

The NECG Edge

NECG PREDICTS

New York Times (8/15/00): "In France, Originality Means Using Tabletops to Sell Products." A French advertising company has developed a new tabletop for café tables in which three-dimensional product displays can act as advertising in an enclosed glass cover.

Edge: We believe that consumers' 'space' has become so cluttered that this new form of advertising will be a real turnoff. What's next—advertising imprinted on the food you order?

The McKinsey Quarterly: "Brand Leverage." The authors argue that a brand can grow quickly if its owners build on the foundation of performance, personality, and presence to create innovative strategies for expansion through focus or diversification.

Edge: We predict that this is conventional wisdom. What will succeed are strategies that enhance, or build a future brand vision, rather than leveraging or milking a brand's equity.

Business 2.0: (8/22/00): "Now the Browser Gets Interesting." Octopus.com is a new type of Web site known as a metabrowser, that lets users custom-build Web pages with select elements from other sites. Marc Andreessen, co-founder of Netscape, believes Octopus.com can transform how people use the Internet.

Edge: We predict that Octopus.com will remain a niche player in the browser market until it identifies a simple 'app' with mass appeal.

USA Today (8/21/00): "Tech's Tyranny Provokes Revolt." The assault of technology, from e-mail to cell phones, is causing a backlash against electronic overkill, the Internet and the barrage of the digital lifestyle.

Edge: We predict that consumers will soon be overwhelmed by the number of high tech companies telling them that ironically, they hold the key to releasing them from technology's shackles, but the company that can truly 'tame the chaos' will hit gold on a global scale.

Business Week: (8/28/00) "Brands in a Bind." Many household names are hurting -- and taking a cue from high techs.

Edge: We predict that large CPG companies will begin to grab back executive talent from high tech companies to speed innovation and begin building brands the new way; spending behind monster brands rather than creating many big brands.

The Industry Standard: (8/14/00) "Banners Yet Wave." The author argues that banner-ad rates are declining not because of new ad

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measurement techniques, but because of market forces, and reminds us that print ads went through a similar correction a few years ago.

Edge: We concur and predict that banner ad measurement techniques like click-through will be totally redundant in the future. Major advertisers will use banners only to reinforce top-of-mind awareness for their brands and will push rates down to commensurate levels. ■

What's Hot, What's Not

Hot!	Not!
" Golf	" Football
" Razor Scooters	" Rollerblades
" Stand-Up Packs	" Cans
" Killer Application	" Competitive Advantage
" Minimalism	" Complexity

Are You Happy, Happy?

Ever wonder what really makes you happy? Even more importantly, ever wonder what makes your consumers happy? Consumers derive happiness in life by seeking solutions to their most important emotional needs. So, is your brand solving an important emotional need for its consumers?

What do consumers really need? It's a multibillion dollar question -- literally and figuratively. The entire market research industry, and a lot of the consulting industry, offer their services to address this simple issue -- what do consumers really need?

