2005.

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Instead of acknowledging the role of the aggressive attitude of Mr Trujillo and his team in the fall, Telstra (tfs.ASX:Quote,News) blamed "increasing competition and changing consumer behaviour" for the share slump – which it said began before Mr Trujillo's rocky reign anyway.

Yet Telstra denied it was in damage-control mode.

"This was actually conceived and mostly executed well before that," spokesman Andrew Maiden said. "It was timed to coincide with Sol's first anniversary at Telstra. It's not a reaction."

The e-mail will not help relations with the ACCC. The pair are locked in talks over the biggest of Mr Trujillo's big spending plans – a \$3 billion-plus broadband internet network.

And while the commission is still to be won over, a rival Optus-led consortium yesterday spelled out its plan for what it said was a fairer high-speed network.

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Pirates boosts Disney earnings

Wall Street is reviewing its financial estimates for Walt Disney after the weekend's record box office take for Pirates of the Caribbean: Dead Man's Chest, with at least one analyst raising his forecast overnight.

The film, a sequel to the successful 2003 film starring Johnny Depp as quirky pirate captain Jack Sparrow, broke the opening day and opening weekend box office records, taking \$US132 million (\$177 million) in ticket sales over the weekend -- well above Wall Street forecasts that ranged from \$US47 million to \$US100 million.

The third sequel, starring Depp and castmates Orlando Bloom and Keira Knightley, is set for release in May 2007

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Sexy shots split IT industry

The Australian Computer Society has been accused of "weaselling out" of sponsoring a controversial calendar promoting women in IT after adverse publicity over a near-nude cover shot.

The peak lobby group says it withdrew because it was concerned the calendar, aimed at raising money to encourage girls to study technology, was exploiting women.

The withdrawal came as experts warned that Australia had failed miserably to attract more women as IT professionals.

In a confidential email to ACS branch executives, president Philip Argy said he was worried that the cover image, which features a Brisbane web designer in the rose petal scene from the movie, American Beauty, was not appropriate.

The calendar includes shots of 20 female IT workers in spoof poses from famous movies including Dr No, Basic Instinct and Return of the Jedi.

"The sparse coverage of the rose petals is insufficient and the pose is not even a flattering one," Mr

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company's stock.

The development marks yet another escalation in the battle between spammers and filter developers: As software gets smarter at detecting junk, spammers get smarter at fooling the filters. Until last year, the use of image spam has been in decline as anti-spam filters figured out how to detect it - often by applying a mathematical formula to known spam images and generating a unique signature that software can use to flag junk, said Craig Sprosts, senior product manager for anti-spam vendor IronPort Systems Inc.

But earlier this year, tools began circulating among spammers to automatically vary images ever so slightly - a change in colour here, a slightly larger border there. That changes the signature, helping it escape detection.

"If you are trying to fingerprint that image, it appears different every time," said Dmitri Alperovitch, principal research scientist at anti-spam vendor CipherTrust Inc.

Since April, IronPort has seen a 40 percent increase in image spam sent to so-called "honeypot" accounts set up solely to attract junk messages for analysis. IronPort and CipherTrust both say that image spam now accounts for 15 percent of all spam, up from 1 percent earlier in the year.

Image spam can also tax email systems because each message is about 7.5 times larger than regular spam, Sprosts said.

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Articles

Market Research Mistakes

Market research is essential to understanding your customers and your competition. Market research can also identify trends that affect sales and profitability. But successful market research takes planning and strategy. Here are some of the most common mistakes businesses make in conducting market research and tips for avoiding them.

- * Overspending/Underspending. Worse than wasting money is not spending enough to get useful results
- * Not knowing what you are looking for. Doing market research in the hopes of discovering something (anything!) about your customers can be an exercise in futility. You should know what information you need before you even begin. Have questions ready for which you are seeking answers, such as "What are the specific needs of my customers?" or "How much would my customers be willing to spend on this product?"
- * Poor choice of reference materials. Research your research materials; check dates and double-check pertinent information.
- * Researching the wrong group. Often businesses make the mistake of gathering random data, much of which does not apply to their business needs.
- * Not creating a good research instrument. You need to be sure that your survey will provide you the

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answers you need. Take the time to create a good research instrument that helps you find out about your customer base.

* Relying on one set of data. One set of data is rarely enough. Use various data, including information from primary and secondary resources.

* Ignoring your market research. The only thing worse than not doing market research at all is spending money on it a not utilizing the results. Some business owners also tend to toss good research aside just because it did not support the answers they wanted to see.

