Marketing Extr@

Newsletter of The Marketing Association of Australia and New Zealand

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Editorial

This month’s editorial has a couple of themes:

A Strange set of ads??
One of Australia’s banks is featuring a series of ads on a theme of making adverts for a bank. Basic concept is that bank has an American agency that knows nothing about Australia (Mad Max koalas etc.) A bit of an in joke for marketers I guess. Strange thing is this bank ads are done by a US agency. Apart from this “entertainment” the adverts give me no reason I can discern for banking with them.

Still on Banks

On the subject of banks (and marketing). The Westpac Bank (one of Australia’ four Pillars (pillocks?) has announced that it wants (and they want apparently) to merge with the St. George Bank. All cosy stuff – the Westpac CEO Ms Kelly was formerly CEO at St George. (Do I hear the job offer? ‘Come on over. Bring your bank. No? OK we will pick it up later’)

Then the NAB (the bank formerly known as the National Australia Bank – but then having spent up big on an image change – no discernable content change) has announced that it also wants to merge with the St. George Bank.

I seem to remember the anti bank sentiment advertising of St George over the years (‘We are not really like those nasty banks – we are different’) Like all bank advertising it’s all puff of course

Likely result of any merger? Cut back in staff to save costs to pay for the merger and customers picking up the balance through increased fees. Any acquisition would get around the government Four Pillars ban on big-bank mergers. Hopefully some concept of anti competitiveness will be seen in Canberra.

On Cereativity

A theme I have raised before.

It is unfortunate that most of us were told and then learned to "act our age" as we grew up.

This meant abandoning some of the most natural and powerful high-energy stimulants available to us. Learn to let the child within you live. Fifteen childhood characteristics that encourage creativity and innovation and that frequently get lost in adults:

1. Seek out things that are fun to do
2. Jump from one interest to another
3. Curious, eager to try new things
4. Smile and laugh a lot
5. Experience and express emotions freely
6. Creative and innovative
7. Physically active
8. Constantly growing mentally and physically
9. Risk often - are not afraid to keep trying something that they aren't initially good at and aren't afraid to fail
10. Rest when their body tells them to
11. Learn enthusiastically
12. Dream and imagine
13. Believe in the impossible
14. Generally don't worry about things
15. Passionate

On Excellence in the Workplace

Excellence in the Workplace Occurs When...

* Teamwork exists throughout the company – "Territorialism" is not accepted.
* All upper level executives communicate and support business excellence
* Genuine service is provided both internally and externally
* Creative thought is encouraged and opportunities for creative thinking are consistent
* Open Communication is practiced:
* There is freedom to voice opinions, share ideas, and make decisions
* The workforce consists of dedicated people who keep constant eye on goals and setting higher goals
* There is a commitment to quality, providing outstanding service, continuous on-going education, and improvement of processes
* Bureaucracy reduced to what is necessary
* There are simple and consistent guidelines, guiding principles, performance standards, and appraisals
* Fairness, integrity, and caring is consistently required to be demonstrated by all

Have a great month

Brian Monger

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Quotations

Coming together is a beginning. Keeping together is progress. Working together is success.
- Henry Ford

Wearing the same shirts doesn't make a team. - Buchholz and Roth

Being told you are part of a team doesn't mean you are – Brian Monger

Being told teams are the best way to succeed is not necessarily so - BM

When the 'weaker' of the two brains (right and left) is stimulated and encouraged to work in cooperation with the stronger side, the end result is a great increase in overall ability and ... often five to ten times more effectiveness. Robert Ornstein,

You don't understand anything unless you understand there are at least 3 ways. - M. Minsky

Innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service. It is capable of being presented as a discipline, capable of being learned, capable of being practiced. Entrepreneurs need to search purposefully for the sources of innovation, the changes and their symptoms that indicate opportunities for successful innovation. And they need to know and to apply the principles of successful innovation. - Peter Drucker

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From the Media

UK clamps down on word-of-mouth

The Word of Mouth Marketing Association (WOMMA) has expressed support for the principles of new UK legislation that makes non-disclosure in word-of-mouth marketing campaigns an offense, and urges US marketers to maintain equally high ethical standards.
The new UK rules say that any commercial message should be immediately identified as such and that marketers "falsely representing themselves as consumers" is illegal. Indeed, this technique was highlighted as unethical word of mouth marketing in WOMMA's Ethics Code, which was published in 2005 to encourage...
The full story – www.thewisemarketer.com.news

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Study links brand loyalty to customer care

As social media usage becomes increasingly ubiquitous, affluent consumers are now using social media channels to share their personal customer service experiences and learn about others' experiences when making purchase decisions, according to a study from the Society for New Communications Research.

The study found that 59.1% use social media to 'vent their feelings' about customer care experiences, and that 72.2% of respondents research companies' customer care online before purchasing products and services. Similarly, 74% said they choose companies or brands based on others' customer care experiences that are shared online...

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Angus & Robertson launches thermal loyalty card

The Australian bookseller Angus & Robertson has launched a new customer loyalty programme called 'Angus & Robertson Rewards' using the thermochromic GraphiCard loyalty platform from Visible Results.

Angus & Robertson Rewards members earn 1 rewards point for every Aus$1 they spend in-store and, upon reaching each 100 points, they are automatically rewarded with a Aus$5 gift voucher.

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Retail numbers

ABS Retail sales results for March were not too bad, but David Jones is feeling it at the top end, as are others. Appliance sales are starting to fall This represents a marked slowing of growth and the best indication yet that the Reserve Bank's strategy is biting.
Super Cheap Auto is pleased with performance, and announced the purchase of two bike businesses.
US April sales were up, but only when autos are excluded and comp store sales at Wal-Mart, Kohl's and Target are all up a tiny bit.

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Creativity

The Braun Gorilla http://creativity-online.com/work/view?seed=1a2ce6be

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Good ideas -Wine by the trial-sized tube

Wine may be enjoying new popularity, but that doesn't mean the average consumer isn't still daunted by the knowledge it takes to pick a bottle they'll like. WineSide is taking a novel approach by offering wines packaged in sample-sised tubes.

WineSide offers wines in patented, flat-base glass tubes with screw tops carefully engineered to protect the wines' flavour. In addition to giving consumers a new way to sample and discover wines, WineSide's tube format also promises to give vintners new tryvertising capabilities at relatively low cost. The French company's website is still under construction, but it says it is looking for distributors. One to get in on early!

www.wineside.net

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Consumers give M&S a green crown

Marks & Spencer has earned the 'green crown' among UK businesses, according to a survey of consumers by Chatsworth Communications, which also found that there is a growing public cynicism toward the eco-friendly image portrayed by many businesses.

The survey revealed an increasing cynicism as to whether or not UK businesses will ever really aim for anything more than 'greenwashing' if there is no official leadership or legislation concerning environmental issues. Marks & Spencer (51%) was the clear leader in terms of public opinion about its green activities, followed by BSkyB (9%), HSBC (7%), and...

www.the wisemarketer.com.news

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Products of the year2007?

Datamonitor’s Productscan Online division has announced its ‘products of the year’ for 2007 from around the world. The company believes each item has benefits to change or shape consumer packaged goods markets around the world.

1. Swiss Miss Pick-Me-Up Hot Cocoa Mix
The popularity of energy drinks is having an impact on other product categories; caffeine has moved into new categories, ranging from potato chips to instant oatmeal. This new version of Swiss Miss contains as much caffeine as a cup of coffee plus as much calcium and vitamin D as a glass of milk to offer the best of all worlds.

2. Organic Batter Blaster Pancake & Waffle Batter
Making pancakes and waffles from scratch can be a messy process. Batter Blaster offers a helping hand with pancake and waffle batter that is sprayable and is packaged in an aerosol can. The refrigerated product apparently makes organic, light and fluffy pancakes as well as light and crisp waffles in minutes. The aerosol can packaging greatly reduces cleanup and the product is fast and fun..

3. JT Fragra Functional Water
Bottled water is about more than just refreshment when it comes to this new launch from Japan. Fragra refreshes the breath and leaves a fragrance of citrus fruit in the mouth. Officially referred to as a “near water” by virtue of its 1% juice content, Fragra uses an active ingredient called linalool for breath freshening. Linalool is a natural substance occurring in lemons, oranges and other citrus fruit.

4. Popsicle SlowMelt Long Lasting Pops
One of the pleasures of summer is enjoying an icy frozen novelty. The only problem is trying to finish the product before it melts. That’s less of a problem with Popsicle SlowMelt, which seems to have been designed with global warming in mind as it apparently lasts longer than ordinary pops to reduce drips and sticky fingers. This pop is also “good for you” as it contains fruit juice, vitamin C and features natural colours and flavours.

5. Tetley’s Twistea Tea On The Go

Tea lovers tend to like their tea a certain way. Now it's possible to enjoy this degree of customisation in a packaged product with Twistea. New in the UK, Twistea features a Tetley teabag locked into a plastic cup. The consumer simply adds boiling water and twists the lid of the cup to customise the taste of the product and achieve the desired strength. The teabag remains in the cup and does not need to be disposed of separately.

6. Children's Benadryl Perfect Measure Pre-Filled Single Use Spoons
Kids find it a lot easier to swallow liquid medication than pills, but liquids have their drawbacks. For one, they are not very portable. Perfect Measure that consists of pre-measured, pre-filled spoons filled with Children's Benadryl that are useful for "on-the-go" relief. Offered in an Allergy variet.

7. KidKupz Candy-Coated Medicine Dispensing Cups
Taking your medicine is often something to dread, especially for kids who would just as soon stay sick than choke down some bad tasting medicine. Enter new KidKupz which are designed to "take the ick out of sick" with a candy-coated rim that makes almost any medicine taste better. Using a similar concept as a salt-coated rim for a Margarita glass, KidKupz come in a variety of flavors including Sour Cherry, Blue Raspberry and Watermelon. Sold in a 6-cup box.

8. Pur Flavour Options Water Filtration System Flavour Cartridges
Bottled water is refreshing, but it can be boring. Plus, there are waste issues, so much so that the city of Chicago has a new tax on bottled water. Enter Pur Flavour Options, a new way to get flavoured water, right from the tap. Flavour Options mounts on a regular water faucet. Whenever you feel like adding flavour to a drink, just push the dispenser. The more you push, the more flavour is added to your glass. Each cartridge provides up to 75 servings of flavour without any sugar, calories or dyes. New in the USA, Flavour Options comes in flavours like Peach and Raspberry.

9. Air Wick FreshSweep 2 in 1 Broom with Air Freshener
Sweeping the floor can be hard work, but at least there's a new benefit for this task thanks to Air Wick. FreshSweep is a broom equipped with a Stick-Ups air freshening disc that helps disperse the air freshener and make rooms smell fresh and clean every time you sweep. The broom's air freshener is refillable and comes in fragrances like Fresh Waters and Crisp Breeze.

10. Nature Made Rx Essentials Daily Supplement Tailored To Your Prescription
It's a fact. The population is aging and millions of consumers need to take medications each day to manage health issues. Now, for the first time, there is a supplement that is optimised for consumers taking specific prescription medications. Nature Made's new line includes softgels for people taking cholesterol medication like Lipitor, Zocor or Pravachol. Other supplements are offered for those taking Anti-Depressants, arthritis medication and diabetes medication..

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More good article links

MARKETING TO WEALTHY WOMEN

The Luxury Institute has produced a report about how brands should market to the wealthy female consumer. With all this talk of recession, this is an important target audience for any brand with luxury leanings:
http://brandstrategy.wordpress.com/2008/05/14/marketing-to-wealthy-women-a-report-from-the-luxury-institute/

CONNECTING, CONNECTING

The two big social networks - MySpace and Facebook - and the ubiquitous Google have this week launched 'data portability' initiatives that allow people to amalgamate and manage their personal data across numerous websites. The future of social networking and the internet? Or just an inevitable move as the number of networks stacks up?
http://brandstrategy.wordpress.com/2008/05/09/myspace-yahoo-ebay-photobucket-and-twitter-get-into-data-sharing-the-future-of-online-profiles/

OLYMPIC HEADACHE

It appears that some Olympic sponsors are unable to put into action their plans for this summer's Games in Beijing. Sportwear brand Reebok ad its corporate partner Adidas Group have withdrawn plans for a hospitality area to accommodate competitors, their guests and the media because they say the Chinese government have made it too difficult.
http://www.iht.com/articles/2008/05/15/business/reebok.php

From BS.info@centaur.co.uk
Visit the Brand Strategy website – http://www.brandstrategy.co.uk - to buy back issues of the magazine, download free articles and make savings on your marketing books from Kogan Page.

When is it time to quit?

About 80% of the people in the work force are not happy at their job. Among the 10 signs that it's time to move on are

Signs of selective amnesia
Constant belittling
Micro management and intense scrutiny
Read the rest at Allbusiness.

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Why expensive wine tastes the best

People enjoy wine more if they are told it costs a lot, regardless of its taste.
The notion most people are wine snobs followed a study that found drinkers given identical Cabernet Sauvignon liked the wine more when told it was expensive.
Researchers gave volunteers the same wine but told them it cost between £2.50 and £45 a bottle.

Scans showed the pleasure centres in volunteers' brains were affected more by 'costly' wine and less by the so-called cheap plonk.
Experts say the findings reflect people's tendency to enjoy luxury products just because of the money they have lavished on them and not simply because of the quality.
The results may also help explain why people are willing to spend hundreds of pounds on a bottle of wine in restaurants.

Researcher Antonio Rangel said the study at California Institute of Technology showed that people like costly wine more despite it being identical to cheap varieties.
Commenting on the findings Chris Scott, of London wine tasting company ThirtyFifty, said wine often costs more due to the laws of economics and not just because of its superior quality.

He said wines in restaurants were often sold with a two-and-a-half to three-and-a-half times mark-up –meaning a £10 bottle of wine was in fact worth more like £3.
'People enjoy wine because it's about conviviality and atmosphere. Wine turns from being a commodity into a luxury good. It's about the naughty, decadent feeling of enjoying luxury,' he added.