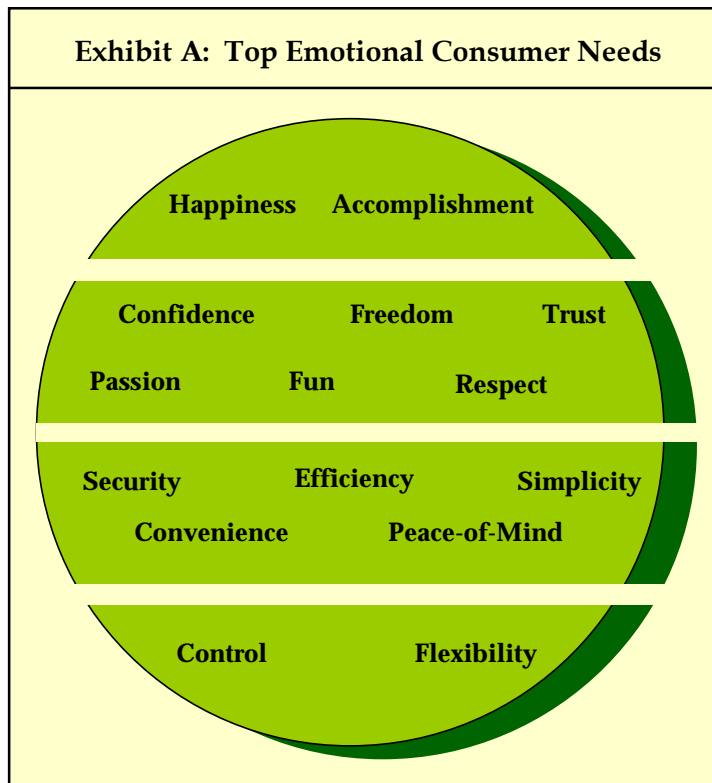
Consumer needs is a universal subject. Understanding consumer needs is a top priority for every marketer in the world. It helps them develop unique and differentiated products. However, the majority of marketers, sometimes including even the smartest ones, are often unsuccessful in converting new products into strong brands.

So, what could be wrong? Are marketers developing brands without really understanding consumer needs?

While law of averages may support that argument, we know that intuitively it couldn't be true. Actually, most marketers do a good job at understanding rational consumer needs. It's the emotional counterpart where they fall short.

Consumers are both rational and emotional. Correspondingly, they look for rational and emotional benefits in every product/service they purchase.

Let's take an example. Ask yourself from which of the following two gas stations would you prefer to buy gasoline:



Station A: Sells gasoline for \$1.30 per gallon, and gives a \$0.10 discount if the buyer pays with cash.

Station B: Sells gasoline for \$1.20 per gallon, and charges a \$0.10 surcharge if the buyer pays with a credit card.

Rationally, consumers should be indifferent between the two alternatives. However, when presented with the two options, the majority of consumers choose Station A over B. Why? Because they feel 'smarter' when they think they are getting a discount.

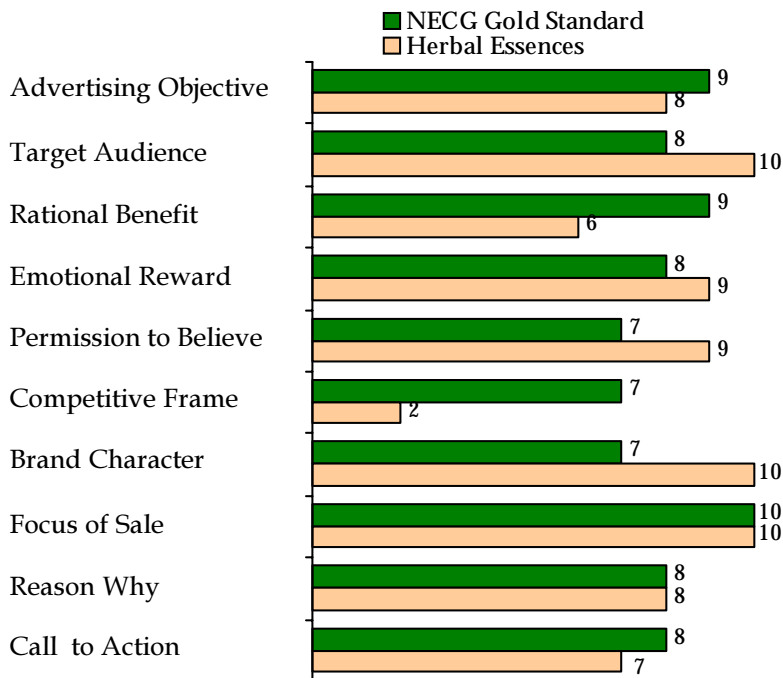
Rational consumer needs are category specific and most marketers spend all their efforts on developing and communicating strong rational benefits for their products. Conversely, emotional needs (Exhibit A) are not necessarily category specific