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SWOT Analysis – Beyond the Text Book

When conducting strategic planning for any company - online and/or offline - it is useful to complete an analysis that takes into account not only your own business, but your competitor's activities and current industry happenings as well. A SWOT analysis is one such analysis.

SWOT stands for strengths, weaknesses, opportunities, and threats. Completing a SWOT analysis helps you identify ways to minimize the affect of weaknesses in your business while maximizing your strengths. Ideally, you will match your strengths against market opportunities that result from voids in your competitors' products and/or services.

Traditionally, a SWOT confines strengths and weaknesses to your company's internal workings while opportunities and threats refer only to the external environment. Here, I suggest a twist to the "text book" approach. To get a better look at the big picture, consider both internal *and* external forces when uncovering opportunities and threats.

A Basic SWOT Analysis

You can develop the basic analysis in a brainstorming session with members of your company, or by yourself if you are a one-person shop. To begin the analysis create a four-cell grid or four lists, one for each component:

| Strengths | Weaknesses | Opportunities | Threats | Then, begin filling in the lists.

Strengths - Think about what your company does well. Some questions to help you get started are: What makes you stand out from your competitors? What advantages do you have over other businesses?

Weaknesses - List the areas that are a struggle for your company. Some questions to help you get started are: What do your customers complain about? What are the unmet needs of your sales force?

Opportunities - Traditionally, a SWOT looks only at the external environment for opportunities.

Look externally for areas your competitors are not fully covering, then go a step further and think how to match these to your internal strengths.

Try to uncover areas where your strengths are not being fully utilized. Are there emerging trends that fit with your company's strengths? Is there a product/service area that others have not yet covered?

Threats - As with opportunities, threats in a traditional SWOT analysis are considered an external force. By looking both inside and outside of your company for things that could damage your business, however, you may be better able to see the big picture.

Some questions to get you started: Are your competitors becoming stronger? Are there emerging

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speakers? What will the other speakers be discussing? How large is the audience? What audiovisual equipment is available? How much time do you have to present? What time of day will you be speaking? The answers to these questions will be crucial in helping you tailor your presentation. Once you have determined your PAL, write your overall objective in one sentence or less. This helps you maintain focus during the preparation process.

2. Prepare adequately.

Once you clarify your objectives, it's time to collect material and prepare the presentation. Unless you plan on a "data dump," look for analogies, metaphors, stories, examples, audience, involvement techniques or case studies to support the facts and figures you'll present.

Once you've collected your material, make sure it is organized into a logical progression of ideas. And keep the message simple: To have the most impact, limit the points you make. (When selecting what to include in the presentation, consider what the audience must know, what they should know or what would be only helpful for them to know.)

Write the introduction and conclusion after the body of the presentation is completed. Be sure the introduction indicates a benefit the presentation will provide the audience and that the talk ends with a memorable point. Writing out the presentation's transitions will help you reinforce ideas and repeat points without becoming redundant.

3. Create a user-friendly final draft.

A user-friendly final draft should be in outline form on notepaper, printed in, at minimum, 18-point boldface. To help you easily scan your notes, highlight the "must know," "should know" and "could know" materials in different colours. Only write on the top two-thirds of the page. Otherwise, when you look down to read to the bottom of the page, you risk having your voice drop and losing your audience's attention. And avoid using note cards. They can cause you to do too much shuffling. Finally, be sure you have a backup. Imagine what would happen if you created a masterpiece ... only to have the briefcase it's in stolen. Always leave a copy of the final draft at home or in the office for someone to fax to you in an emergency.

4. Practice, practice, practice.

To really deliver a polished speech, you will need to practice the presentation out loud at least three to six times, saying it differently each time to keep it spontaneous. Practicing your talk in your mind, where you are eloquent, won't work as well as actually saying it out loud.

If you will be delivering your speech standing up, then practice the same way. If you can't practice in the actual room where you will be speaking, improvise. Set up the chairs in the same way they will appear in the room.

If you can practice in front of someone, do. This person's comments will help you to refine your presentation. If you can't find a practice audience, tape record yourself. Remember, if you don't find your presentation interesting, no one else will either.

5. Arrive early.

Prepare yourself for technical difficulties. Make sure the room is set up correctly and the microphone is working. Check any visual aids you may be using and bring extra bulbs, cords and the like for replacements.

Take a few moments before the audience arrives to limber up by doing breathing and stretching exercises. These exercises will help control the adrenaline and relax you.

If possible, be available to introduce yourself and shake hands with your audience as they arrive. This

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will help them to be more receptive to you as a speaker.