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Most customer reviews found to be positive

A study from social commerce company Bazaarvoice that analysed 34,691 customer reviews across 10 retail categories and 12 UK clients has found that online reviews written by UK consumers tend to be extremely positive, mirroring a trend seen in the US over the past three years. Figures show that 88% of all reviews written by UK consumers were rated as positive, giving four or five stars out of five. This compares to 81% of all US reviews classed as positive. The analysis also showed that UK reviewers were more engaged in writing reviews than their US counterparts. Compared to US reviewers, 80% more UK reviewers have written six or more online reviews. Another recent study, conducted by Bazaarvoice and Jupiter Research, found that "trusting fellow buyers comments" in the online shopping process was rated highest - 70% of online users said they found ratings and reviews the most helpful feature when researching products.
http://www.bazaarvoice.co.uk

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Good ideas - Sneaker vending machine

Onitsuka Tiger, the Japanese sports brand, has launched a sneaker vending machine in Carnaby Street London. Sneaker vending isn't entirely new—it's been done in Japan, of course, and Reebok sold shoes from a vendomat back in 2004. Onitsuka Tiger, has put some effort into custom-building their machine, which can sell 24 pairs of shoes at a time, in 6 sises.

Following its London debut, the machine will travel across the UK to bring convenience-buying to the rest of Britain's sneakerheads.

www.onitsukatiger.co.uk

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Marketers overlooking a vital consumer segment

A study into communications and marketing relevance by GI Insight has found that marketers are paying too little attention to the highest earning age group in the UK. The study reveals that an overemphasis is being placed on targeting efforts toward younger groups, instead of those aged 45 and over. This is despite the fact that the 45-65 age band is the highest earning and that the departure of children from the family home often massively increases disposable income. It also, ironically, creates demand for capital release financial products in parental support of those departed offspring as they set up home themselves.

The research, which looked at public and private sectors, examines the level to which the British consumer feels that the most important organisations they deal with on a day-to-day basis are communicating with them. At an individual sector level it found that the retail sectors were best at directing targeted and relevant offers and communication to customers. The mature techniques of British supermarkets stand head and shoulders above the other sectors studied. As an aggregated set of sectors, retailers in general are clearly getting the targeting right more often than financial services, although the finance sector's average is being dragged down by the poor performance of credit card issuers.

:http://www.gi-solutionsgroup.com

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The benefits of an FFP in times of recession

The consumer experience network Hip Digital Media has conducted a survey with frequent flyer loyalty experts from Airline Information to examine the strategic aims and challenges affecting frequent flyer programmes, with one surprising finding being that many marketers feel that FFPs can be 'recession proof'.

When asked about the most important benefit of an FFP to the airline, 40% of those surveyed said that the programme increases customer satisfaction, while 30% cited liability relief, and the remaining 30% said it provides cash from...
www.thewise marketer.com.news

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Good ideas - Brain gyms for boomers

It seems our brains resemble our muscles in one key respect: don't exercise them, and they're likely to lose strength. Conversely, many experts now believe that brains stimulated in a healthy manner can better resist debilitating mental conditions such as Alzheimer's. Which begs the question: how to keep brains in top shape?

The solution offered by vibrantBrains, a San Francisco start-up, is to create a workout centre for the brain, patterned after a health club. Instead of exercising muscle groups via a series of circuit-training machines, vibrantBrains members hone their mental skills using a variety of computer software programs and other tools, for a monthly membership fee of USD 60. vibrantBrain's health-club-for-the-mind approach should appeal to the millions of baby boomers who've spent their adult lives regularly visiting gyms. As they approach retirement age, they'll want to maintain their mental agility, too, as attested by sales of Nintendo's Brain Age, which sold 10 million copies, according to the San Francisco Chronicle.
www.vibrantbrains.com
springwise.com

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CRM

Frustrated by high costs and dubious payoffs, managers that used the first customer-relationship management (CRM) systems came to view them as overhyped IT investments. Accordingly, CRM spending plummeted between 2001 and 2003. But now CRM system sales are soaring, as executives from a wide variety of industries tout CRM's value.

What's changed? Rather than trying to transform entire businesses through full-scale CRM implementations, companies are applying CRM in disciplined, focused ways--and getting more from it. How to realise the same benefits from *your* CRM initiatives? Use CRM to solve highly specific customer-relationship challenges--such as accurately diagnosing call centre customers' problems. Invest in real-time information--the holy grail of CRM--only where it's needed. For example, a hotel manager requires real-time data on room availability, not on customers' opinions about room decor. Equally crucial, use what you learn from

Harvard Business Review – full article http://harvardbusinessonline

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Football club adds loyalty to membership cards

Portuguese football club 'Sporting Lisbon FC' has contracted loyalty agency ICLP to update and reinvent its existing club membership card to include a new loyalty platform.

The new loyalty offering includes a co-branded card that is branded 'Rede S3G' (Sporting Third Generation) and acts as a credit card, a prepaid card, and a loyalty card. It will initially be marketed to the club's 90,000 existing members

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Good ideas - Cargo bikes for greener business deliveries

Firms in urban areas tend to require frequent, small deliveries of merchandise and other goods from the city outskirts and beyond. That's a recipe for inefficiency, traffic congestion and pollution, as so many delivery trucks make their way in and out of town with partial loads again and again. French La Petite Reine has come up with an alternative, greener approach to business deliveries by using truck-sised cargo bikes instead.

La Petite Reine maintains a fleet of about 60 Cargocycles for hire by businesses that need to make small to medium-sised urban deliveries over a distance of up to 30 km. Weighing only 80 kg (as opposed to a tonne or more for most delivery vans), each Cargocycle can transport about 180 kg of merchandise in its 1,400-liter cargo space. (For larger loads, La Petite Reine also has electric trucks suitable for deliveries that size.) Cargocycles' small footprint lets them travel anywhere on the roadways, including bus and bike lanes, and they can park easily between two cars. Cargocycle deliveries are faster than those made via traditional truck, and also 10 to 20 percent less expensive, La Petite Reine says. Perhaps most significant, however, is that they are completely nonpolluting—in terms of both emissions and noise. Cargocycles are also available for lease or sale, as well as for advertising space and use at special events. Paris-based La Petite Reine was founded in 2001, and has since expanded to Bordeaux, Rouen, and Dijon. It now makes some 2,500 deliveries every day for clients including DHL, ColiPoste and Monoprix. The company is interested in signing up franchise partners--one to bring to an urban area near you?
www.lapetitereine.com
springwise.com

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Recruiting MDs by lifestyle

Medical recruiting agencies, like many others, typically focus on the nuts and bolts of the job when attempting to match up doctors and positions. Missing from that model, however, are many of the factors that can have just as big an effect on the success of the match—lifestyle factors like the surrounding culture, the availability of family-oriented services and activities, and the types of sports and recreation on hand nearby, all of which contribute to a doctor's ultimate happiness with the position. MedRecruit aims to pick up where other recruiting efforts leave off by explicitly including lifestyle in the process of matching doctors with positions.

Doctors who sign up for the free service, which currently serves just New Zealand and Australia, specify not just the details of their medical specialty and grade; they also tell MedRecruit what type of location they want and what sorts of family, cultural and recreational opportunities--skiing or surfing, for example. MedRecruit then helps find a good match among the hospitals and medical organisations it represents. Watchlists are available, as is 24-hour assistance, and MedRecruit facilitates all travel and accommodations. It even pays a 4 percent bonus to doctors who work exclusively through MedRecruit. Ultimately, the company says, the result is happier doctors and higher retention rates for the hospitals that hire them.
www.medrecruit.com

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Green marketing to drive more campaigns online

Compared to direct mail, the internet is likely to be home to increasing amounts of carefully targeted and environmentally-friendly marketing campaigns.

For most direct marketing campaigns a 1% - 3% response rate is considered an acceptable result, which means that at least 97% of each paper mailing is wasted. And even if targeting improves dramatically, there will always be a significant level of...
www.thewisemarketer.com.news

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Nokia encourages your mobile-based masterpiece.

Nokia owners are being invited to participate in a multimedia film project created exclusively through handhelds.

Using the official site as the homebase, the theme of the film Nokia users will make is to centre on how music tells the story of humanity, consisting of three acts, each including an "assignment" that Spike Lee will announce throughout the program. Site visitors can view the content including videos, photos and acts and get tips on creating the work. Lee and online assistant directors will help participants tweak their entries.

After each act closes, the top 25 submissions move on. Visitors then vote for their favourite, creating an ultimate top ten from which Lee chooses winner from each act to go into the final film. Winners from each act get a new phone, a trip to the film's premier in Los Angeles and a meeting with Lee. The deadline for submissions is August 21.

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Morgan Research says only 45% of Australians want a republic with an elected president (down 6% since 2005)

In early May 45% (down 6% since Feb. 2005) believe Australia should become a Republic with an elected President, while 42% (up 2%) support Australia remaining a Monarchy and 13% (up 4%) are undecided - according to a special Morgan Poll of Australians taken last weekend (May 3/4, 2008).

Support for a Republic with an elected President is the lowest since (then) Prime Minister Paul Keating raised the issue nearly 15 years ago in December 1993.
http://www.roymorgan.com/news/polls/2008/4290/

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The multi-channel effect on customer loyalty

There are many more communication channels available today than there were before the rise of interactive and electronic media. Even in the past two years marketers have found a growing number of innovative ways to reach consumers, whether at home, at work, or at play.

Communication with consumers and other businesses can take place by mail, telephone, fax, text message (SMS), multimedia message (MMS), social networks, Web 2.0 widgets & gadgets, computer games, online video, online ads, television, films, radio, mobile sales units, in-store teams of brand representatives, focus groups, leaflets, newspapers, free-standing inserts, coupons, e-mail, instant messaging (IM), voice over IP (VoIP), internet chat rooms, web sites, bulletin boards, online communities, and even other internet-based systems such as video conferencing and meeting sharing systems. Each has different cost implications, complications, emotional connotations, and perceived benefits or risks to the consumer. Each brings its own challenges in terms of finding the right frequency, message, tone, voice, relationship-based permission, and value proposition.

With each channel of communication comes a unique set of challenges: as a rule, consumers don't like junk mail, or 'spam' (unsolicited commercial e-mail), or unsolicited sales telephone calls. They complain about faxes wasting paper, and they don't want their mobile phone invaded by irrelevant advertising text messages. They don't want to run up bandwidth bills for receiving unwanted MMS communications on their internet mobile phone, and they don't want their PC's instant messenger program popping up unwelcome advances from companies they've never dealt with. The list goes on. But the good news is that there are ways, means, laws, and ethical practices that cut through the communication barrier for all of these channels, allowing you to communicate and build relationships with existing customers and sales prospects alike.

It's all about being multi-channel...

As consumers become used to the convenience of getting whatever they want, whenever they want, wherever they want, and by whatever means they want, the importance of both multi-channel presence and multi-channel communication with customers has never been as great as it is today. Yet some companies - even large retailers - continue to ignore one channel or another despite it being an 'accepted norm' that consumers are unwilling to forego, even for better or more personal in-store service. The most common example of this is retail stores that stubbornly refuse to adopt the internet for either communication or transactional e-commerce applications.

Communicating a multi-channel message to your customers has the power to inform or to confuse, to make or break a sale, and to build up or kill off customer loyalty. For years we have seen a constant drive by retailers to introduce new delivery mechanisms to broaden customer reach. This evolved from the traditional bricks-and-mortar to home shopping by catalogue, and started to reveal issues that would be addressed by retailers as new channels matured.

First came the catalogue. It was difficult for traditional retailers to envisage how this new channel would work in unison with their existing infrastructure. So instead of tackling the issues of integrating the two platforms, they simply made a carbon copy of the existing business unit and labelled it 'Home Shopping'. Unfortunately, since these business units were separate entities, they often viewed each other as competition and attempted to cannibalise the company's potential revenue and customer base.

The biggest multi-channel lesson

Next came the interactive channels. Cannibalisation grew to unmanageable proportions with the introduction of the internet, interactive digital television, mobile commerce, and even console technologies. What used to be a semi-controlled argument between two business units grew into a replication of disconnected units. The whole lesson about the importance of multi-channel presence in retail is this:

"Customer loyalty must be based on value and service, and be toward the brand, not the channel"

Customer engagement is always threatened when different channels give different messages about price, availability, product delivery and returns, and product information. Eventually, many retailers spotted the problem and back-tracked to a more manageable situation to help consumers deal with them more consistently, regardless of which channel they wanted to use. Nobody wants to have to check the web site, high street store, home shopping catalogue, and newspaper adverts just to find the cheapest way to buy something from the same retailer.

How consumers want to deal with businesses

The 'more channels' approach to multi-channel retailing is in danger of ignoring the critical part: the customer. Customers were not sitting twiddling their thumbs while retailers developed their strategies. They have become more sophisticated and expect a retailer to recognise them, however they interact with that retailer, and then respond appropriately. For example, customers expect to:

1. Use loyalty cards, store cards and gift vouchers through all channels;
2. See consistent (or understandable) ranging, offers and pricing;
3. Get updates pertaining to special orders when they talk to the call centre;
4. Return products to stores that were bought online;
5. Check and reserve store stock through other channels.

The key to multi-channel loyalty

A common, integrated message is the key in multi-channel communication. A classic example of this going wrong - and reducing a customer's loyalty - is when a customer registers their new home address with the call centre but three months later is still receiving marketing materials and statements at their old address. Another example is when a retailer's web site sells a Deluxe Widget for US$100 but it's on special offer in the same retailer's stores for US$75. After buying online, what can the consumer be expected to think when they find it in the store at of the store at a 25% discount later the same day? The natural result is that the consumer is encouraged to shop around within the brand, which naturally leads the average consumer to shop around outside the brand, seeing as they already have to work harder for a lower price.

It is also important to understand the customer empowerment these channels provide. Previously, consumers would enter the store and decide on the make and model of product desired, and then go home with their purchase. Today, they will first research (or be inspired) on the web, then visit the store to touch and examine the product, and engage with it on a more physical and even emotional level. Then they will return to the web for further price comparison, then order it online or by phone for local pick-up or delivery, and expect to be told when the delivery will happen.

Get all the facts, figures & practical help you need...

Find out about the principles, practicalities, measurement, analysis, and bottom-line effects of customer loyalty, and gain expert guidance from dozens of loyalty marketing thought-leaders worldwide. Find out how to gather and use customer data to increase customer profitability, reduce churn, and to monitor and increase customer frequency, spending, and share of wallet. Most importantly, find out where competitors are succeeding or failing, and why.

The complete executive summary, table of contents, downloadable samples, pricing and ordering information are all online at http://www.theloyaltyguide.com

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The right message at the right time

Most customers don't want to hear from your firm all of the time. If you bombard them with frequent promotional messages, you're probably generating more resentment than revenue.
There are of course times when customers do want to hear from you and if you don't contact them at those moments, you risk losing them.

How to know when?