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Herbal Essences Campaign

In this issue, Gary Stibel and Bob Lepre rate the new Clairol Herbal Essences campaign. The commercial begins in a courtroom, where the judge ‘urges’ the attorney to continue. The word ‘urge’ makes the attorney go into a fantasy and she dreams of a few sexy men barging into the courtroom singing the song ‘she’s got the urge to herbal’. The men have Herbal Essences and give the attorney an exhilarating hair wash in her imagination. The attorney breaks out of her trance and the commercial ends with the men holding Herbal Essences in front of the camera and one of them says, “and for all the body you need, try new Herbal Essences Natural Volume”.

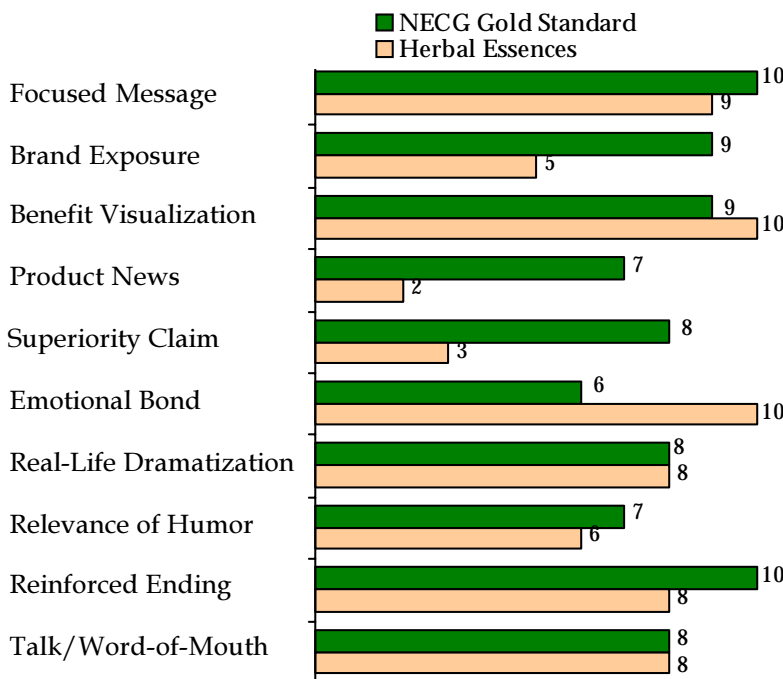


STIBEL ON STRATEGY

“A perfect example of how superior copy strategy can last for years and can be used constantly to develop new creative executions.”




NECG Gold Standard = 81/100
Herbal Essences Campaign = 79/100



LEPRE ON EXECUTION

“Next generation of a brilliant female targeted campaign that stretches too far for kicks and message impact. Orgasmic solo showers with Herbal Essences are swell but voyeuristic showers in a courtroom setting are, well . . . Nice try, but they should have stayed closer to home . . . literally.”



NECG Gold Standard = 82/100
Herbal Essences Campaign = 69/100

Terry Mollner

Why did Unilever buy Ben & Jerry's?

Leadership Area

- ☞ Socially responsibility in big corporations

On-the-Edge Accomplishments

- ☞ Formed Meadowbrook Lane, a group of socially-responsible investors, who tried to buy Ben & Jerry's.
- ☞ President of the Trusteeship Institute, an economic think tank.
- ☞ A director of Calvert Social Investment Fund, Inc.



NECG worked with Terry Molner earlier this year, and in this month's Edge, we interview him on the growing role of social responsibility in big corporations.

Edge: What is cooperation in capitalism?

TM: It's my judgement that there's a gigantic blind spot in our culture. There's an unconscious social taboo where we are "drunk on individual freedom". Individual freedom is one side of a coin, the other side of the coin is our responsibility to one another. However, we've become so focused on individual freedom that we have turned the other side of the coin into something scary, evil or dangerous.