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Corporate Values statements

Core values reflect the deeply held values of the organisation and are independent of the current management fads.

Similar to Mission and Vision Statements, Corporate Values Statements provide:

a vision for your future;
a mission that defines what you are doing;
values that shape your actions;
strategies that zero in on your key success approaches; and
goals and action plans to guide your daily, weekly and monthly actions.
Examples of values that some firms have chosen to be in their core:
excellent customer service
pioneering technology
creativity
integrity
social responsibility

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The Value Planning Model Approach to Marketing

The Value Planning Model provides marketers with a framework that captures the essence of value in different environments and provides a managerial process to aid in the facilitation of exchange and creates value for customers. From the diagram, we can see the model comprises four main elements: Understanding Value; Create/Configure Value; Communicate Value; Delivering Value.
Understanding value

This involves:

- * Analysing the market environment or situational context (trends and possible impacts)
- * Understanding value as sought by different customer segments (What value are they seeking and what trade-offs will they accept)
- * Understanding the nature of customers
- * Deciding who to offer value to

Marketers use the following tools and knowledge to build this understanding of value:

- * Understanding Buyer behaviour
- * Gathering marketing information – Marketing Research and Marketing Intelligence
- * Segmentation, targeting and positioning of markets

Creating and configuring value,

Involves the development of a value proposition (a new or revised product) that attracts targeted customers

Involves:

- * Product design

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most readers. Most of us scan. Or we nibble.

Looking at a screen full of words shuts people down. I doubt, for example, that even my mother has read this far. "Too many words," she thought. This is a huge battle. Short takes discipline, and that takes work. Work is hard. Hard doesn't get done.

3. Jargon

You're probably seeing a pattern by now. The common belief is "See me. See my credentials. See how smart I am and how much I know. Hire me."

Technical jargon doesn't provide comfort. For starters, it doesn't get read. Too hard. What it does—read or not—is send a message to those of us who aren't blessed with a medical degree or whatever: It says arrogance. "We matter. You don't."

Sites don't have to dumb down. I like knowing that my lawyer understands debentures... whatever they are. It comforts me to know this. But professional Web sites ought to be See-Spot-Run-simple to read and navigate. That doesn't require jargon. Just good writing.

4. Staleness

Sites require a lot of energy to develop. Particularly the good ones.

By the time a practice writes or re-writes and collects enough articles, pictures, or data to launch a halfway-respectable site, everybody's exhausted. Sites then limp along for a few years until the pain of creating a new site is less than the pain of keeping up the old one. Technology helps. The newest content management software or database-driven sites make updates a lot easier than hard-coding HTML.

But staleness is a human, not a software issue. It takes a lot of dedicated resources to keep a site fresh—something the top firms and practices have begun to recognize. Web sites cannot be maintained out of a part-timer's back pocket.

5. Cliché images

What few images you do find on a lot of professional sites are typically worn out and predictable. Law firms, for example, seem to believe that we need to see the scales of justice or a gavel or some other hackneyed image to appreciate that we're visiting a law firm Web site. With doctors, it's a caduceus. Architects? A Corinthian capital.

It's insulting.

Better to look like your market. Want to work for Fortune 500 businesses? Then your site better start looking like Aetna.com. Better yet, Google.com.

6. No images

I know. Lawyers are going to argue that they're not in a world that lends itself to being visual. What about construction law? What about all of the pictures of buildings or real estate that can help a visitor relate to legal issues? Or, what about intellectual property and pictures or drawings of patented devices? If you're a corporate law firm, there isn't a client process or product that can't be pictured... and help tell a story.

Images make the intangible more tangible.

Some professions tend to swing the other way. Architects apparently ascribe to the theory that a picture's worth a thousand words.

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Pretty scary stuff if you're in the advertising business.

According to a survey of 133 national advertisers conducted by the Association of National Advertisers and Forrester Research, 70% of marketers believe that digital video recorders (DVRs) and video-on-demand (VOD) would "reduce or destroy" the effectiveness of 30-second TV spots.

Wait a minute.

Of course I agree that new technology enables change and that it may even drive change eventually. But I believe we should look at hard facts collected from consumers to really understand the impact these new technologies will have on TV viewing. Consumers can surprise even the most savvy marketer. One thing my career in marketing has taught me is that it's pretty tough to change consumer behavior. Consumers are like cats: They do what they want to do, not what we want them to do. Our job is to understand what they want and make a business out of it. Survey data is how we figure out consumers.