Dialogue marketing **is** a database technology that enables you to "listen" to customers' needs and respond with just the right message, at just the right time, and through just the right channel (e-mail, phone call, Web offer).

Dialogue marketing uses four types of increasingly sophisticated dialogs:

Foundation dialogs manage the customer life cycle. They include new-customer promotions, service follow-ups, and win-backs for defected customers.

Level I dialogs attract bargain-minded customers. They include invitations to special marketing events, announcements of newly arrived goods, and advance notice of markdowns.

Level II dialogs deepen customer loyalty.
Level III dialogs consist of on-site interactions. For example, customers key their identities into smart shopping carts, then receive personalised messages on screens scattered around the store.

To develop a dialogue marketing system:

1. Identify communications you make with customers in a batch fashion--for instance, product catalogues or promotional coupons.

2. Ask what events could trigger those communications to make them timely, such as a change-of-address request or an ominous absence.

3. Prepare a distinct message for each customer situation. For example, customers submitting a change of address could receive a promotional offer for a product that would be useful to someone who has just made a household move.

4. Increase customer involvement by adding a call to action to each message. For instance, a retailer sending a postcard announcing a designer trunk show asks the customer to indicate whether she will attend and, if she plans to attend, whether she would like to try on samples in her size (which the dialogue marketing system already knows).

5. Prepare a message for each possible customer response to your previous message. For example, create a series of increasingly urgent messages--such as reminder e-mails or phone calls from a salesperson--when calls to action go unanswered.

From an article by Kirthi Kalyanam, Monte Zweben - Harvard Business Review Article Nov 2005
Purchase the full-length Harvard Business Review article here.

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Retailer's loyalty data provides clustered insights

In the US, Stop & Shop has expanded its use of the Loyalty Analytics Assortment Planner solution from Information Resources Inc (IRI) to help create more customer-centric product assortments in both Stop & Shop and Giant Food stores, using store clusters based on customer loyalty programme data.

The integration of data sources such as loyalty card data, POS data, and space planning data aims to encourage organic growth through more appropriate product assortments in each store, and to reduce out-of-stocks through more effective...
www.thewise marketer.com.news

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Good ideas - IKEA builds nap hotel

IKEA now offers fatigued Stockholm shoppers respite by having installed a Sovhotell (sleep hotel) in one of the city's downtown shopping centres. After checking in at Sovhotell's front desk, guests were asked whether they normally sleep on their stomach, side or back, and were given a pillow to suit their personal sleeping style. In addition to single and double beds, the Sovhotell also featured a bridal suite.

Guests were welcome to snooze for 15 minutes, and were given eye masks and headphones with soothing soundscapes to help them benefit from their sponsored power naps. According to IKEA, inspiration for the Sovhotell came from Japanese capsule hotels and from the fact that the shoppers in its own stores are occasionally found napping in the bedroom section.
A great example of the tryvertising trend: marketing a product by letting customers try it out in a relevant setting, without pressuring them to buy.
Website: www.ikea.com
springwise.com

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Premier Investments plans to become a major retail force in Europe

Aussie retail magnate Solomon Lew has unveiled plans to turn his holding company, Premier Investments, into a major force in the retail sector with the next stage of his plans to acquire the Just Group.

Mr Lew has revealed plans to turn Premier into a retailing powerhouse with bolt-on companies in the logistics, wholesale and retail property sectors.

If successful in taking control of Just, Mr Lew is also considering expanding the Just Jeans brand into the highly lucrative European markets.

"Premier's intention is to be in the retail business, the distribution business, the wholesale business and the retail property business are the areas we will be concentrating on and this may also include bringing new, successful international brands to Australia and park them in either Premier or Just."

The Lew family is already involved with a number of retail brands such as Nine West and also holds the exclusive rights to bring European fashion giant Zara into Australia.

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Good ideas - Baby concierge service with an eco twist

Babyplanners, a UK firm that helps parents-to-be prepare for the arrival of their first baby. Oregon (USA)-based Itsabelly provides similar services but with an eco twist.

Launched last year, Itsabelly offers personalised plans that can include whatever services an expecting couple needs, such as identifying the best baby items to buy or request as gifts; help finding a good doula, midwife, birthing centre or prenatal yoga classes; guidance on baby-proofing at home; maternity clothes shopping consultation; private cooking classes focused on making homemade baby food; and assistance designing and decorating the baby's nursery. For families interested in taking a green approach to raising their children, Itsabelly can also help choose baby products that are eco-friendly and made from natural products—the Itsabelly Boutique has collected a range of organic and natural products from a variety of manufacturers. Itsabelly offers a complimentary consultation to discuss expectant parents' current situation and lifestyle needs, while the Itsabelly VIP Hotline offers clients unlimited consultation via phone or email. Pricing for Itsabelly's services can be by the package or a la carte.

Itsabelly currently serves families in the Portland and San Francisco Bay areas—which leaves how many other markets still to be tapped...? To make it easy, Itsabelly offers a Baby Concierge in a Box Kit to help entrepreneurs launch their own services. One to bring to your neck of the woods!
Website: www.itsa-belly.com
springwise.com

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Marketer offers his clients points toward yacht cruises

Clients of the US-based marketing services and coaching franchise Business Partner can now earn points toward a pleasure cruise on the Ultra Violet (company owner Bruce Violette's 43-foot Silverton Motor Yacht in the Three Rivers area of Pittsburgh, PA). Business Partner, one of a family of brands owned by FranchisEsource Brands International, currently operates 11 business units offering business marketing communications.

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A shift to gift cards

Australia's spending habits are changing, with consumers moving away from traditional gifting sources and towards the emerging concept of gift cards according to a survey by Blackhawk Network.

The survey has revealed 80 per cent of consumers have received a gift card in the past year and nearly 70 per cent have purchased at least one. Of these shoppers, 84 per cent have bought three or more cards following their first purchase.

This growth is having a considerable impact on retail sales - with 82 per cent of consumers stating they would make a purchase above the limit of their gift card, using other forms of payment at point of sale.
From Smarthouse.

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Defeating feature fatigue

Are you adding features upon features to your products to boost revenues? If so, you're probably endangering your brands--and your customer relationships. Why? Consumers *think* they want feature-loaded offerings when they're shopping. But once they start *using* their purchase, they suffer **feature fatigue:** they become overwhelmed by the product's complexity and annoyed by features they realise they don't want or need. Their response? Return the item, take their business elsewhere, and complain about your company to other consumers.

How to avoid inflicting feature fatigue on your customers? Start by taking stock of the complexity your company has built into its products. Assess the toll that complexity is taking on your customers and your profitability. Design products with just enough features to stimulate sales and ensure they're easy to use once customers bring them home. Instead of offering complex products that try to do everything for all customers, provide a variety of simpler products, each tailored to a particular customer segment.

Combat feature fatigue, and you score valuable results: brisk sales, delighted customers, strong brands--and enduring profitability.

Assess Complexity's Costs
Take a hard look at the level of complexity in your company's offerings and the difficulties it creates for you and your customers.

Balance Initial Sales Against Ease of Use

Use analytical tools to identify the optimal number of features for your products. Steer away from the extremes: too few features to capture initial sales or too many features to ensure ease of use. Aim instead for a middle ground that balances the sales benefits of adding features against the customer equity costs of feature fatigue.

Build Simpler Products
Offer a wider assortment of simpler products targeted to narrower customer segments.

Help Consumers Decide
Offering more narrowly targeted products makes consumers' decisions harder, forcing them to think about which features they actually need. Help them by providing recommendation agents who interview them about their requirements. And offer extended product trials.

Design Products that Do One Thing Very Well
Products that perform their central task admirably capture their owners' hearts.

Use Prototypes and Product-In-Use Research
When market researchers ask consumers to evaluate products they haven't actually used, consumers base their assessments only on product features, without considering whether a product is easy to use. To help consumers give usability its proper weight, design research that lets them experiment with product prototypes.

Key ideas from the Harvard Business Review article by Roland T. Rust, Debora Viana Thompson, Rebecca W. Hamilton
Purchase the full-length Harvard Business Review article here.

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Retailers attract shoppers with web 2.0

A survey of 1,000 online shoppers from firms Guidance and Synovate found 60% were attracted to retailers that used Web 2.0 on their sites. Consumer product recommendations were a top draw, particularly among people ages 18 to 24.
From Internet Retailer
Online chat is being used at some retail and telecom Web sites, but the feature is not leading to sales because of poor placement. According to a recent survey, less than half of the sites assessed placed chats on product pages, and 88% put chats on the lesser-used customer-service pages.
From eMarketer

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Activism site ensures participation

Few things are more frustrating to those trying to effect social change than an effort that fails simply for lack of participation. The Point is a new activism site that avoids that problem by giving planners a way to organise fundraisers, rallies, boycotts and other events so that they occur only once enough people have promised to join in.

To do this, The Point takes the notion of the tipping point—that point at which group action will produce a clear result and inevitable change—and applies it to organising group efforts. Those who join a campaign pledge to take specific action—to boycott a company, for example, or donate funds toward a cause—but no one actually acts until the campaign reaches its preset tipping point, or number of pledged participants. When that point is reached, however, the action is triggered and participants make their donations, attend the event or boycott the organisation. The Point can also be used to organise anonymously until a campaign builds to a level that provides safety in numbers and allows people to reveal their identities comfortably.

Andrew Mason, The Point's founder and CEO, explains: “The Point is a new way of thinking about collective action. People need a way to know where their participation adds the most value. That’s what The Point offers—an environment where people are only asked to participate when their action can be combined with others to create a solution.”

There have been efforts in the past that used crowd clout and conditional participation—but The Point takes a generalised approach and facilitates many different types of such efforts in one place.

Based in Chicago, The Point only just launched in late November, but in January it received USD 4.8 million from venture capital firm New Enterprise Associates; eventually, it plans to accept advertising as well. The site recently released an "Ultimatums" application on Facebook, and last month it was named a finalist in the SXSW Annual Web awards. Those in social activism will want to try the site out for their own organising purposes
www.thepoint.com

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Things a service business must get right

Key ideas from the Harvard Business Review article by Frances X. Frei

All successful firms must design a compelling offering and manage the workforce to deliver it at an attractive price. But service firms must do even more: deal with the frustrating fact that their customers can wreak havoc on service quality and costs.
For example, a customer dithering at a fast-food counter slows things down for everyone else waiting in line. An architect's client struggling to clarify how a new facility will be used drags out the design process.
To tackle this challenge, Frei advises aligning four key elements of your business:

- What your service offering consists of
- How you fund the excellence you want to provide
- How you manage employees to deliver quality service
- What you do to help customers enhance--not erode--service

To consistently deliver service excellence, ensure that each of these four elements reinforces the others:

Service Offering
Determine how customers define "excellence" when it comes to your offering: Convenience? Friendliness? Flexible choices? Price? Identify what you'll do to deliver that excellence--and what you won't do.

Funding Mechanism

Think about how you'll pay for the increased cost of the excellence you're seeking to provide through your service offering. Possibilities include:

- Charging the customer.
- Spending now to save later.
- Having customers do the work.

Employee Management
Ensure that your workforce management activities (recruiting, selection, training, job design) empower employees to deliver the excellence embodied in your service offerings.

Customer Management
Articulate which behaviours customers must demonstrate to get the most value from your service. Then design your service specifically to foster those behaviours.
To get customers using the new self-check-in kiosks, airlines ensured that travellers could complete the transactions with far fewer keystrokes than check-in personnel used to need. By contrast, retail stores that offer self-service checkout machines haven't made using those machines easy for shoppers. Moreover, the stores expect shoppers to shoulder responsibility for fraud prevention by weighing bags during checkout. Result? Anxious customers avoid the machines.
Purchase the full-length Harvard Business Review article here.
See more on Strategy and Execution at Harvard Business Online.

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Social tryvertising for busy mothers

Put yourself in your consumer's shoes: you're walking down the supermarket aisles, kids are screaming, time is tight and you've got a long list to get through—is it any wonder you just stick to buying the same things week after week? Now imagine instead that you've had a chance to sample some of the new products out there in a relaxed setting, without any pressure to buy. Chances are, you'll make some new finds that will improve your weekly menu.

Australian Word of Mouth was launched in 2005 in the hopes of helping busy mothers make that second scenario a reality. The company is paid by participating consumer product companies to stimulate conversations about their brands and systematically collect feedback once consumers have tried their products. To do that, it makes presentations by invitation into established social and community groups—churches, school committees, etc.—with information about new products on the supermarket shelves. The presentations are given at no charge, and participants get a chance to try the products out themselves in a relaxed environment. Afterwards, Word of Mouth follows up with a survey to collect their feedback. It also invites participants to continue the conversation online by joining the Word of Mouth Club, which offers competitions, recipes and forums as well as product news; a classified section is coming soon. The result? Word of Mouth meets and stimulates product conversation among more than 200,000 Australian women each year; since the October launch of its Word of Mouth Club, more than 20,000 members have joined.

Word of Mouth currently offers its social tryvertising services just in Australia, but it hopes to expand in the near future, Foster says. The concept isn't entirely new, of course—other buzz marketing agencies have been working this field for years—but as traditional advertising continues to make room for other types of promotion, there's still plenty of room for innovative niche players

Website: www.wordofmouthco.com.au

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Chinese to boycott French brands

Olympic boycotts are a two-way street. Angry Chinese are calling on their countrymen to stop buying products from French companies like Carrefour in retaliation for last week's Olympic torch-relay protests in Paris as well as financial support those companies may have given to Tibetan independence groups

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Nokia uses vending-machine toys as media

Nokia was facing a big challenge from competitors vying for youth preference in Hong Kong.

With the launch of the Nokia N81, the company saw an opportunity to deepen its relationship with the target audience, whose members are attracted to fun gadgets and are easily influenced by friends, celebrities and trendsetting media.

Nokia saw an opportunity to deepen its relationship with its target audience with the launch of the Nokia N81 by putting 'Mega gashapons' in the shape of N81 models in fashionable shopping areas.

The media solution took advantage of a pop-culture phenomenon in Hong Kong: *gashapons*, or small toys sold in vending-machine capsules. "Mega gashapons" in the shape of N81 models were placed in fashionable shopping areas. Mini N81 phone straps were put inside the toys for youths to collect and exchange with friends.

Mall shop owners agreed to display collectible N81 miniatures in their shop windows to help project the "in" product image. Celebrities holding *gashapons* were pictured on the covers of trend-bible magazines, winning over youths as brand advocates.