My judgement is that cooperation is what is fundamental in nature and that survival of the fittest through competition is a form of cooperation. But we live in our culture as if competition is what's fundamental in nature, which is why we end up saying individual freedom is by far the most important thing. Cooperation is always fundamental. Com-

petition is a lower form of cooperation and agreement is a higher form of cooperation. What people in social-responsible businesses figured out is that if they give priority to the good of all and have profit be the second priority, they end up making more profit. And, they feel good all day long because their priorities in business and the rest of their life are the same.

Edge: Can you give an example of a conversation you've had with a corporate leader on this subject?

TM: When Ben Cohen and Jerry Greenfield of Ben & Jerry's and I had a meeting with Niall FitzGerald, one of the co-chairs at Unilever, I said to Niall, for all intents and purposes, capitalism is the only system left on the planet since communism fell over ten years ago.

However, the bright light still has not shined its focus on the only game left in town, which is improving capitalism. If capitalism is the only system left on the planet, then it seems to me that we should all be talking about how we're going to improve capitalism. Seattle demon-

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strates the beginning of the focus changing.

Unilever has done a good job of cleaning up its environmental record. If it cleans up its social performance, then it will look really stunning next to Philip Morris and Nestlé, their two main competitors, who are atrocious on social scores. The entire time I'm saying this Niall is shaking his head and commenting "You've got it." What Niall was clearly saying to me is - this social-responsible stuff is not a fad. We get it's the future. And we get that we've got to get out in front of it.

Edge: Many people were surprised that Unilever agreed to Ben & Jerry's social issues requests.

TM: There's no question Unilever needed to buy Ben & Jerry's for pure market reasons. But as they got into it more and more, they realized that social-responsible business was the future.

They realized it wasn't as expensive as they thought it was and they realized that they were going to end up with pressures to attend to it anyway. And so, they signed the contract for Ben & Jerry's to remain a subsidiary corporation with the same board members and with a few new people like myself to become even more aggressive in their social mission. Unilever realized that they needed to go in this direction and it was better to be working on it from the inside and having us help them do it.

Edge: Are you actually advising Unilever's advisory group?

TM: Yes. I'm Chair of the Social Audit Committee. And the Social Audit Committee oversees social audits within Ben & Jerry's, but it also includes working with people inside Unilever management to oversee and monitor the social

audit of Unilever globally in all 120 countries.

Unilever did a pilot social audit last year and now they say they're going to do a more substantial social audit. But you know we're going to have to walk them through this. Their first reaction maybe that it's going to be an exposé. What they need to know is that it's not an exposé, but rather a conversation with themselves, so that they can end up in a pattern of growth and improvement in these areas, rather than ignorance.

Edge: Do you really believe that a large corporation such as Unilever can, and will want to run Ben & Jerry's as we discussed.

TM: As long as there's a reasonable profit margin in Ben & Jerry's, Unilever will be happy to have us do whatever we feel is right. It's a publicly traded company, so it's a matter of not sacrificing too many profits, or if you're sacrificing profits that you're getting a long-term gain. We have a greater ability to grow healthy profits with Unilever because of operational synergies, and socially responsible businesses can have larger profits.

Edge: Does the Ben & Jerry's socially-conscious consumer truly believe this?

TM: What we've made clear to Unilever and what Unilever has made clear to us is that we need to both become more socially-responsible than we ever were before in both operations. That's part of the deal.