What does hard data tell us about DVRs and their impact on commercial viewing? The first study to be broadly published was conducted by Millward Brown, a well-respected advertising-research firm, and paid for by the largest TV networks. The study showed that advertising recall was the same among households that owned DVRs as it was among those that didn't. It also estimated that 60% of viewing in homes with DVRs is live rather than prerecorded.

Hmm...

In research, it sometimes happens that the results do not agree with widely held expectations. It might be a fluke, or it might be that researchers' expectations were wrong. This dichotomy calls for more research. The idea is that "fluke" results won't be replicated, so if several studies find the same result, it must be "truth" even though unexpected.

Since the Millward Brown study was published, several other studies have been conducted and produced similar results. OMD conducted a study that confirmed the finding of similar levels of ad recall among households with DVRs vs. those without, and also explored the critical reasons why. In the OMD study, households with DVRs were asked whether they viewed a specific program live or recorded it on the DVR and replayed it later. For two specific programs evaluated, 40% of the DVR-owning viewers (math check: about 5% of the total population) recorded the program and played it back; the other 60% watched it live.

Not surprisingly, commercial recall was significantly lower among DVR households who recorded the program than among non-DVR households. In support of this recall finding, a large proportion of DVR households reported that they regularly skip commercials when they play back prerecorded programs. However, very surprisingly, commercial recall was significantly higher among DVR households that watched live than among non-DVR households.

Now, admittedly, we still don't know exactly why recall is comparable among DVR owners and non-owners. The OMD study traced this result to very different behavior among live vs. prerecorded viewers. OMD hypothesizes that live viewers are more engaged in programs they "choose" to watch live. Choosing to watch now when they could just as easily record may mean they really do pay more attention to what's on the screen. Other people may suggest alternative hypotheses.

However we explain this result, the fact remains that there is a growing body of evidence that the impact of DVR ownership may not be as devastating as has been feared. While one study might be a fluke; several studies with similar results are not. Marketers should use facts like these to try to understand how DVRs really are going to impact commercial viewing. Once we understand consumers'



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behavior, we can figure out how to make the new behavior work for us.

I believe we should continue to assess the impact of DVRs over the next few years. More studies likely will confirm that recall declines only when recording and playing back, and will help us better explain why. Moreover, DVR owners' behavior should be tracked, as it could change over time. The penetration of DVRs is projected to increase rapidly over the next few years, and new owners may well behave differently than today's early adopters. If new owners record more programs than today's owners, DVRs could have a bigger impact in the future than they do today. Furthermore, today's owners may change their behavior over time as they get more comfortable with the device.

At the same time, smart marketers may want to hedge their bets by exploring new and creative ways to make sure their ads get noticed. For example, one marketer developed an ad with an imbedded coupon to try to get fast-forwarders to slow down and pay attention. Other ads have been developed with still images, such as text or logos that are visible when fast-forwarding or viewing. Goodyear developed an animated version of its blimp that floated across the screen during the Olympics. And let's not forget product placements and program sponsorships, which are booming. As marketers explore these options, they should test the response to see if they are working or not.

Finally, there is the hot issue of how to measure viewing in the world of DVRs. As you probably know, Nielsen originally excluded DVR owners from its sample, assuming they would skip all the ads. In doing so, they unwittingly prevented themselves (and us) from seeing some of the very data we so desperately want now in order to understand viewing. Having realized this, Nielsen is racing to build the penetration of DVR viewers in its panel up to representative levels by January 2007.

This change means that, as of January, Nielsen's Live ratings will reflect all live viewing in a sample that includes a representative number of DVR households -- which is ideal from a research perspective. Nielsen is also offering a different type of data called "live plus same day" and even "live plus seven day." This new data set adds viewers to a program's rating if they prerecorded and played back a program within the specified time period.

OOOPS! Rewind!

I don't think marketers should adopt this new data stream as the gold standard yet. While existing research shows that DVR households have comparable ad recall to non-owners (so they should be in the sample after all), those same studies also show that recall does decline when viewers record and play back. To me, this clearly means advertisers should pay for DVR live viewers but not for any "plus" viewing.

This thinking seems to have prevailed in the current TV upfront, in which networks wanted to do deals based on "live-plus" ratings, and advertisers refused to accept this new data standard. This could become an even bigger issue in the future, if and when people start recording more. I imagine that as penetration of DVR owners goes up, recording is bound to increase. We'll (of course!) need more research to figure that out, but until data show incremental benefits from delayed viewing, advertisers should continue to hold their ground.

