

The NECG Edge

NECG PREDICTS

Wall Street Journal (9/26/00): "Ranking of corporate under-achievers." Being put on their annual list put out by the Council of Institutional Investors is becoming increasingly equivalent to a termination letter for CEOs.

Edge: We predict that this trend of perform or move out for highly visible CEOs will continue and accelerate as a result of the growth of business mass media news/opinion shows. ESPN talk radio has already done it to non-performing sports coaches.

Wall Street Journal (9/19/00): "Mattel's ads will have moms at center of Barbie's flirtations." Mattel's new campaign will try to reinvigorate the Barbie brand and extend it into new categories.

Edge: We predict that if the new management at Mattel can make the brand relevant to the 5-year old girl who is very different from her mom when she was five, they will be successful. We are not very sure about a new line of clothes for Barbie, though.

Industry Standard (9/18/00): "Out with the Old." The article argues that the trouble with many online entertainment sites is that they are little more than old media disguised as new.

Edge: We predict that unlike the past, when the introduction of a new medium (newspaper, radio, outdoor, TV, etc.) brought new

entrants in the market, the future will see a much stronger convergence of content providers across media. We believe the 'old will rule' as soon as they can get past the marketing myopia they are currently suffering from.

Wired (4/8/00): "Why the future doesn't need us?" Bill Joy, the co-founder and chief scientist of Sun argues that 21st-century technologies -- robotics, genetic engineering, and nanotech are threatening to make humans an endangered species.

Edge: We predict that Bill Joy will be eating his words in a few years, just the way Bob Metcalfe had to do it in public. This is a classic example of overestimating change in the long-term, while underestimating it in the short-term. We should leverage new technologies to our benefit as much as we can, and when it becomes potentially threatening regulate them, just the way we have regulated cloning.

Wall Street Journal (9/29/00): "Apple is mulling own store." Apple computer is moving towards opening its own retail stores/showrooms much like Gateway has done to promote sales and brand visibility.

Edge: We predict that if Apple builds highly visible innovative store fronts in major metropolitan areas that reflect and build Apple's brand image/equity into a shopping experience, it will prove to be a winning strategy.

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Business 2.0 (9/26/00): "Ads Unplugged." The potential of "wapverts", or advertisements on wireless phones, are debated.

Edge: We predict that "wapverts" growth will be driven by the penetration of new wireless phones and other devices that will include scanning operability for instantaneous purchasing. Consumers will welcome advertising in order to get wireless buying. ■

What's Hot, What's Not

Hot!	Not!
• Poo-Chi	• Pokémon
• Leather	• Denim
• CMO	• VP, Marketing
• Business Consulting	• Web Consulting
• PT Cruiser	• SUVs

The Chief Marketing Office Can Transform Your Company

The 90's corporate "buzz" was about transforming your company to be marketing or customer-driven. But in the new millennium, many companies are realizing that their traditional marketing organizations won't get them there. We believe that the CMO (Chief Marketing Office) could be the model of the future.

Most companies have a CEO, COO, CFO, and even a CTO and a CIO. But relatively few have a CMO -- a Chief Marketing Office. In fact, only 20% of the top 100 megabrand companies have a CMO, although another 5%-10% have an equivalent function without the CMO title.

Several factors have led to this evolution. First, companies have discovered that the key drivers of marketing success are developing innovative products and building brand equity, tasks that cannot be delegated to a marketing department that does not have cross-functional accountability. Second, globalization, the

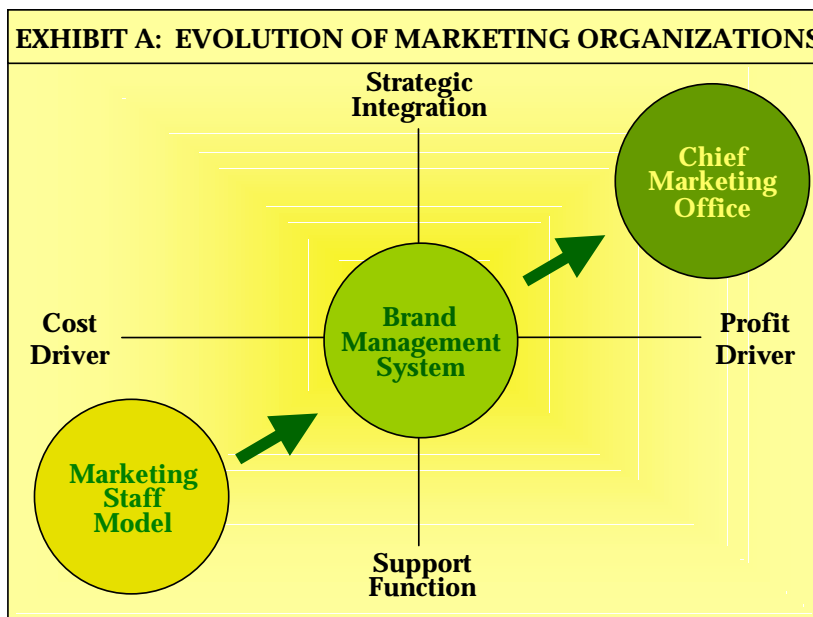
Internet and blurring channels have required that marketing strategies be developed and integrated at the corporate level, with an effective organization populated by the right people with scalable resources and accountability.