More than 26,000 *gashapons* left the machines after significant word-of-mouth buzz. Youth preference increased 10% during the launch month.
Cream
Cream is a U.K.-based magazine owned by C Squared Communications aimed at highlighting the best in creative media worldwide.

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Events and Adverts

June

STRATEGIC SUPPLY CHAIN MANAGEMENT FOR FMCG 2008
June 25 - 26, 2008 • Dockside, Sydney, NSW
IQPC's Strategic Supply Chain Management for FMCG 2008 conference.
www.iqpc.com/au/supplychain

BLUE OCEAN – DEVELOPING NEW APPROACHES TO TACKLE COMPETITOR
Master the process of the blue ocean strategy to match the goals to the capabilities of your organisation

16-17 June 2008, Sydney
http://www.marcusevans.com/html/eventdetail.asp?eventID=14024&SectorID=1&divisionID=0

19-20 June 2008, Melbourne
http://www.marcusevans.com/html/eventdetail.asp?eventID=14028&SectorID=1&pageID=0

23-24 June 2008, Auckland
http://www.marcusevans.com/html/eventdetail.asp?eventID=14029&SectorID=1&pageID=0

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July

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Harold Mitchell AO, Chairman, **Mitchell & Partners**

Siimon Reynolds, Co-Founder, **The Photon Group**

Gerrard Smith, Marketing Director, **Pepsi**
Bill Obermeier, Managing Director Brand Advertising & Sponsorship, **Telstra**
Graham Christie, Consumer Marketing Manager, **Vodafone**
Jon Bradshaw, Director of Marketing, **Virgin Mobile**
Letitia Hayes, Experiential Marketing Manager, **Sony**
Karim Temsamani, General Manager, **Google**
Jack Matthews, CEO, **Fairfax Digital**
Tony Faure, CEO, **Ninemsn**
Rohan Lund, CEO, **Yahoo 7**
Ian Stewart, Senior Vice President, **MTV (Asia)**
Gary Hays, Head of Virtual Worlds, **Project Factory**
Ed Smith, CCO, **News Digital Media**
David Whittle, Managing Director, Mark
Rob Belgiovane, Executive Creative Director, BWM
Piers Hogarth-Scott, CEO, Yooster
John Du Vernet, Head of Special Projects, Naked
:: themes ::
Engage or enrage
Advertising in new worlds
What marketers want and how they want it
The Digital Leaders forum
Unleashing the power of brand experience
Monetising social media
Integration, challenge, solution, results
Getting WOM in the mix
Partnerships for success
The mobile marketing advantage
Y speaks, Y we participate
Continual brand repositioning
The power of emotional branding
Redefining consumer engagement models
New Business Models for a Digital World
Get the advantage and avoid the rhetoric to the **questions you have not considered and the answers you need to have.**

Articles

Selecting Good Brand Names

Developing a name for your organisation or value offer product is an important stew in brand building. It's not a process to take lightly, nor is it wise to rush to a decision because letterhead needs to be printed or the website is ready to launch. Here are some tips to help you to develop a successful brand name:

1. Don't just label - make it stand out. The biggest mistake organisations make is being just too focused on being too descriptive with their names. A name should not attempt to simply describe; it should have the ability to suggest the brand essence (the unique characteristics) of your organisation or product. To be effective, a name must have brand equity potential. A name that is narrow does not have the depth or dimension to become an effective brand.

2. Avoid alphabetisation. Names that are composed of initials are meaningless – which is why they are beloved of bureaucrats (No one knows what anything means without them). They also get lost in the clutter and they are costly to explain, support and promote. Jack Trout says in The New Positioning, "A no-name name is the corporate equivalent of a disguise." Unless you are a GE or an IBM with millions to spend on advertising, avoid initials. Real or invented words are many times easier for consumers to remember.

3. Research should not replace savvy decision-making. Market research is a valuable tool to aid decision making in developing a new brand name, however it is just a tool and not a replacement for good savvy and understanding. No one understands your product, your organisation and your positioning better than you do.

4. Don't allow current fads and popularity to determine the name. The most popular name is not necessarily the strongest name for the long-term. Fads fade.

5. If it's too comfortable and doesn't stand out, it's too forgettable too. The most successful names over the long-term are often those that stand out and were perhaps initially the most controversial (think Google, and Yahoo!). When you select a name, you are looking for something to stand out in the marketplace clutter, not add to it. Literal meanings show a lack of creativity.

6. Keep the name brief. One word brands are usually most effective. Lengthy, multiple word names lead to truncation. When people abbreviate your name, you lose control over your brand. There are some examples that break this rule – for example Lolly-Gobble-Bliss-Bombs. It's catchy and fun

7. It's about strategy. Selecting a brand name is an emotionally charged decision. Naming decisions are fraught with politics, turf issues, and individual preferences. Stick to the strategy and do not allow the lowest common denominator solution.

8. Manage the (decision-making) process. It's a process not an instant decision. There are steps to be taken and completed. Determine at the outset what should be done, what objectives need to be met and who the decision makers will be, and then work diligently to keep the decision-making process on track.

9. Be prepared for leaks. It is very difficult to keep a new name a secret. At the beginning of the naming process, prepare your press release and press kit in the event of a leak.

10. Don't expect unanimous support. In the first few weeks following introduction, there is often a lot of discussion and publicity about a new name. Familiarity breeds comfort. As people become more familiar with the name, they will become more comfortable with it.

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Attitude is Everything

Jim Rohn

The process of human change begins within us. We all have tremendous potential. We all desire good results from our efforts. Most of us are willing to work hard and to pay the price that success and happiness demand.

Each of us has the ability to put our unique human potential into action and to acquire a desired result. But the one thing that determines the level of our potential, that produces the intensity of our activity, and that predicts the quality of the result we receive is our attitude.

Attitude determines how much of the future we are allowed to see. It decides the size of our dreams and influences our determination when we are faced with new challenges. No other person on earth has dominion over our attitude. People can affect our attitude by teaching us poor thinking habits or unintentionally misinforming us or providing us with negative sources of influence, but no one can control our attitude unless we voluntarily surrender that control.

No one else "makes us angry." We make ourselves angry when we surrender control of our attitude. What someone else may have done is irrelevant. We choose, not they. They merely put our attitude to a test. If we select a volatile attitude by becoming hostile, angry, jealous or suspicious, then we have failed the test. If we condemn ourselves by believing that we are unworthy, then again, we have failed the test.

If we care at all about ourselves, then we must accept full responsibility for our own feelings. We must learn to guard against those feelings that have the capacity to lead our attitude down the wrong path and to strengthen those feelings that can lead us confidently into a better future.

If we want to receive the rewards the future holds in trust for us, then we must exercise the most important choice given to us as members of the human race by maintaining total dominion over our attitude. Our attitude is an asset, a treasure of great value, which must be protected accordingly. Beware of the vandals and thieves among us who would injure our positive attitude or seek to steal it away.

Having the right attitude is one of the basics that success requires. The combination of a sound personal philosophy and a positive attitude about ourselves and the world around us gives us an inner strength and a firm resolve that influences all the other areas of our existence.

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Closing Deals

What

All presentations, sales contacts, training sessions and meetings should close with a call to action. We need to Ask for the Order to close the deal on what we've been talking about during the session. Often, this key element is overlooked, and we don't include a call to action and ultimately, don't achieve the outcomes we desire.

Why

Audiences, meeting participants and prospects want and need an ending that sounds like an ending, and that provides direction about how to act on the matter they've just bought into.

Many otherwise powerful presentations get no action from the audience just because the presenter doesn't tell them what he/she want them to do.

Sometimes we underestimate the value of simply saying what we want people to do -- a strong close allows you to emotionally motivate your audience to act!

How

Save time for your conclusion so you don't have to speed through it.

Plan the conclusion and call out a section on your 3D Outline. A boring or anticlimactic closing can discount everything you've just said and leave your group with no need or desire for action. Make it as compelling as possible with a sense of urgency.

There are many possible formats to use when asking for the order, but one is the simple "challenge to the group". Use this one when you are proposing something that requires a change from the status quo. You can ask something like, "Do we/you have what it takes to?" If so, let's go!

Benefits

The central benefit of Asking for the Order is that you will be much more likely to achieve your objectives for the session.

If, perchance, you haven't achieved buy-in and in fact the answer is "no", you'll have a much earlier warning than if you wait for several days to then find out that people aren't on-board and other actions are needed.

People like clean and direct closure. It removes ambiguity and provides them an opportunity to take action that provides payback for the time spent in the session.

Action Plan

Work with your team to build a strong close into the plan for your next session. In your closing segment, define next steps. Suggest these in a logical, systematic manner.
"Script" yourself to specifically ask for a decision and make it as compelling as possible with a sense of urgency.

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Brand Reputation Is Priceless

The only way to be successful in a business activity, is by establishing a good reputation, and a brand can help you do that. Your reputation works as your strongest marketer by communicating the relationship you have with people who've done business with you, and your target segment in general.

Good brands stand the test of time. To develop a brand that will last a lifetime, go beyond what you do right now. Think long term. Top brands can rely on their brand equity build on a foundation of customer trust to take them deep into their customer's trust perception and keep them there.

If you establish a place of trust and relevance in prospects' minds, you're already in the door. The more people believe in your brand, the more it will spread throughout your niche market without your pushing. If your brand is clear, distinctive, and easily understood, and expresses a unique, compelling benefit that people believe in, it will bring you all the business you can handle.

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What Do People Like?

In order to succeed in marketing it is vital that we understand some of the thinking and psychology behind the reason why people like things. The following suggestions will help you succeed more often in your dealings with your customers:

1) People always like things that represent value – that is what they perceive they are getting is greater than what they have to invest. This is much more relevant than a simple low price.

2) People want as much quality as they can get for their investment.

3) People like to feel good as often as possible. When you feel good you smile.

4) People like things which they associate with past good feelings, and nostalgia.

5) People like things when they represent the next natural stage in their ongoing relationship with what they want to be.

6) People like things that appeal to (all or some of) their senses.

7) People like things which are a demonstration of their preferred lifestyle and/or of the ideological stance they have taken or which they wish they had.

8) People like things to agree with what their friends and other peer groups expect.

9) People like things because they are already familiar and comfortable with them.

10) People like things because the people they dislike don't like them.

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How to Eliminate "Salesman Voice".

By Geoffrey James

Here's a quick tip that can really increase your ability to move a sale forward, especially if you're new to selling.
Many jobs have a characteristic "voice" — a way of speaking (tonality, rhythm, vocabulary, tempo) that identifies the speaker as a member of that profession. Some obvious examples are:

"Doctor voice." Slightly clipped sentences, which convey authority, sympathy and an undertone of "hurry up, I'm a busy man."
"Preacher voice." Each sentence starts slowly, gets gradually faster and higher pitched until at the very end it pitches down.
"Newscaster voice." A slightly nasal tone, with frequent pauses, especially when… signing off…live…from wherever.
"Radio voice." Everything spoken with exaggerated energy, with words are stretched out as long as possible. Think disc jockey.

There's also a "salesman" voice. It's a bit more difficult to describe, but it's breezy, filled with false excitement, and sounds slightly staged, as if the speaker has rehearsed a script. (Which is sometimes the case, of course.) Every sales pro depicted on television has "salesman voice," because it's a way for an actor to sound like the person they're portraying.
Many real-life sales pros unconsciously talk in "salesman voice" because they've been subliminally cued by years of television and by listening to other sales pros who have it. There's no shame in having it, but it's not helping you sell. On the contrary, it's making selling more difficult. Here's why.

If you've got "salesman voice" — even the smallest tinge of it — you're annoying your customers. What's more, every time you sound "like a salesman," you're communicating that you're only there to sell. Your credibility flies out the window.
What to do? Simple. Set up a tape recorder by your phone and record your voice when you're cold calling. (Don't record the customer, just your own voice.) Play the recording back after you've gotten home for the day. If you've got "salesman voice," you'll hear it immediately — because you've been hearing that "voice" all your life from other sales pros, fictional and real.
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How Pricing Impacts Customer Loyalty

Pricing strategy is a key feature of any business - it plays a major part in customers' perceptions and impressions of the business. Speak to any average consumer and mention the names of some high quality, leading businesses. The chances are high that one of the first words they will use is "expensive". Not "excellent service", "marvellous range" or even "helpful staff". Possibly "Expensive but worth it", or "You get what you pay for", but in the average consumer's mind, price is almost always a key factor.

Differentiating on price - good or bad move?
Let's take a quick look at popular traditional pricing strategies, as well as a new one - Access Pricing - that overcomes many of the challenges that we've have had to deal with in the past. Most pricing strategies clearly appeal to one category of shoppers but not to others. EDLP, for example, would appeal to time-poor/money-poor shoppers who have

little to spend and no time to shop around - it would make sense for them to choose a solid EDLP store and do all their shopping there. Hi-Lo pricing would appeal to cherry pickers - who fall into the time-rich/money-poor category. But Access pricing should appeal to all categories of shoppers - a significant advantage. But what exactly is 'access pricing'? Well, it's a loyalty-based pricing technique that allows a retailer to differentiate prices between regular customers and occasional shoppers in an open, transparent way. It's the ultimately fair tiered pricing system. Customers collect points on their purchases as usual - but throughout the store, key items are priced at two levels: the price that the item would normally sell for, and a very much lower price that's available in exchange for some of the customer's loyalty points.

The four key pricing strategies

There was a time when manufacturers recommended a price for each item, and retailers simply charged that price. Any differentiation then was purely on convenience, ambience, product range and quality of service of the retailer. Let's look at the four key strategies:

Hi-Lo Pricing

In order to introduce another element of differentiation, some retailers started reducing the prices of key products, in order to attract customers into their stores, where they would buy other products as well as the reduced-price products. Hi-Lo pricing was born, and fairly quickly became the norm. The retailer made little profit, or even a loss, on the price-reduced products, but recouped the revenue in the increased sales of other profitable lines. Hi-Lo pricing also introduced an element of excitement into shopping - shoppers felt good when they had bought an exceptional bargain, and this would tend to encourage them to return.

EDLP (Every Day Low Pricing)

to appeal to the more 'no-nonsense' shoppers, and to simplify shopping for the time-poor shopper, other retailers adopted a pricing strategy whereby they charged a fair, but low-as-possible price for all products. While this is thought by some to be boring, it is very successful to this day. To those for whom shopping is a chore to be handled as painlessly and quickly as possible, EDLP is the perfect solution. No need to shop around, no need to clip coupons, no need to waste time, simply buy what you need from the same place every week and know that you're getting a square deal. However, EDLP presents a challenge to the retailer: in the absence of other differentiators any loyalty exhibited is to the prices charged, not to the business. EDLP shoppers will defect to a competitor who begins to charge slightly lower prices.