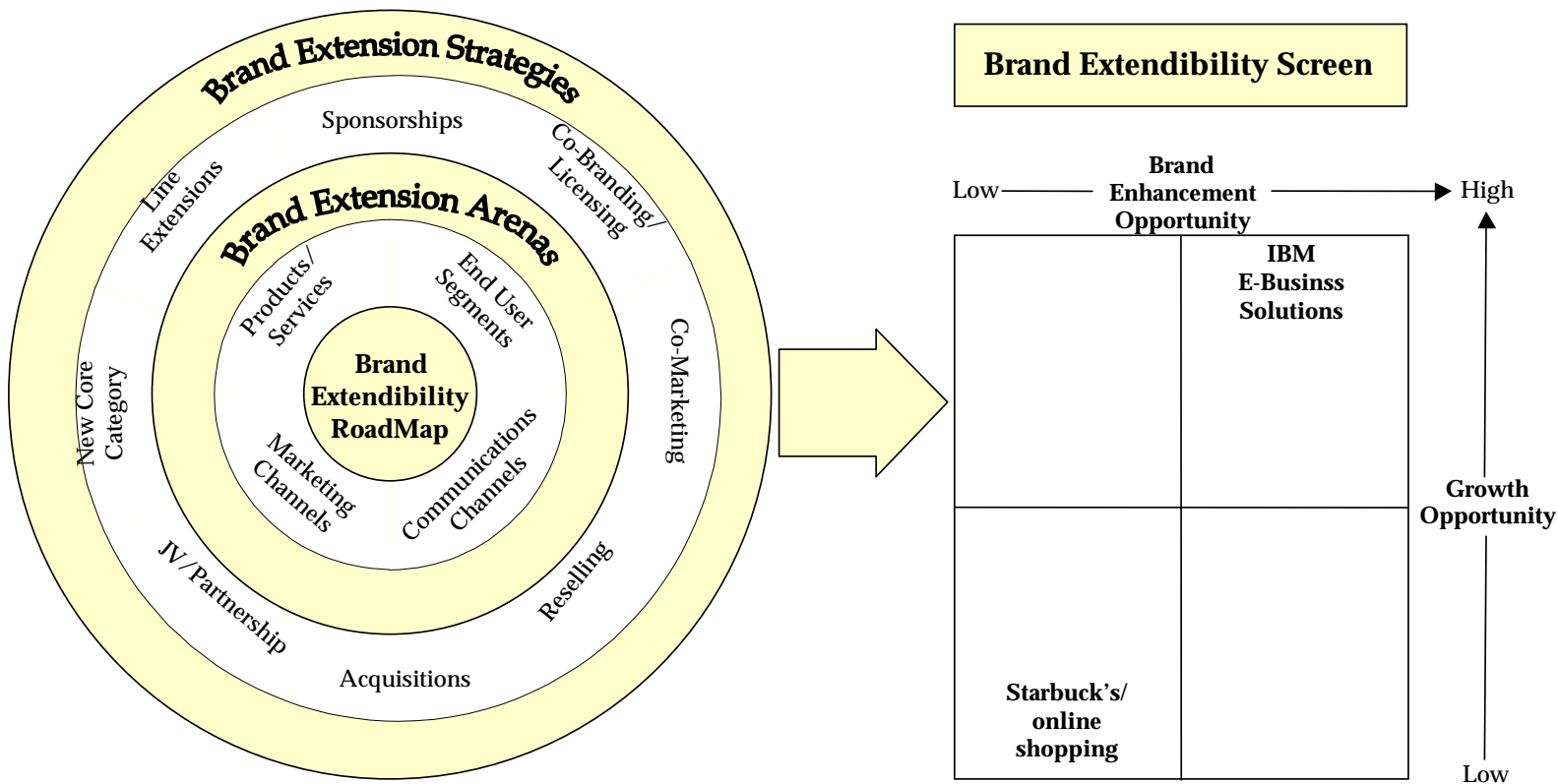
They know Ben & Jerry's stands for social responsibility and they want us to do it and we want to do it. The reason we want to do it, as you can imagine, is we want to be the biggest and most enjoyed tail that any dog ever had. ■

There's no question Unilever needed to buy Ben & Jerry's for pure market reasons. But as they got into it more and more they realized that social-responsible business was the future.