What is a CMO?

Although there are many definitions of a CMO, we believe that most current CMOs meet at least one of the three criteria:

- Responsibility beyond typical corporate communications functions, e.g., public relations.
- Influence corporate decisions with marketing insight.
- The center of excellence for marketing.

The marketing department has evolved significantly within corporations in the last 25 years. However, we believe that most marketing organizations, including some CMOs, need to be redesigned to a new CMO model with profit and cross-functional integration responsibilities (see Exhibit A).



The Marketing Staff Model

Historically, many companies have used the marketing staff model. Over time,

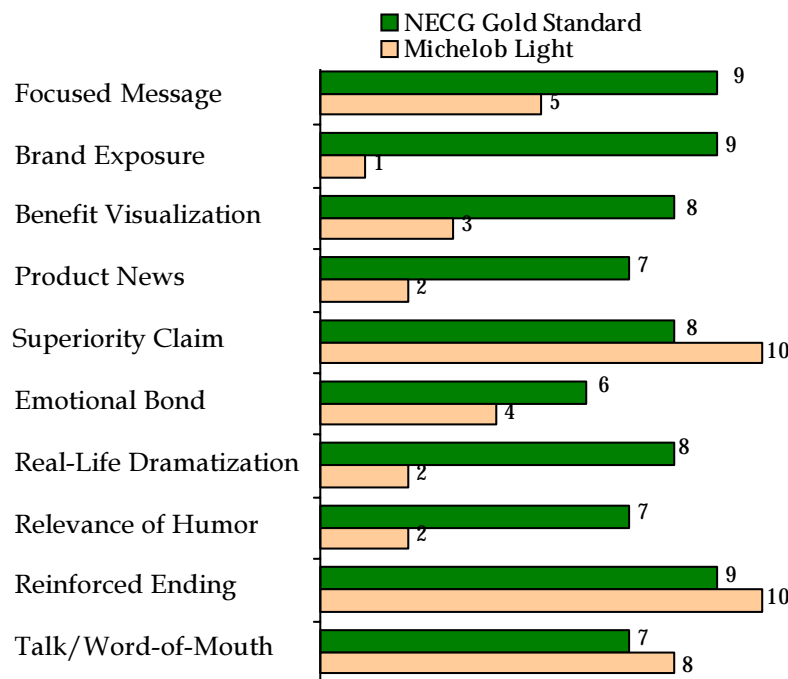
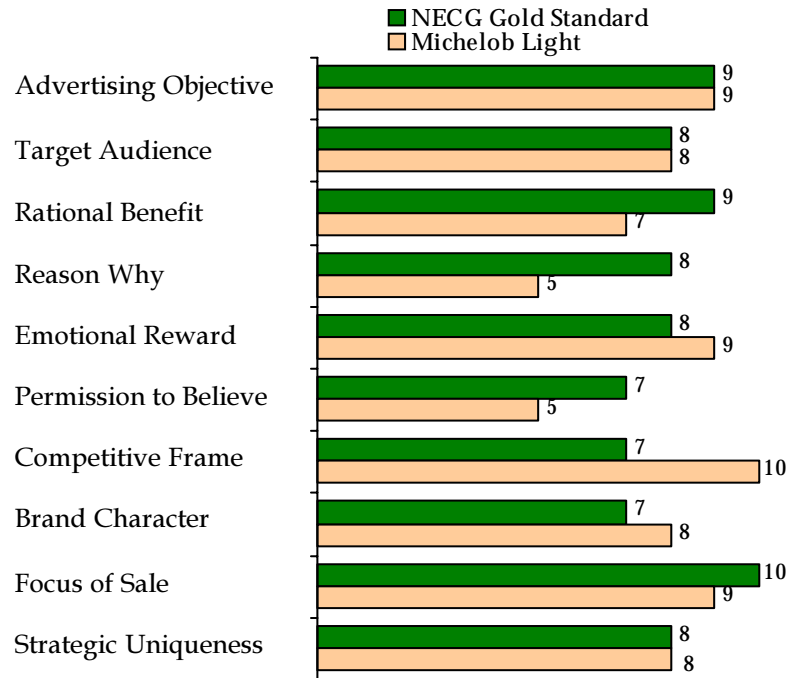
they have found that while staff functions such as advertising, promotion, and market research do develop a high level of expertise, they are typically not involved in true marketing activities and become functional silos that are never well integrated into business unit marketing.