PUF (Profit Up Front)

Some thirty years ago, Hi-Lo pricing and EDLP were joined in the marketers' armoury by a new weapon: Profit-up-front pricing. PUF pricing is seen in the warehouse club industry (for example, Costco, SAM's, and BJ's) where qualified customers pay for the privilege of buying items at bedrock prices which include extremely low profit margins. Usually, customers buy membership by paying an annual fee in advance. This admits them to the warehouse, where they can buy goods at 'wholesale' prices. The operator can sell goods at these low prices because the revenue from these up-front membership fees account for about half of its pre-tax profits.

Access Pricing

Just lately, a fourth way, called **'Access Pricing'** (brainchild of retail marketing guru Brian Woolf) is making its appearance. Its unique feature is to differentiate prices on basic items between regular customers and occasional shoppers in an open, transparent way. up until now it's been very difficult to offer higher prices for casual customers and lower prices for regular customers within the same retail store, without offending some customers. In countries with a well-developed social conscience (the UK, for example) a policy of better prices for those who spend more can result in quite vociferous negative publicity. "Why should the poor old pensioner pay more than the rich young businessman?" would be a frequent cry. But Access Pricing, using readily available technology and a points-based loyalty card programme now make it possible.

How Access Pricing works
Customers collect points on their purchases, using a seemingly standard points-based loyalty programme. There, the similarity ends. Throughout the store, key items are priced at two levels: the price that the item would normally cost, and a second price, very much lower, but supplemented by some of the buyer's loyalty points. For example, as expected, a product usually priced at US$9.99 could be bought off the shelf for US$9.99. But alternatively, it could be bought for US$3.99 plus 900 of the loyalty points that the customer has already collected. That US$6 discount was earned (at 10 points for US$1 spent) by spending US$90 - not counting bonus points; even then, it's a substantial reward. This means that the customers have control of the prices they pay, and how they spend their loyalty points. For loyalty programme operators this is excellent news: it maintains member interest, and gets customers interacting with the programme on a frequent basis - every time they go shopping.

Apart from retail... where else is access pricing good?
Clearly, food retailers can use access pricing. But many other sectors of business can, too. For example, consider two disparate sectors: airlines and office supply stores. But there are other sectors that could use this same principle: for example, airlines' frequent flyer programs could use access pricing techniques to offer a ticket on any domestic trip for, say, US$100 plus 10,000 miles (instead of 25,000 miles). That would inject much-needed cash into an airline's purse while providing a meaningful reason for travellers to fly on that airline, even if individual flights are not always the lowest priced. And office supply stores could use access pricing, neutralising and even bettering their warehouse club competitors by offering really low prices on key items that warehouse club competitors carry instead of thinly discounting everything else.

This right pricing strategy is critical not only to the business model, but to the target audience, and it's essential to use the right combinations to attract and reward the right customers. And it can be a mistake to think that only one strategy should be employed, too - it's could be an advantage to combine pricing techniques to suit market conditions, as well as customer attitudes and buying motivations.

Get all the facts, figures & practical help you need...
The all-new report 'The Loyalty Guide III' covers all of this in detail, with almost 1,000 pages of solid loyalty marketing data, practice, and theory - everything you need to know in one global report. It explains customer loyalty and engagement, metrics, best practices, concepts, technologies, models and the latest tools and innovations. It's packed with detailed case studies, research, market sises, forecasts, models, charts, illustrations, and materials to support new initiatives, presentations and proposals.
Find out about the principles, practicalities, measurement, analysis, and bottom-line effects of customer loyalty, and gain expert guidance from dozens of loyalty marketing thought-leaders worldwide. Find out how to gather and use customer data to increase customer profitability, reduce churn, and to monitor and increase customer frequency, spending, and share of wallet. Most importantly, find out where competitors are succeeding or failing, and why. The complete executive summary, table of contents, downloadable samples, pricing and ordering info are online now at http://www.theloyaltyguide.com/execsumm

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Service Customer- Provider Interaction

From a service quality point of view, that production and consumption are simultaneous processes is of vital importance. In this way the vital functional quality of the process is perceived. As pointed out earlier, excellent functional quality is a necessity in service competition. The perception of even a very good technical quality of the output of the process is easily destroyed by a bad functional quality impact.

First of all, however, it is essential that the firm knows who its customers in reality are and understands how they make their decisions. It is not enough to have a fair knowledge of the composition of customer segments; more detailed understanding of the individuals that are the customer is required. Therefore, we begin this topic with a brief discussion of who the customers are and how they think.

The Customer as Individual and Group

We are not going to discuss the customer concept, consumer behaviour, or organisational buying behaviour in any detail. Instead, we will discuss a few important issues in connection with the customer concept. First of all, it is important to realise that the customer may appear either as an individual or in the form of a group. For many consumer services, such as a hair stylists, mass transit, and restaurants, the customer is a single person who purchases and consumes the service.

Sometimes, and almost always as far as services to organisations are concerned, the customer is a group of individuals. The service may be purchased by one person, a purchasing agent but actually used or consumed by other persons.

The services and the performance of the organisation should, of course, be geared to the needs, wants, and wishes of the customers. However, if many persons are involved in the role of customer in the relationship between the service provider and buyer, the whole group is the customer. All these actors of the buyer-purchasing agent, users, formal decision maker, and others-together form what is often called a buying centre *in* the literature on organisational buying behaviour. Moreover, every single individual involved in the relationship is, in principle and in reality, equally important. Frequently, the purchasing agent, with whom the salesperson interacts, is considered the customer.

The other persons involved, for example, when the service is used by the buying organisation, are easily considered less important.

For example, when a sales representative from a cleaning company negotiates with a buying firm, he or she most often negotiates with a purchasing agent only. If the potential customer is a smaller firm, the sales representative may be in contact with an office manager or even the top person. In any case, he or she hears the views of a person who is not involved in using the service of the cleaning firm. There may be internal differences in the buying firm concerning what is needed.

The purchasing agent, however, may not represent all these opinions, and probably not the view of the users. He or she may be more interested in the technical 'functions of the service and in price than in how the cleaning firm functions in reality. The sales representative gets the views and perspectives of the purchasing agent, and gives promises that satisfy that individual. However, when the cleaning firm starts to operate the assignment, the users of the service in the offices or in the factories or service locations may be discontented with what the cleaning firm is doing. They perhaps feel that the firm functions in a less appealing way, or they may be dissatisfied with the technical specifications of the service, or they perhaps would like the firm to pay more for a higher level of cleaning service. For one reason or another, the service is considered less good. This opinion eventually spreads to the decision maker and the purchasing agent. The customer is a group, although the salesperson perhaps does not meet anyone other than the purchasing agent.

Those providing the service will be in contact with many more representatives of the buyer, and they, too, have an impact on the future purchasing and usage behaviour of the customer.

Viewing the customer too narrowly may turn out to be a serious mistake. The users of the service are the persons who perceive the quality of the services. If they are not satisfied with what they get, the whole group, including the purchasing agent, may eventually become discontented with the service provider. If and when this happens, it will be difficult, probably impossible, for the salesperson to keep the customer relationship alive. The customer will be lost. And replacing a lost customer with a new customer is almost always more expensive than reselling and cross-selling to existing customers. According to some anecdotal evidence, marketing to a new, potential customer may be six times or more as expensive than marketing to an existing customer. And getting an unsatisfied ex-customer back may cost up to 25 times as much, and sometimes much more.

Needs, Wishes, and Expectations

What makes a given customer want a certain type of service? And what makes the customer purchase it from a certain service provider? The reactions of customers are based on their expectations, but these are a function of a whole range of internal and external factors.

The needs of a customer form a basic factor, which at least directs expectations toward a certain type of solution. An organisation may form its needs in a somewhat more complicated way than a single customer or a household. In principle, however, it is the same kind of phenomenon, that is, some sort of a problem that requires a solution. This solution may be solved in a number of ways.

For example, house cleaning can be managed by buying proper equipment and by a do-it-yourself approach. Or one can take care of it by purchasing the service. In both cases there are a number of options available in relation to what to buy, and where to buy the necessary equipment or the service.

It is, however, essential to realise that needs alone do not determine what kind of, say, service a person looks for. The needs determine in a way what the potential customer wants, and many service providers can usually produce an acceptable solution in this respect. In addition, customers also have certain wishes in relation to how they want the service provider to treat them. This normally narrows the scope of options available. For example, almost any retailing bank can provide an individual with the services he or she may need, but not every bank manages to treat customers in a fashion they are pleased with. (Compare the technical and functional dimensions of customer perceived service quality introduced in topic2.) To sum up, both the *needs,* which mainly determine what customers are looking for, and the *wishes* in relation to how they want the service provider to perform are of vital importance in the development of customer expectations.

Expectations, however, are also formed by external factors. For example, what family acquaintances and business associates say about a given service provider, word-of-mouth communication, has an impact on the formation of the expectations. This is often of great importance. Moreover, the market communication activities, such as personal selling and advertising campaigns, influence expectations. Finally, corporate and local image influences expectations as well.

Customer Segments and Target Groups

Customers have differing needs and/or wishes concerning how they want to be treated. An organisation can, therefore, very seldom satisfy the needs of every potential customer in a similar manner. It should not try to solve everyone's problems. Customers have to be divided into segments which are homogeneous and which are sufficiently different from each other. One or a few such segments are then chosen as target groups of customers. In service contexts it is often difficult to satisfy target groups of customers with too different needs and wishes. Because customers frequently meet and interact with each other, they influence fellow customers' perception of the service. For example, a family having a picnic on a Saturday afternoon in the park does not mix very well with a bunch of beer drinkers. If the firm goes for segments that are different from each other, it is normally a good idea to keep them apart. Finally, it should be noticed that a Service Production System in and of itself normally cannot take care of the tasks of satisfying too-diverse needs and wishes. This follows from the fact that services are complicated phenomena and service production is a complicated task.

Relating the Service Package to the Consumption Process

Having discussed the nature and driving forces of customers in the previous sections, we now turn to the issue of how the customer and the consumption process can be incorporated into the service production process. Doing this is of utmost importance because of the nature of services and the inseparability of large and critical parts of production and consumption. To analyse the service consumption process in a systematic manner, one can use the conceptualization suggested by Lehtinen (1983 and 1986). Following Lehtinen, the consumption process can be divided into three phases:

1. The Joining phase

2. The intensive consumption phase

3. The detachment phase

The joining phase is the first stage of the consumption process, where the customer gets in touch with the service provider in order to buy and consume a core service, for example, elevator maintenance. In this phase mainly facilitating services are required, for example, telephone contact to the elevator maintenance firm in order to get hold of a service technician. Some supporting services may sometimes be used, for example, a toll-free number or an easy-to-use telephone directory which makes it easy for the customer to know where to call.

The intensive consumption phase, or just consumption phase, is the main stage of the total service consumption process. In this phase the needs of the customer have to be satisfied, or his or her problem has to be solved.

Hence, the core service or services are consumed at this stage. For example, the elevator is serviced. Furthermore, there may be some facilitating services, for example, a shelter surrounding the work space, and supporting services, for example, instructions to persons normally using the elevator directing them to the stairs and telling them when the Job is expected to be finished. In the detachment phase the customer leaves the Service Production System. This often requires some facilitating services, for example, the service technician fills in a report and hands it over to the janitor or another representative of the customer. Supporting services may be used here, too.

The Service Production System

The Service Production System can be used for analysing and planning service production. In the figure the various quality generating resources are combined in a systematic way. The large central square illustrates the service-producing organisation from the customer's point of view. From the producer's point of view there may be several functions or departments involved, but the customer sees it as one integrated system. The customer is located inside the square because, in fact, he or she is a resource engaged in service production. Yet, "most service organisations are managed with an operating bias that treats the customer as being isolated from the organisations core technology, and as only a consumer rather than a co-producer of the organisation's output" (Tansik 1988, p. 1). This, of course, is due to a manufacturing-oriented view of the role of the customer (see Chase 1988 and Normann 1984). Customers are not distant and totally outside the organisation as they are in a mass-manufacturing context. Instead, they interact with other parts of it.

The line of visibility, to use the concept introduced by Shostack (1984 and 1987), divides the part of the organisation that is visible to customers from the part that is invisible. To the right, outside the main square, the means of influencing the expectations of customers are illustrated, such as their needs and wishes, their previous experiences, corporate and local image, word-of-mouth, external market communication, and also absence of communication.

To the left of the square are the business mission and the corresponding service concepts, which like umbrellas should guide planning and managing the Service Production System. At the bottom of the main square is the corporate culture that is, the norms and shared values that determine what people in the organisation think and appreciate. The culture is always present. Sometimes it has a substantial impact on the employees, sometimes it is more vague. If the culture Is not service oriented, it creates problems for an organisation providing services.

The Interactive Part
In immediate contact with customers is the visible or interactive part of the Service Production System (see Figure 2). It consists of customers and the rest of the quality-generating resources which the customers interact with directly. These are the direct buyer-seller interactions where the moments of truth take place. The quality-generating resources in the interactive part
are:

- Customers involved in the process;
- Contact persons;
- Systems and operational routines; and
- Physical resources and equipment

Customers are directly involved in the Service Production System as a quality-generating resource. Because of the nature of service production and just passive consumers. At the same time they consume the service, they also take part in production of that service in an active way; sometimes more as when getting a hairdo or having a three-course dinner at a gourmet restaurant, sometimes less as when using a freight forwarder's service. In some cases customers interact with a large Service Production System when staying at a hotel, whereas in other situations they are in touch with only a limited subsystem, as when operating an automatic teller machine. Irrespective of the nature of the situation, customers, however, actively take part in the Service Production System.

Employees directly interacting with customers are called contact persons or contact employees. Sometimes other concepts such as customer contact employees, service employees, or frontline personnel are used. Anyone can be a contact person, irrespective of which position or job he or she may have in the hierarchy. The interactions that take place may be face-to-face contacts or interactions over the telephone or even by telex, telefax, or letter. A manager or supervisor may also be a contact person if direct customer contacts, on a regular or irregular basis, are part of his or her job. Frequently, the contact personnel is the most crucial resource for a service provider. Systems, technology, and physical resources are a valuable support, but most service organisations depend more on its contact persons than on other resources. The contact persons are in a position to recognise the wishes and demands of customers in the moments of truth by watching, asking questions, and responding to the customers' behaviour. Furthermore, they are able to instantly follow-up on the quality of the service rendered and undertake corrective actions as soon as a problem occurs and is observed.