Dr. Sandra K. Eubank is OMD's U.S. director-communication insights and research. Dr. Eubank has more than 20 years of market-research experience, and joined OMD in 2005 from Ipsos-Novaction, North America.

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THE MARKETING ASSOCIATION OF AUSTRALIA AND NEW ZEALAND

I'm Your Customer. But do You Know Me?

After a decade of denial, big media and marketers have finally accepted that the way consumers absorb information and entertainment has changed. Their responses to how consumers perceive, retain and respond to brands are reshaping media.

Companies that once relied on regulation or engineering smarts for their edge are learning the ways of integrated marketing across many platforms. From iPod to BlackBerry, consumer review websites to blogs, Quicktime and MP3 - all are part of a complex new media landscape that marketers must traverse as easily as do the consumers they are trying to catch.

The surest way to track this progression in media thinking is to follow the advertising dollars. Australian media ad spending is expected to grow by 11 per cent to \$11.6 billion this year. Of that, online advertising is tipped to add 60 per cent on last year, to \$620 million, stealing thunder from free-to-air TV, which at 2 per cent growth isn't even in a holding pattern any more. Newspapers and radio will grow at 5 and 7 per cent, respectively. Media analyst Paul Budde expects pay TV's ad spending growth of 30 per cent last year to be replicated this year.

However, the apparent strength of local ad spending contrasts with the US market, where magazines are losing advertising to the web and ad revenues have declined by 2 per cent a year since 1998; in Australia last year they rose 10 per cent to \$727 million, the Commercial Economic Advisory Service of Australia says.

It is generally agreed that US radio is losing listeners, talent and revenues to satellite upstarts and iPod playlists but the Australian situation is more complex.

Mr Budde says advertising growth slowed from 15 per cent a year in 2004 to 6 per cent last year but Australia's 251 commercial radio stations "continued to perform well". He sees emerging threats in the spread of iPods and downloaded music, although radio should continue to experience yearly advertising growth of about 5 per cent until the end of the decade.

"Visual radio", in which mobile phones display graphics and information allied to what is being aired on radio, could help counter these drains on advertising growth, he says.

Digital TV heralds the rise of video-on-demand, video downloads, interactive game networks, internet TV, pay TV and other broadcast-busters if Telstra can be persuaded to free-up its broadband network. In the US, broadcast ad revenues have declined in the past two years, the first time a two-year drop has been recorded, the Jack Myers Media Business Report says.

Although Australian pay TV subscriptions are rising (to 25 per cent of viewers this year, up from 23 per cent last year) and tipped within the pay TV industry to include half of all viewers by 2010, Mr Budde believes these optimistic projections will be held back by high prices and a lack of competition.

He also blames Telstra bureaucracy for being slow to develop broadband TV. "Telstra will certainly pull out all stops to make life as difficult as possible for potential DSL (broadband) TV players," he says.

Digital free-to-air TV is also struggling - just a million receivers sold, Mr Budde says. Australian media companies and marketers must see the writing on the wall.

Big media companies are scaling up formerly tentative experiments in consumer-created content, social networking and interactive resources. They are developing new advertising formats, sometimes in partnerships such as the one last year between NBC and Yahoo! for Unilever's Dove soap, which tied-in to the reality TV show The Apprentice. The promotion drove a 1500 per cent increase in traffic to the Dove website. This helps marketers emerge out from under the power of the TV networks. Pepsi relaunched PepsiOne in the US without television last year. Pepsi and BMW are two of the leading marketers thriving without TV.

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After a decade of increases in advertising budgets but relative stability in their media mix, many leading US marketers are directing more money and attention to digital media. Traditional media, especially television, is raising prices but not delivering sales. Consumers using pay TV, mobile phones, video games and the internet have shifted media habits, and this shift will increase substantially this year as greater broadband penetration legitimises the internet as an entertainment platform.

Mr Budde predicts that today's 3.5 million broadband subscribers will grow into a market worth \$70 billion within 10 years. And these users don't like ads. Digital TV users in the US (Foxtel's iQ is a local equivalent) say they fast-forward through 92 per cent of commercials but 55 per cent say they would pay more to get personalised marketing.

In a Washington Post/ Nielsen Media Research survey of working women, 44 per cent of respondents rated the net a very important medium with which to research health-care products before buying; more than double the number who said they turned to magazines, the next most cited medium, for such information. The conclusions are bleak for traditional media.