Brand Extendibility RoadMap

There is growing pressure on companies to leverage their brands for synergistic profits. However, many marketers make the mistake of focusing only on line extensions, or new product categories, while disregarding the potential for brand dilution.

The NECG Way is a Brand Extendibility RoadMap that considers the range of potential brand extendibility arenas and the strategies to realize these opportunities. Our approach to screening these opportunities assumes that brand extensions must enhance the brand's equity rather than diluting the brand. For example, IBM's extension into e-business solutions positioned its solutions business to a new end-user segment with growth opportunity that has dramatically enhanced the brand. Conversely, Starbuck's planned extension into e-retailing could have potentially diluted its brand and the company was smart not to continue pursuing it.



INSIGHT

The number of companies controlling over half of all U.S. media outlets reduced from 50 in 1983 to 6 in 1999.

PUZZLE

TWELVE COINS are arranged in the same position as numbers on the face of a clock. Pick up any coin and jump over two coins in any direction -- clockwise or counterclockwise -- and place it on the third coin. In six such moves form six stacks of two coins each.

(Continued from page 2)

and marketers often spend very little time on them. Furthermore, emotional needs are fairly constant over time and even transcend geographies and cultures.

Unfortunately, strong rational benefits are necessary, but not sufficient for creating strong brands. Competitive advantages based on rational product benefits are often unsustainable in the long-term because other brands eventually catch up.

Brands developed on equally strong rational and emotional benefits are most defensible. Unsuccessful brands either offer weak, irrelevant or no emotional benefits to consumers. Of course, every brand has to offer a rational benefit to justify its existence in the marketplace.

Emotional benefits are hard to uncover and even harder to communicate. Following is a brief description of top emotional benefits consumers look for:

- Happiness -- The need to feel holistically content in every aspect of life.
- Accomplishment -- The need to be smarter and constantly achieve more.
- Confidence -- The need to have self-assurance in decision making.
- Freedom -- The need to feel unrestricted -- more so psychologically than physically.
- Trust -- The need for dependability.

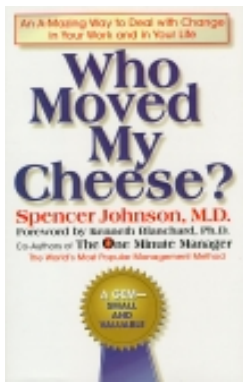
- Passion -- The need to feel love and passion for family, friends and others.
- Fun -- The need for entertainment to break the monotony of life.
- Respect -- The need to earn admiration of others.
- Security -- The need to feel personally safe and secure in every day-to-day activity.
- Efficiency -- The need to use time most efficiently.
- Simplicity -- The need to keep things simple.
- Convenience -- The need to make chores and low priority activities in life easier.
- Peace-of-Mind -- The need to de-stress.
- Control -- The need to have the ability to control variables that directly/indirectly impact life.
- Flexibility -- The need for choosing between options when making decisions.

Positioning products by creatively establishing a strong relationship between rational and emotional needs helps build powerful brands. In fact, it is not uncommon for brands who develop such a bond to be market leaders by a wide margin (Exhibit B). So, do you have the right positioning strategy to make your brand the market leader, and make you happy, happy?

This article was written by Gaurav Kapoor, a Managing Associate at NECG. Feel free to e-mail him your comments at gk@thenecg.com.