Systems and routines consist of all operational and administrative systems as well as work routines of the organisation. Queuing systems, how to cash a check in a bank, or how to operate a vending machine are examples of such systems. In fact, there are a vast number of systems and routines that influence the way of consuming the service and performing various tasks. The systems can be more or less service oriented. A complicated document which customers are supposed to fill in forms a system that is not service oriented. This normally means that the perceived service quality is less good than it otherwise would be. A manufacturer of goods has a range of such systems, which may be performed as administrative tasks without taking the customer into account, or turned into service-oriented procedures. Such systems are, for example, research and developme nt, installation of machines and equipment, deliveries, customer training, quality control at the customer's premises, claims handling, billing, or telephone receptionist's services.

The various systems and routines have an impact on service quality which is twofold. First of all, they directly influence the quality perception of customers, because customers have to interact with the systems. If they feel comfortable with a certain system, it is probably service oriented. If, on the other hand, they feel that they are forced to adjust to a system, it is not as it should be. Quality is destroyed or at least damaged by the system. Second, the systems and routines have an internal impact on employees. If a certain system is considered old-fashioned, complicated, or in some way not service oriented, the employees who will have to live with the system will get frustrated. This, of course, influences motivation in a negative way.

Physical resources and equipment (which in the service strategy model in topic8 were grouped together with operational and administrative systems) include all kinds of resources used in the Service Production System. Computers, documents, and tools belong to this category. Some of these physical resources are a prerequisite for a good technical quality of the output. They influence, however, the functional quality as well, because customers may find it more or less easy to use them in self-service tasks and they give a favourable or less favourable impression on customers.

Other physical resources have an impact on functional quality only. The interior of waiting rooms is an example of such physical resources. Physical resources and equipment used in the service process have an internal effect on employees similar to that of the systems. Contact persons, systems, and physical resources form an integral, visible Service Production System in the minds of the customers. Every single part has to match the total system, including the customers.

The Impact of the Support Part

Behind the interactive part, where the customer directly encounters the service organisation, there is the line of visibility. Customers seldom see what is going on behind this line, and they often do not realise the importance of the service production that takes place there. This causes at least two types of problems for the service provider. First of all, what takes place behind the line is not always appreciated as much as it should be by customers. Because of this fact, customers do not realise how much the service production there contributes to service quality. Irrespective of whether good quality, especially good technical quality, is produced in these back-office areas, customers probably perceive a bad service quality if the interactive part adds mediocre or worse quality. What often happens is that good technical quality produced behind the line of visibility is damaged by bad functional quality produced in the service production process in front of the line.

Second, customers may not understand why a given service has a certain price, because they do not realise how much is done behind the line. It may be difficult to explain why the price Is so high, although the visible service production process seems uncomplicated and therefore in the minds of customers should not justify the real cost and price level.

Components of the Service Production System Behind the Line of Visibility

What happens in the supporting and totally invisible parts of the organisation has an impact on what can be accomplished by the interactive part. This support is sometimes a major prerequisite for good service. There are three kinds of support to the interactive service production

- Management support;
- Physical support; and
- Systems support

The most important type of support is the management support which every single manager and supervisor provides their subordinates within their everyday 'ob as managers and leaders.

Managers and supervisors maintain the culture, and if the firm wishes to be characterised by a service culture, they will have to keep up the spirit and support the norms and values of such a culture. They are responsible for the shared values and ways of thinking and performing in their work groups and departments. If employees are to be expected to keep up service-oriented attitudes and behaviours continuously, the manager is the key to success. The manager is the leader of the troops. If the boss does not provide subordinates with good examples, and if he or she is not capable of encouraging them to be service minded and customer conscious, the organisation's interest in its customers and in giving good service will decrease. From this follows deteriorating functional quality of the service production process and perhaps even difficulties in maintaining the technical quality of the outcome of the process.

Contact persons often have to rely on physical support provided by functions and departments invisible to the customers. These support persons or support employees will have to consider contact persons their internal customers (see Topic8). In the supporting part there may be a range of support functions, for example, behind each other. Support persons have to be treated as internal customers by support functions further behind in the Service Production System. Internal customers have to be treated equally as well as external customers. The internal service has to be as good as the service to ultimate customers is supposed to be, otherwise the perceived service quality will be damaged. Information from registers of some sort, processing checks in the back offices of banks, loading trucks in warehouses, and decisions necessary to execute a service are examples of physical support.

The third type of support is systems support. This is of a somewhat different nature. The investments in technology, for example, computer systems, buildings, offices, vehicles, tools, equipment, and documents, form the systems support from behind the line of visibility. If the organisation invests in a computer system which does not permit prompt answers to customers' questions or rapid decision making, the Service Production System lacks a good systems support. If a contact person is forced to deny a customer good service because of existing management regulations, there may be another type of inadequate system support-rules and regulations that are too rigid.

There is also another kind of systems support. The knowledge employees have of operating various systems can be called systems knowhow. The organisation must also invest in employees who know how to operate and make use of the systems and technology.

Behind the support part is the totally invisible *part* of the organisation. This part is in a way outside the Service Production System. It consists of functions that do not influence the service offering and service quality either directly or indirectly. Internal bookkeeping is an example. Frequently, an analysis of the organisation shows that there are surprisingly few parts that are truly totally invisible in this respect.

The Service Production System in a Network of Systems

In the previous sections the Service Production System has been viewed as one single organisational unit. This is, of course, not always the case. Frequently a total system is built up through a network of separate Service Production Systems. This, in the minds of customers, is normally perceived as one Service Production System.

For example, a hotel chain may have a hotel reservation system of its own, which is geographically located apart from the hotels. The customers who make their reservations themselves through this system at one point in time and stay at a hotel at a later date do judge the two Service Production Systems (the reservation system and the hotel's production system) separately, but they also view the reservation system as a part of the hotel's system. If the reservation system fails, the customer will not make a reservation at the hotel, and consequently, the total Service Production System (reservation and hotel together) fails. In principle, the same holds true if the customer makes his or her reservation through a travel agent not affiliated with the hotel chain. From a management point of view, it will probably be more complicated to manage the total Service Production System, since the other system of this network, reservation through an independent travel agent, is an independently managed organisation.

Often the situation becomes even more complicated because the relationships between the parties in a network are often mutual. In the previous case, the hotel's Service Production System depends on that of the travel agent. But the Service Production System of the latter depends just as much on that of the hotel. If the travel agent directs a customer to a hotel that turns out to be less than satisfactory, the customer will blame not only the hotel but also the travel agent. In this situation the hotel can be considered a subcontractor of the hotel. However, they are both part of a network that consists of the Service Production Systems of both parties, and the customer will judge not only the systems of the two parties separately, but the total Service Production System of the network.

In manufacturing, firms often use various types of subcontractors to carry out service activities. For example, independent delivery firms take care of transportation of goods to customers, and independent firms are used to handle installation, technical service and repair, and customer training. In these situations similar networks emerge, where the manufacturer is often judged by the performance of the Service Production Systems of its subcontractors.

From a management point of view, it is essential, often crucial, to observe the existence of these networks of independent or affiliated Service Production Systems, and to realise the impact of one system on the other and on the success of the total system. For example, bad performance by one party, say an insurance broker, in the network may hurt, or even destroy, the other party, in this case the insurance company. On the other hand, an excellent service quality provided by a subcontractor in the network, say, by a delivery and transportation firm, may substantially enhance the image of the manufacturer in the minds of its customers.

Analysing and Planning the Service Production System

A large part of the organisation is involved in service production in one way or the other. When analysing the Service Production System, the first task is to identify the interaction resources *as* well as the various kinds of *support* required from behind the line of visibility. A major mistake is to consider too much of the support part as totally invisible to customers. In fact, most of the organisation is involved in the system and in producing service quality.

Next, the quality-generating resources and the support should be geared to the phases of the service consumption process. To this end, a Service Production/Consumption Scheme (Gronroos 1987c) is developed. This scheme consists of all customer contacts, the components of the basic service package, and all resources in the interactive and support parts. The Production/Consumption Scheme is developed in two steps. The first step includes an identification of customer contacts and the moments of truth, as well as core, facilitating, and supporting services during the service consumption process. It is essential that every customer contact and all activities that form the components of the service package are observed.

Diagnosis, treatment, and perhaps information about further actions form the core service, whereas dental care information and listening to music are supporting services. The components of the Joining and detachment phases are either facilitating services (registration and payment) or supporting services (reading magazines). The other components of the package will be analysed in a similar manner.

When the two steps of the Service Production/Consumption Scheme are accomplished, what follows is the issue of *how* the quality-generating resources involved have to be used so that a desired total service quality is produced. The *accessibility* of the basic package, the interactions between customers and the organisation, and the customer participation impact have to be planned. When this has been accomplished, an Augmented Service Offering emerges.

Fitting the Performance of the Quality-Generating Resources to the Service Consumption Process

The quality-generating resources, that is, personnel, systems including physical resources, and customers, have to be carefully planned so that the emerging buyer-seller interactions produce a competitive functional quality. If this is achieved, an excellent interactive marketing impact is created as well.

The model demonstrates the need for achieving a fit between the resources involved (see Lehtinen 1983). As we look at the buyer-seller interface and its moments of truth, contact personnel emerges as one critical resource. Every contact person has a specific way of performing, which can be called style of performance. For example, the dental receptionist and the dentist have their own way of doing and saying things and of performing their tasks. This style is, of course, partly due to their professional skills, but partly also due to their attitudes toward the patients.

This style of performance has to be geared to the corresponding style of consuming of the customers, the dentist's patients. If there is a misfit between these two styles, the perceived service quality will probably be damaged. Since many different customers are frequently present at the same time, their styles of consuming must fit as well. For example, a nervous patient in the waiting room may scare other people waiting to see the dentist. In a restaurant beer drinkers and a family having lunch may not get along very well in the same place. The perceived service quality deteriorates.

Furthermore, the systems and physical resources used in the service production process will have to fit the style of performance of contact persons as well as the style of consuming of customers. Inappropriate systems make it unnecessarily complicated and maybe even frustrating for contact persons to do their job.

Moreover, if there is a misfit between the systems and the customers style of consuming, they will not want to adjust to the systems or they will find it awkward to take part in the process. The perceived service quality is again damaged. For example, the treatment procedures and the equipment of the dentist, as well as registration and recall systems and waiting room facilities, have to fit the dentist and the other contact persons as well as the patient. The circles "Service A" and "Service B" indicate that Customers A and B may perceive slightly different services, irrespective of whether the basic service package is the same or not. In conclusion, the availability of quality-generating resources as such does not automatically lead to good customer perceived service quality. Sufficient and properly designed resources are a prerequisite, whereas the fit between them determines success. As de Brentani (1989) in a study of the development of new industrial services concludes: "The findings show, however, that it is not the basic character of the interface (with customers)-that is, its extent or whether it is equipment- or personnel based-but the perceived quality of the customer experience that makes some new services winners while others fall".

The same goes for internal customers as well. The style of performance of supporting persons will have to match the style of consuming of contact persons as internal customers. If there is a misfit, the internal climate will suffer and the contact persons will feel that they get bad support, that is, insufficient internal service, from the support function. Moreover, the systems and physical resources of the support function will have to fit into the process in a similar manner.

The Blueprinting Model

An engineering type of approach to developing the Service Production System has been proposed by Shostack (see, for example, Shostack 1984 and 1987). According to this *service blueprinting model,* every task needed to perform a service and the relation between the tasks involved in the process are drawn on a blueprint chart. A blueprint should thus document all steps and points of divergence in a given service. This should be carried out on the level of detail needed for the specific purpose. Especially, the difference between the focused service and competing services should be detected from the blueprint. From the service blueprint it is possible to analyse how changes in the use of resources will affect the service process and its outcome (Shostack 1987). The blueprint should also reveal fail points where mistakes may happen and perceived quality may be damaged, so that precaution can be taken in the planning process. More detailed information about service blueprinting can be found in publications by Shostack (1984 and 1987).

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Managing Customer-Perceived Service Quality

We are going to discuss issues related to why it is profitable to pay attention to service quality, how quality and productivity interact, and how Perceived Service Quality can be managed. Two models of analysing and managing service quality are presented and discussed: the Gap Analysis Model and the Gronroos-Gummesson Quality Model.

Why Bother about Service Quality?

Recently the word "quality" has come into the everyday vocabulary of management. The need for quality goods and services and for quality improvements is mentioned so often that quality has almost become a buzzword, which easily loses its meaning. There is too much talking about quality and not enough real efforts to do something to make quality a source of competitive advantage. Nevertheless, quality is a major issue today. As Tom Peters (1988b) observes:

Every day brings new reports of lousy American product or service quality, vis-@-vis our foremost overseas competitors. The news of buyers rejecting our products pours in from Des Moines; Miami; Santa Clara County, California; Budapest; Zurich; and even Beijing. Industry after industry are under attack-old manufacturers and new, as well as the great hope of the future, the service industry. Changing on an unimagined scale is a must, and islands of good news-those responding with alacrity-are available for our inspection. But it is becoming increasingly clear that the response is not coming fast enough. (p. 103)

Robert E. Allen, Chairman of AT&T in a paid advertisement in Fortune (September 26, 1988) stated that ". . . I can't think of a business problem, issue, or priority that is unaffected by the quality trust. Quality does it all. It saves. It sells. It satisfies [emphasis by the author]."

Developing quality is clearly a means of achieving excellence and establishing a competitive edge.

Quality of services stands out for a number of reasons; as Evaart Gummesson (1989b) observes:

· Service organisations lag behind manufacturers in systematic quality efforts;

· Customers over a wide range of industries show a considerable dissatisfaction with service quality;

- In the public sector, where service originally was meant to be a key element, bureaucracy and other non-service elements have taken over; and

- Firms manufacturing physical goods are in need of new means of differentiating themselves and developing a competitive edge, and services are a source of opportunity to do this.

It is easy to realise that service quality and how to manage quality in service contexts are pivotal issues in today's service economy. There are, of course, firms that have successfully worked with these issues, but as Gummesson (1989b) concludes, ". . . there has been a lack of widespread focus on services" (p. 83). However, this is changing now, as service management (and service quality as part of it) has established itself as a recognised field.