The most successful media companies have a presence in digital media such as websites, on mobile phones, social networking, and gaming, where they build relationships with consumers. TV networks are putting content online. Within just a few months of the introduction of Apple's video iPod in the US, several TV networks, both free-to-air and pay, had begun distributing their shows for download. In April the US ABC network said it would make four of its most popular prime-time shows available free on the web. ESPN makes as much money online as it does through broadcasting.

Broadband's ability to handle video files helps viewers see the net as a one-stop shop for information and entertainment. "The new prime time is 9am to 5pm because more people have access to a computer than," says Mark Burnett, producer of reality TV staples *The Apprentice* and *Survivor*. Mobiles also create fresh ways to reach people on the go. But television bosses are yet to grasp this change. The prevailing view is that digital video creates a new direct-to-consumer retail model, a pay-per-download revenue stream that replaces fragmenting advertising revenues. But digital video will likely embrace many models, including free, ad-supported entertainment offered to audiences who watch it when it is convenient for them, and whose responses are tracked. Such video provides a targeted, productive and measurable advertisement, and enables media networks to halt revenue decline and earn new revenue.

Australian advertisers are ahead of their US counterparts, spending about 9-10 per cent of their budgets online (most US marketers spend 4-10 per cent).

But consumer behaviour is ahead of the technological tortoises. For instance, some car makers use sites that allow shoppers to experiment with colour and trim packages. This allows car makers to guide shipments more accurately and reduce inventory. Yet online spending barely registers in their budgets because the change requires alliances between dealers and makers, and their marketing, sales and IT organisations - departments that are not used to working together quickly.

Devices that combine digital distribution, content management and playback have also transformed the music industry - 1.25 million downloads a day are made from Apple's iTunes Music Store, annual CD sales fell more than 7 per cent last year (according to Nielsen SoundScan).

Back in TV land, with Apple, Google and others offering video downloads, the industry is approaching the day when each portable video player is tailored to the individual viewer.

Multiplayer games are the next advertising frontier. In the fantasy game *World of Warcraft*, founded in 1994, there were 5.5 million paying subscribers as of last January and annual revenues of about \$950 million. About 10 million people subscribed to multiplayer online games last year.



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Meanwhile, the cost of making and distributing creative content decreases in some new media. People are fashioning podcasts, playlists, online periodicals and even original music recordings and films. Blogs and wikis are growing in popularity. The social networking site MySpace, where people post information about themselves, has more than 50 million users and was adding 4 million new members a month at the end of last year.

And consumers will spend more time with these and similar services as more devices exploiting their potential are sold. Online gaming is expected to expand as more plasma screens, game consoles and digital media centres are sold.

Advertising is following the interaction on multiplayer gaming units and on mobile phones. The video game advertising market is expected to grow from \$51 million in 2004 to at least \$1 billion in 2008. Advertising techniques in such platforms are in their infancy; a few start-ups such as the Massive network are experimenting with interactive placements within games and consumers report that they like the authenticity that real-world advertising lends to a fictional game. For most of the last century it was difficult to know how advertising moved markets, so it grew as a faith-based initiative, believed to work best when it raised awareness of brands and goods across a large target population. Success was calculated from surveys such as page impressions; cost-per-thousand viewers or readers; and audience ratings points (size).

All that has changed and marketers must enter their customers' worlds. Procter & Gamble's Tremor, an in-house unit that trials products via a network of 280,000 teens, is so successful that it offers its services to non-competing companies, including Coca-Cola and Toyota. These communities of alpha consumers generate buzz for new products; they bypass traditional media to connect with hard-to-engage groups; they communicate brand messages in ways consumers interpret as more authentic; and they deliver customer insights.

Marketers now deliver contextually relevant messages and product information to only those consumers who are interested and looking to buy.

Much as in the early days of television, when Procter & Gamble produced its own soap operas, marketers today appeal to consumers by creating their own programming venues and assets. Blue-chip brands such as Coca-Cola and Mercedes-Benz are already big players in the digital music arena with their own download sites.

Beyond music, Procter & Gamble built an online magazine, homemadesimple.com, which has 4 million email subscribers and ranks in reach and influence with the leading women's periodicals - where for decades it was among the top advertisers. It generates a treasure trove of consumer insight for Procter & Gamble that is entirely proprietary.

And Coca-Cola, Nike, McDonald's and AT&T have developed games for mobile devices.

It is 12 years since the launch of the Netscape Navigator browser. There is no excuse for any media company or marketer to not take advantage of the opportunities that have evolved since then. They all need to find ways to go beyond the TV dial, newsstand and mailbox - all of which they once controlled.

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