Exhibit B: Strong Brands Build on Emotional Consumer Needs

	Category	Leading Brand	Me-Too Brand
Happiness	Fast Food	McDonald's	Arby's
Accomplishment	Sporting Goods	Nike	Reebok
Confidence	Retailing	Wal*Mart	Kmart
Freedom	Feminine Hygiene	Always	Kotex
Trust	Financial Services	Charles Schwab	Paine Webber
Passion/Love	Jewelry	De Beers	Fortunoff
Fun	Entertainment	Disney	Warner Bros.
Respect	Fashion	Ralph Lauren	Pierre Cardin
Security	Home Security	ADT	Burns
Efficiency (time)	E-Book Retailing	Amazon.com	bn.com
Simplicity	Tax Services	H&R Block	Jackson Hewitt
Convenience	Convenience Stores	7 Eleven	WaWa
Peace-of-mind	Tires	Michelin	Firestone
Control	Weight Loss	Weight Watchers	Nutri/System
Flexibility	PCs	Dell	Packard Bell



“Who Moved My Cheese?”

-- Spencer Johnson, M.D.

Amazon Ranking

☆☆☆ ½

NECG Edge Ranking

☆☆ ½

Who Moved My Cheese may not be a book on marketing, however, it is a book that definitely applies to marketing leaders. Successful marketers know that success should never be taken for granted, and that change is inevitable. This parable is written to help people manage change, both professional and personal. The lessons from the story are simple and intuitive, yet profound and relevant.

Who Moved My Cheese is a story about the change that takes place in a Maze where four amusing characters look for Cheese – cheese being a metaphor for what we want in life. And the Maze is where you look for it – the organization you work in, or the family or community you live in.

In the story, four characters live in a Maze and look for Cheese. Two are mice, called Sniff and Scurry, who keep things simple and two are little people, named Hem and Haw, who are the size of the mice but look and act a lot like people. They have complex human brains and often their emotions cloud their judgment.

The story shows what happens to the characters one day when the Cheese has been moved to another part of the Maze. Some are prepared for it and do well (both the mice). Others are surprised by it and have a difficult time.

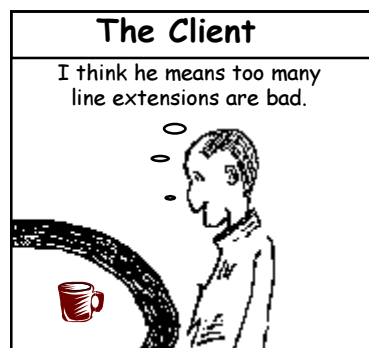
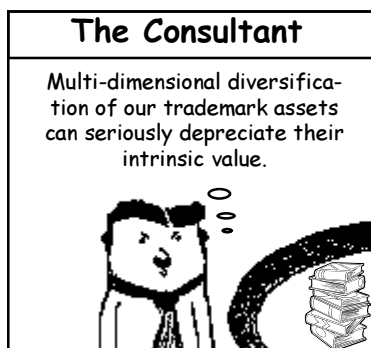
One of the human characters, Haw, recognizes his foolish ways and laughs at/haws at himself, moving on and finding New Cheese. Hem remains hemmed in by his comfort and fears and is left behind.

Haw makes the following observations about change:

- Change happens – They keep moving the cheese
- Anticipate change – Get ready for the cheese to move
- Monitor change – Smell the cheese often so you know when it is getting old
- Adapt to change quickly – The quicker you let go of old cheese, the sooner you can enjoy new cheese
- Change – Move with the cheese
- Enjoy change! – Savor the adventure and enjoy the taste of new cheese!
- Be ready to change quickly and enjoy it again & again – They keep moving the cheese

Inspired by the book, The Edge has developed a list of 8 ‘cheesy’ recommendations that may help all marketing leaders manage change:

1. Don’t analyze your business too much – it leads to paralysis.
2. Don’t let your emotions get the better of you at work – they complicate business decision-making.
3. Don’t be too arrogant about business success – it makes you oblivious to market changes.
4. Stay focused on your business goals and objectives – don’t let competitors distract you.
5. Don’t be afraid to try new ideas– change is inevitable.
6. Pay extra attention to gradual market changes – over time they may lead to transformation.
7. Stay motivated – Look beyond short-term business fluctuations towards long-term business growth.
8. Laugh off your mistakes – your boss will be happy about it, and so will your spouse. ■



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