Why Managers Hesitate

However, managers often feel uncomfortable with the demands for better quality. They feel that improved quality, in the final analysis, does not pay off. Two related reasons why the firm cannot improve its quality are normally offered, namely, improving quality costs too much, more than what can be achieved in additional revenues and new business, and improving quality means that productivity will go down, which the organisation cannot afford. As Pickworth (1987) observes: "As managers, we recognise the need to improve quality, and we also realise that we must raise productivity. But it has long been accepted thinking that increases in productivity are likely to come at the expense of quality, and that improvement in quality will increase operating costs. Caught in this apparent dilemma, managers often concentrate on either quality or productivity, but not both" (p. 40). Far too often attention to productivity is given priority, and how to improve quality remains an unsolved problem.

Both of these reasons for why quality cannot be improved are related considerations. To increase quality requires too much resources and incremental costs, and it lowers productivity, which leads to higher costs per unit. Both reasons are wrong, and are based on an insufficient understanding of the relationships between quality and productivity on the one hand and the use of resources and the sources of costs and revenues on the other.

As Leonard and Sasser (1982) say, ... efforts to raise quality almost always result in heightened productivity ... [and] ... efforts to raise productivity usually pay off in better quality' (p. 168). However, they add that in order to achieve positive results, managers will have to develop a new and correct understanding of the relationship between quality and costs (Leonard & Sasser 1982). If managers are able to define this relationship, they are probably able to exploit the strengths of it as far as, among other things, production effectiveness and employee satisfaction and profitability are concerned. The strength of this quality-productivity relationship has been emphasised by Fedele Baucclo, former president of Saga Corporation's specialty foods division, when he coined the phrase "wheel of fortune" to describe this relationship (Pickworth 1987).

Quality Does Not Cost-A Lack of Quality Does

In this section we are going to deal with the misunderstanding related to quality improvement and costs. In the next topic, the relationship between quality and productivity will be discussed.

The notion that high quality implies higher costs is not based on facts. Normally, it is the other way around. Frequently the more important issue is that it is a lack of quality that costs.

These are facts from manufacturing. However, service organisations are probably no better off. On the contrary, Gummesson (1987a) notes that as much as 35 percent of their operating costs may be caused by a lack of quality. This, of course, follows from the fact that service quality is a much more complicated phenomenon and that, consequently, it is much more difficult to monitor and assure quality in service than in manufacturing. Furthermore, manufacturing has a long history of quality control research and a whole collection of quality monitoring techniques at its service, whereas for more than a decade service quality issues have not been addressed explicitly.

Hence, improving quality by creating customer-oriented and foolproof systems and by training employees to know how to perform is a way, not to increase costs, but to get rid of unnecessary costs of a low quality level or a lack of quality. If we assume that 35 percent of the operating costs are unnecessary, because they are due to bad quality, quality improvement by removing these quality problems would save 35 percent of these costs. All of this would be visible on the bottom line. However, such an improvement would not go unnoticed by the market, and some new business and additional revenues could be expected to be achieved. This would add even more to the bottom line, that is, profits would be boosted by more than 35 percent of original operating costs. Furthermore, if the firm would spend this 35 percent on improving quality even more, the operating costs would remain on the same level as they were originally. This quality improvement process could be expected to bring in more business, and perhaps, even probably, enable the firm to get a better price for its services. The effects on the bottom line are obvious.

Another common reason why managers feel that developing and offering services with 100 percent quality is impossible is their feeling that "we are so special; our industry is so difficult; it is impossible to guarantee customers top quality all the time; it cannot be done." Consequently, the organisation accepts that mistakes happen, and failures are allowed. Psychologically, the battle for excellent performance is over before it even started.

Saying and maybe believing that a particular firm is so special and its services are so complex and difficult to produce that top quality cannot be achieved is only an excuse for not trying hard enough. True enough, hard and long-term efforts may frequently be required, but it is never impossible.

Reasons Why Quality Improvement Processes May Fail

In spite of the obvious benefits of quality improvement, many firms which have implemented quality programs feel that these programs did not pay off. Normally, the problem is in the approach to quality enhancement. If it is considered a program only, if a limited time frame is given to the effort, and it is perceived by everybody in the organisation, top management and all other employees alike, as only a tactical issue, the risk of failure is high. For some managers, quality improvement is, by and large, a matter of time-and-motion studies or investment in machinery or equipment which allows the firm to reduce the labour force. Still, for others, it is mostly a training program, or introducing a new monetary reward system.

While all these elements can be parts of a quality improvement process, as isolated programs they are bound to fall in the long run. The main problem is in the approach. Quality enhancement must not be considered only a program, or even worse a campaign, it has to be an ongoing process. One of the key goals is to enhance what can be called "quality behaviour" among the personnel (King 1984). A continuous appreciation of the importance of quality and an understanding of how to influence good service quality is required of every single individual in the organisation. And such a "quality behaviour" has to be constantly maintained by management. Pickworth (1987) says, ". . . once a quality program is begun, management should plan to stay with it, because letting a quality improvement initiative fall by the wayside can have severe repercussions on management credibility" (p. 42). Quality and hence quality improvement and assurance processes are strategic issues, which require continuous attention by top management.

A Service Quality Management Framework

In this topic we are going to present a general framework for managing service quality, as well as some more explicit models of quality management.

There are three groups of actors involved: A. management, B. employees, and C. customers. On the management level the policies to follow are set. Analyses of market demands and requirements concerning quality and of internal perceptions of quality level and performance among employees are initiated. This knowledge is needed so that quality specifications can be decided upon and internal marketing of such specifications and of desired performance can be implemented

Moreover, external marketing programs are planned on this level, and ex post facto quality control measurements are made.

On the employee level the quality and performance standards are to be met by the way the organisation operates. Employees in various functions perceive the quality specifications and are to a certain extent willing and able to perform according to the specifications . The employees interacting with customers (so-called contact persons) see and feel signals from the market and have the opportunity to immediately and in a flexible manner adjust to customer demands. They are in a position to follow up (analyse) customer demands and wishes as well as to control the quality of the service rendered in the buyer-seller interactions immediately when changes in the initial demand and quality problems occur. At the same time they are, of course, involved in producing and delivering the service .

Finally, on the customer level, it is decided whether the quality is acceptable" or not. Customers expect a certain quality and they also, of course, experience a certain quality (10), depending on what they receive and how they receive it in the interactions with the organisation. The quality is evaluated by the customers, and the result of this evaluation is the total perceived quality, or, if we only look at service operations, the total Perceived Service Quality. This depends not only on how the organisation performs. The impact of external marketing programs (such as advertising campaigns) on customer expectations must be considered as well.

In principle, there are four possible outcomes-underquality, confirmed quality, positively confirmed quality, and overquality. Good quality, of course requires that experiences at least equal expectations, or are higher than expectations. Otherwise the quality expectations of customers are not met. Acceptable quality is always required. However, if the firm wants to make its customers really happy how they should function easily remain totally different, or different enough so that a gap between the expected service and the experienced service emerges. Consequently, customer perceived service quality deteriorates.

However, there are some new approaches to service design today. Service blueprinting introduced by Shostack (1984 and 1987) is the most well known. For example, a whole session of the 1989 Services Marketing Conference arranged by the American Marketing Association in Chicago was dedicated to this approach to designing and developing new services.

Gap Analysis

Berry and his colleagues have developed a so-called Gap Analysis Model, which is intended to be used for analysing sources of quality problems and for helping managers understand how service quality can be improved (Parasuraman et al. 1985 and Zelthaml et al. 1988).

First of all, the model demonstrates how service quality emerges. The upper part of the model includes phenomena related to the customer, the lower part shows phenomena related to the service provider. The expected service is a function of the customer's past experience and personal needs and of word-of-mouth communication. Moreover, it is influenced by the market communication activities of the firm

The experienced service, which in this model is called the perceived service, on the other hand, is the outcome of a series of internal decisions and activities. Management perceptions of customer expectations guide decisions about service quality specifications to be followed by the organisation, when service delivery takes place. The customer, of course, experiences the service delivery and production process as a process-related quality component, and the technical solution received by the process as an outcome-related quality component. As is illustrated, market communication can be expected to influence the perceived service as well as the expected service.

Five discrepancies between the various elements of the basic structure, so-called quality gaps, are illustrated as well. These quality gaps are the result of inconsistencies in the quality management process. The ultimate gap, that is, the gap between expected and perceived (experienced) service (Gap 5), is, of course, a function of the other gaps which may have occurred in the process. The five gaps, their consequences, and the reasons why they occur (Parasuraman et al. 1985 and Zelthaml et al. 1988) are discussed in the next section.

Managing the Quality Gaps

The Management Perception Gap (Gap 1)

This gap means that management perceives the quality expectations inaccurately. This gap is, among other things, due to:

- Inaccurate information from market research and demand analyses;

· Inaccurately interpreted information about expectations;

· Nonexistent demand analysis;

· Bad or nonexistent upward information from the firm's interface with its customers to management; and

· Too many organisational layers which stop or change the pieces of information that may flow upward from those involved in customer contacts.

The cures may be of various nature. If the problems are due to bad management, obviously either a change of management or an improvement in the knowledge of the characteristics of service competition on the part of management is required. Most often, but not always, the latter action is more appropriate, because normally the problems did not occur due to a genuine lack of competence but rather to a lack of knowledge or of appreciation of the nature and demands of service competition among managers.

Part of any cure is always better research, so that the wants and wishes of customers are better observed and appreciated. The information that is obtained through market research and from internal flows of information from the customer interface is perhaps not good enough or only partly appropriate. Necessary actions to open up or improve the various internal information channels have to be taken in such cases. This may even have implications for the organisational structure of the firm.

- Too complicated and/or rigid specifications;

- The employees do not agree with the specifications, as, for instance, good service quality seems to require a different behaviour;

· The specifications are not in line with the existing corporate culture;

· Bad management of service operations;

· Lacking or insufficient internal marketing; and

- Technology and systems do not facilitate performance according to specifications.

The possible problems here are many and varied, and normally the reasons for the existence of a Service Delivery Gap are complicated. There is seldom only one reason, and the cure is, therefore, almost always complicated. The reasons for this gap can be divided roughly into three categories, namely, management and supervision, employee perception of specifications and rules and of customer needs and wishes, and lack of support by technology and systems of operations.

Management and supervision-related problems may be many. For example, the methods of supervisors may not be encouraging to and supportive of quality behaviour. Or the supervisory control systems may be in conflict with good service and even with quality specifications. In any organisation where control and reward systems are decided upon separately from the planning of quality specifications, which far too often is the case, there is an inherent risk for a Service Delivery Gap to occur. And this risk is not small. Too often wrong and nonessential **activities** are controlled, perhaps even rewarded; and activities that contradict quality specifications are encouraged by the control system. They too may even be rewarded. Of course, this puts the employees in an extremely awkward position. Control and reward systems partly determine the corporate culture, although there are other even more important determinants as well, and goals and 'specifications that do not fit the existing culture are not very well executed.

The cure here involves changes in the way managers and supervisors treat their subordinates, and in the way supervisory systems control and reward performance. Moreover, larger issues related to the culture of the firm and internal marketing may have to be attended to.

From what has been discussed above it follows, among other things, that the employees may feel that their role as service providers is ambiguous. We have already mentioned the awkward position in which the performance requirements of the specifications on the one hand and the existing control and reward systems on the other hand are in conflict with each other. Furthermore, an awkward situation for personnel occurs when

* Market communication planning is not integrated with service operations;

· Lacking or insufficient coordination between traditional marketing and operations;

- The organisation falls to perform according to specifications, whereas market communication campaigns follow these specifications; and

· An inherent propensity to exaggerate and, thus, promise too much.

The reasons for the occurrence of a Market Communication Gap can be divided into two categories, namely, planning and executing of external
market communication and operations do not go hand in hand, and an often-occurring inherent propensity to overpromise **in** all advertising and market communication.
In the first case, the cure **is** to create a system that coordinates planning and execution of external market communication campaigns with service operations and delivery. For example, at least every major campaign should be planned in collaboration with those involved in service production and delivery. Two goals can be achieved by this. First, the promises in market communication become more accurate and in conformity with reality. Second, a greater commitment to what is promised in external campaigns can be achieved, which also tends to have the side effect that more can be promised than what otherwise would be the case. The second category of problems, overpromising because of the very nature of market communication where superlatives are far too easily used, can only be coped with by improving planning of market communication. The cure may be better planning procedures, but a closer supervision from management also helps.

The Perceived Service Quality Gap (Gap 5)

This gap means that the perceived or experienced service is not consistent with the expected service. This gap results in:

· Negatively confirmed quality (bad quality) and a quality problem;

· Bad word-of-mouth;
- Negative impact on corporate or local image; and

· Lost business.

The fifth gap may, of course, also be positive, which leads either to a positively confirmed quality or over-quality.

As far as services are concerned, production is a quality source. The technical quality of the outcome is a result of the total production process. A substantial part of this process is, however, visible and seen by the customer, who participates in the process as well. Buyer-seller interactions emerge. Production has an impact on functional quality as well. This goes for manufacturing, too. Here production, of course, determines the technical quality.

However, the customer may occasionally get exposed to the production process. For example, the production facilities and processes may be demonstrated to the customer. The way in which the customer perceives interactions with production, the resources and machinery of production, and the production processes has a functional quality impact. As far as services are concerned, delivery is difficult to distinguish from production in many cases. It is more or less a part of the total production process.

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5 Rules for Coaching Success:

1. Being clear about roles.
A coach supports their executive in planning and achieving their personal goals by informing, questioning, clarifying, challenging, giving feedback, demonstrating, and encouraging. The executive's role is to set the direction. However, rather than accepting a passive ride, the executive must be prepared to be challenged, to work hard. The executive must be an active participant.

2**. Being clear about what executive coaching can do.**
Executive coaching assists executives to achieve their professional goals in an accelerated manner. Coaching helps in designing strategies to address the specific issues in the executive's work.

3. Individual executives will often be understandably reluctant to bare their insecurities to a stranger.
The key to success is securing commitment to the process.

There are two critical aspects to gaining this commitment:

- Ensuring that the outcomes of the process are linked to individual performance targets. The objectives must be worthwhile and personally focused. If they are not, the executive will never find the time to work on them.

- Ensuring that the executive understands the nature of the process and feels comfortable with the style and personality of the coach.

4. Using the program that works best.

The aim is to develop a pragmatic approach to the individual executive's particular issues and challenges, so each program is custom designed in consultation with the executive.

After an initial session, a program is designed with the executive and they are asked to commit to it. Actions are implemented between sessions. Contact and review progress is maintained between sessions via the telephone.

5. Focusing on goal setting, and achievable action.

The focus of executive coaching is to set goals and develop ways of achieving them. Setting realistic, achievable goals and actions is critical.

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Eight Business Technology Trends To Watch

Technology alone is rarely the key to unlocking economic value: companies create real wealth when they combine technology with new ways of doing business. Through our work and research, we have identified eight technology-enabled trends that will help shape businesses and the economy in coming years. These trends fall within three broad areas of business activity: managing relationships, managing capital and assets, and leveraging information in new ways.

Managing Relationships

1. Distributing co-creation

The Internet and related technologies give companies radical new ways to harvest the talents of innovators working outside corporate boundaries. Today, in the high-technology, consumer product, and automotive sectors, among others, companies routinely involve customers, suppliers, small specialist businesses, and independent contractors in the creation of new products. Outsiders offer insights that help shape product development, but companies typically control the innovation process. Technology now allows companies to delegate substantial control to outsiders—cocreation—in essence by outsourcing innovation to business partners that work together in networks. By distributing innovation through the value chain, companies may reduce their costs and usher new products to market faster by eliminating the bottlenecks that come with total control.

Information goods such as software and editorial content are ripe for this kind of decentralised innovation; the Linux operating system, for example, was developed over the Internet by a network of specialists. But companies can also create physical goods in this way. Loncin, a leading Chinese motorcycle manufacturer, sets broad specifications for products and then lets its suppliers work with one another to design the components, make sure everything fits together, and reduce costs. In the past, Loncin didn't make extensive use of information technology to manage the supplier community—an approach reflecting business realities in China and in this specific industrial market. But recent advances in open-standards-based computing (for example, computer-aided-design programs that work well with other kinds of software) are making it easier to cocreate physical goods for more complex value chains in competitive markets.

If this approach to innovation becomes broadly accepted, the impact on companies and industries could be substantial. We estimate, for instance, that in the US economy alone roughly 12 percent of all labour activity could be transformed by more distributed and networked forms of innovation—from reducing the amount of legal and administrative activity that intellectual property involves to restructuring or eliminating some traditional R&D work.

Companies pursuing this trend will have less control over innovation and the intellectual property that goes with it, however. They will also have to compete for the attention and time of the best and most capable contributors.

2. Using consumers as innovators

Consumers also cocreate with companies; the online encyclopedia Wikipedia, for instance, could be viewed as a service or product created by its distributed customers. But the differences between the way companies cocreate with partners, on the one hand, and with customers, on the other, are so marked that the consumer side is really a separate trend. These differences include the nature and range of the interactions, the economics of making them work, and the management challenges associated with them.

As the Internet has evolved—an evolution prompted in part by new Web 2.0 technologies—it has become a more widespread platform for interaction, communication, and activism. Consumers increasingly want to engage online with one another and with organisations of all kinds. Companies can tap this new mood of customer engagement for their economic benefit.

OhmyNews, for instance, is a popular South Korean online newspaper written by upwards of 60,000 contributing “citisen reporters.” It has quickly become one of South Korea’s most influential media outlets, with around 700,000 site visits a day. Another company that goes out of its way to engage customers, the online clothing store Threadless, asks people to submit new designs for T-shirts. Each week, hundreds of participants propose ideas and the community at large votes for its favorites. The top four to six designs are printed on shirts and sold in the store; the winners receive a combination of cash prises and store credit. In September 2007 Threadless opened its first physical retail operation, in Chicago.

Companies that involve customers in design, testing, marketing (such as viral marketing), and the after-sales process get better insights into customer needs and behaviour and may be able to cut the cost of acquiring customers, engender greater loyalty, and speed up development cycles. But a company open to allowing customers to help it innovate must ensure that it isn’t unduly influenced by information gleaned from a vocal minority. It must also be wary of focusing on the immediate rather than longer-range needs of customers and be careful to avoid raising and then failing to meet their expectations.

3. Tapping into a world of talent

As more and more sophisticated work takes place interactively online and new collaboration and communications tools emerge, companies can outsource increasingly specialised aspects of their work and still maintain organisational coherence. Much as technology permits them to decentralise innovation through networks or customers, it also allows them to parcel out more work to specialists, free agents, and talent networks.

Top talent for a range of activities—from finance to marketing and IT to operations—can be found anywhere. The best person for a task may be a free agent in India or an employee of a small company in Italy rather than someone who works for a global business services provider. Software and Internet technologies are making it easier and less costly for companies to integrate and manage the work of an expanding number of outsiders, and this development opens up many contracting options for managers of corporate functions.

The implications of shifting more work to freelancers are interesting. For one thing, new talent-deployment models could emerge. TopCoder, a company that has created a network of software developers, may represent one such model. TopCoder gives organisations that want to have software developed for them access to its talent pool. Customers explain the kind of software they want and offer prises to the developers who do the best job creating it—an approach that costs less than employing experienced engineers. Furthermore, changes in the nature of labour relationships could lead to new pricing models that would shift payment schemes from time and materials to compensation for results.

This trend should gather steam in sectors such as software, health care delivery, professional services, and real estate, where companies can easily segment work into discrete tasks for independent contractors and then reaggregate it. As companies move in this direction, they will need to understand the value of their human capital more fully and manage different classes of contributors accordingly. They will also have to build capabilities to engage talent globally or contract with talent aggregators that specialise in providing such services. Competitive advantage will shift to companies that can master the art of breaking down and recomposing tasks.

4. Extracting more value from interactions

Companies have been automating or offshoring an increasing proportion of their production and manufacturing (transformational) activities and their clerical or simple rule-based (transactional) activities. As a result, a growing proportion of the labour force in developed economies engages primarily in work that involves negotiations and conversations, knowledge, judgment, and ad hoc collaboration—tacit interactions, as we call them. By 2015 we expect employment in jobs primarily involving such interactions to account for about 44 percent of total US employment, up from 40 percent today. Europe and Japan will experience similar changes in the composition of their workforces.

The application of technology has reduced differences among the productivity of transformational and transactional employees, but huge inconsistencies persist in the productivity of high-value tacit ones. Improving it is more about increasing their effectiveness—for instance, by focusing them on interactions that create value and ensuring that they have the right information and context—than about efficiency. Technology tools that promote tacit interactions, such as wikis, virtual team environments, and videoconferencing, may become no less ubiquitous than computers are now. As companies learn to use these tools, they will develop managerial innovations—smarter and faster ways for individuals and teams to create value through interactions—that will be difficult for their rivals to replicate. Companies in sectors such as health care and banking are already moving down this road.

As companies improve the productivity of these workers, it will be necessary to couple investments in technologies with the right combination of incentives and organisational values to drive their adoption and use by employees. There is still substantial room for automating transactional activities, and the payoff can typically be realised much more quickly and measured much more clearly than the payoff from investments to make tacit work more effective. Creating the business case for investing in interactions will be challenging—but critical—for managers.

Managing capital and assets

5. Expanding the frontiers of automation

Companies, governments, and other organisations have put in place systems to automate tasks and processes: forecasting and supply chain technologies; systems for enterprise resource planning, customer relationship management, and HR; product and customer databases; and Web sites. Now these systems are becoming interconnected through common standards for exchanging data and representing business processes in bits and bytes. What's more, this information can be combined in new ways to automate an increasing array of broader activities, from inventory management to customer service.

During the late 1990s FedEx and UPS linked data flowing through their internal tracking systems to the Internet—no trivial task at the time—to let customers track packages from their Web sites, with no human intervention required on the part of either company. By leveraging and linking systems to automate processes for answering inquiries from customers, both dramatically reduced the cost of serving them while increasing their satisfaction and loyalty. More recently, Carrefour, Metro, Wal-Mart Stores, and other large retailers have adopted (and asked suppliers to adopt) digital-tagging technologies, such as radio frequency identification (RFID), and integrated them with other supply chain systems in order to automate the supply chain and inventory management further. The rate of adoption to date disappoints the advocates of these technologies, but as the price of digital tags falls they could very well reduce the costs of managing distribution and increase revenues by helping companies to manage supply more effectively.

Companies still have substantial headroom to automate many repetitive tasks that aren't yet mediated by computers—particularly in sectors and regions where IT marches at a slower pace—and to interlink "islands of automation" and so give managers and customers the ability to do new things. Automation is a good investment if it not only lowers costs but also helps users to get what they want more quickly and easily, though it may not be a good idea if it gives them unpleasant experiences. The trick is to strike the right balance between raising margins and making customers happy.

6. Unbundling production from delivery

Technology helps companies to utilise fixed assets more efficiently by disaggregating monolithic systems into reusable components, measuring and metering the use of each, and billing for that use in ever-smaller increments cost

effectively. Information and communications technologies handle the tracking and metering critical to the new models and make it possible to have effective allocation and capacity-planning systems.
Amazon.com, for example, has expanded its business model to let other retailers use its logistics and distribution services. It also gives independent software developers opportunities to buy processing power on its IT infrastructure so that they don't have to buy their own. Mobile virtual-network operators, another example of this trend, provide wireless services without investing in a network infrastructure. At the most basic level of unbundled production, 80 percent of all companies responding to a recent survey on Web trends say they are investing in Web services and related technologies. Although the applications vary, many are using these technologies to offer other companies—suppliers, customers, and other ecosystem participants—access to parts of their IT architectures through standard protocols.[1]
Unbundling works in the physical world too. Today you can buy fractional time on a jet, in a high-end sports car, or even for designer handbags. Unbundling is attractive from the supply side because it lets asset-intensive businesses—factories, warehouses, truck fleets, office buildings, data centers, networks, and so on—raise their utilization rates and therefore their returns on invested capital. On the demand side, unbundling offers access to resources and assets that might otherwise require a large fixed investment or significant scale to achieve competitive marginal costs. For companies and entrepreneurs seeking capacity (or variable additional capacity), unbundling makes it possible to gain access to assets quickly, to scale up businesses yet keep their balance sheets asset light, and to use attractive consumption and contracting models that are easier on their income statements.
Companies that make their assets available for internal and external use will need to manage conflicts if demand exceeds supply. A competitive advantage through scale may be hard to maintain when many players, large and small, have equal access to resources at low marginal costs.

Leveraging information in new ways

7. Putting more science into management

Just as the Internet and productivity tools extend the reach of and provide leverage to desk-based workers, technology is helping managers exploit ever-greater amounts of data to make smarter decisions and develop the insights that create competitive advantages and new business models. From "ideagoras" (eBay-like marketplaces for ideas) to predictive markets to performance-management approaches, ubiquitous standards-based technologies promote aggregation, processing, and decision making based on the use of growing pools of rich data.
Leading players are exploiting this information explosion with a diverse set of management techniques. Google fosters innovation through an internal market: employees submit ideas, and other employees decide if an idea is worth pursuing or if they would be willing to work on it full-time. Intel integrates a "prediction market" with regular short-term forecasting processes to build more accurate and less volatile estimates of demand. The cement manufacturer Cemex optimises loads and routes by combining complex analytics with a wireless tracking and communications network for its trucks.

The amount of information and a manager's ability to use it have increased explosively not only for internal processes but also for the engagement of customers. The more a company knows about them, the better able it is to create offerings they want, to target them with messages that get a response, and to extract the value that an offering gives them. The holy grail of deep customer insight—more granular segmentation, low-cost experimentation, and mass customization—becomes increasingly accessible through technological innovations in data collection and processing and in manufacturing.

Examples are emerging across a wide range of industries. Amazon.com stands at the forefront of advanced customer segmentation. Its recommendation engine correlates the purchase histories of each individual customer with those of others who made similar purchases to come up with suggestions for things that he or she might buy. Although the jury is still out on the true value of recommendation engines, the techniques seem to be paying off: CleverSet, a pure-play recommendation-engine provider, claims that the 75 online retailers using the engine are averaging a 22 percent increase in revenue per visitor.[2] Meanwhile, toll road operators are beginning to segment drivers and charge them differential prices based on static conditions (such as time of day) and dynamic ones (traffic). Technology is also dramatically bringing down the costs of experimentation and giving creative leaders opportunities to think like scientists by constructing and analysing alternatives. The financial-services concern Capital One conducts hundreds of experiments daily to determine the appropriate mix of products it should direct to specific customer profiles. Similarly, Harrah's casinos mine customer data to target promotions and drive exemplary customer service.

Given the vast resources going into storing and processing information today, it's hard to believe that we are only at an early stage in this trend. Yet we are. The quality and quantity of information available to any business will continue to grow explosively as the costs of monitoring and managing processes fall.

Leaders should get out ahead of this trend to ensure that information makes organisations more rather than less effective. Information is often power; broadening access and increasing transparency will inevitably influence organisational politics and power structures. Environments that celebrate making choices on a factual basis must beware of analysis paralysis.

8. Making businesses from information

Accumulated pools of data captured in a number of systems within large organisations or pulled together from many points of origin on the Web are the raw material for new information-based business opportunities.

Frequent contributors to what economists call market imperfections include information asymmetries and the frequent inability of decision makers to get all the relevant data about new market opportunities, potential acquisitions, pricing differences among suppliers, and other business situations. These imperfections often allow middlemen and players with more and better information to extract higher rents by aggregating and creating businesses around it. The Internet has brought greater transparency to many markets, from airline tickets to stocks, but many other sectors need similar illumination. Real estate is one of them. In a sector where agencies have thrived by keeping buyers and sellers partly in the dark, new sites have popped up to shine "a light up into the dark reaches of the supply curve," as Rich Barton, the founder of Zillow (a portal for real-estate information), puts it. Barton, the former leader of the e-travel site Expedia, has been down this road before.

Moreover, the aggregation of data through the digitization of processes and activities may create by-products, or "exhaust data," that companies can exploit for profit. A retailer with digital cameras to prevent shoplifting, for example, could also analyse the shopping patterns and traffic flows of customers through its stores and use these insights to improve its layout or the placement of promotional displays. It might also sell the data to its vendors so that they could use real observations of consumer behaviour to reshape their merchandising approaches.

Another kind of information business plays a pure aggregation and visualization role, scouring the Web to assemble data on particular topics. Many business-to-consumer shopping sites and business-to-business product directories operate in this fashion. But that sword can cut both ways; today's aggregators, for instance, may themselves be aggregated tomorrow. Companies relying on information-based market imperfections need to assess the impact of the new transparency levels that are continually opening up in today's information economy.

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