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Michelob Light Campaign

In this issue, Gary Stibel and Bob Lepre rate the new Michelob Light campaign using an execution called 'Fragile'. The ad begins with a young man packing groceries in a store. He appears uninterested in his job and carelessly throws fragile groceries like eggs in a bag, much to the disgust of the customer. However, when the young man sees a 6-pack of Michelob Light among the groceries, he changes his attitude. He wraps the 6-pack in bubble wrap, marks it "FRAGILE" and carefully hands it to the customer. The VO explains how Michelob Light has a smooth satisfying taste that cannot be found in other light beers. The ad ends with the tagline -- Beer or Michelob Light.



STIBEL ON STRATEGY

"Michelob Light is doing to other light beers what Bud Lite did to Light Beer from Miller, separating themselves from the pack and lifting themselves above it."



NECG Gold Standard = 81/100
Michelob Light Campaign = 78/100

LEPRE ON EXECUTION

"Time is money and too much time in this commercial is spent on setting up the premise. It's fun to watch, but so is the sunset. They need to make the humor more relevant. Remember the quick talking FedEx man?"



NECG Gold Standard = 78/100
Michelob Light Campaign = 47/100

Paul Paulson

The 5 Mortal Sins of Advertising

Leadership Area

☞ Advertising

On-the-Edge Accomplishments

- ☞ Former President and Board Member of DDB Advertising
- ☞ Currently President of Paulson & Co. Marketing Services



Edge: What do you think of today's advertising?

PP: Let me first say that there are 5 mortal sins of advertising. If you commit these sins you'll probably go to marketing hell or certainly purgatory. There's a lot of advertising today that commits these sins.

The first sin is either having a bad strategy or no strategy. Strategy is key - how am I going to win? And if I ask you how you might win, it would be different from how I might win because you bring a different package to the table than I do. So you have to assess what your strengths and weaknesses are -- and leverage your strengths.

EDGE: Can you give me an example of a company that has good strategies?

PP: I think Procter and Gamble. One of the major differences with P&G is an adherence to strategic thinking from A-Z. For example, Tide detergent was launched in 1947 with "Tide's in, dirt's out". That positioning of dirt removal has been continued since 1947, never deviating from the dirt strategy.

EDGE: I'm sure you have many examples of bad strategies; is there one you really like to discuss?

PP: I think the worst is Miller Lite. Miller Lite, through the genius of somebody, took a light beer and made it acceptable. Soon, it became the second leading beer to Budweiser.

Nobody ever thought that would happen with a beer that was lower in calories and positioned as a light product. The genius was that somebody discovered, through the use of retired athletes, that the beer consumer would really project his own self into being a retired athlete, just like the guys that played in the NFL. So that positioning created this tremendous bond and appeal.

Then, years later somebody said, "Hey, we're not getting the younger drinkers so we better change". Instead of finding a way to stay with what they had, which was to continue to relate to the beer drinkers and incorporate a younger guy possibly as a hero with the older guys, they went on this journey into the woods that totally departed from that position. Total destruction of a franchise simply because someone said we've got to do something dif-

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ferent. In my experience with turning declining brands, the worst mistake is to depart from the brand's positioning, rather than find ways to contemporize it.

EDGE: What is the second mortal sin?

PP: The second one is bad execution. You can have a good strategy but somebody has to deliver it well in details. You've got to execute strategy exactly the way it's laid out.

EDGE: Who executes a good strategy poorly?

PP: When I think about most advertising that's on the air today, I don't know what the benefit is and who the advertiser is. They may have a great strategy but they're not executing it. Today's advertising calls attention to itself . . . like the dot-coms. When I see dot-com advertising, I have no idea what they're selling.

EDGE: What's the third mortal sin?

PP: The third mortal sin is misuse of brand equity. When you have created the right strategy positioning, as you invest in it over time, you create equity which becomes a unique part of your product or service proposition. Tide's dirt removal, Ivory's mildness, Dial's antibacterial, Listerine's kills germs - these are equities that separate them from everybody else. Over time, they provide opportunities for efficiency.

For example, you could develop Listerine cough drops, and Listerine tooth paste, all with the same equity positioning of germ killing. Then there's the misuse of brand equity. Dial, for example, came out with a product called Smooth and Clear which I think is suppose to be a skin lotion. How can antibacterial, in the consumer's mind, support Dial as smooth and clear on the skin? There's an inconsistency that the consumer can't reconcile.

EDGE: What is the fourth mortal sin?

PP: The fourth is worshipping false Gods. This is very prevalent in business today. One of the Gods is the "God of Awareness", which is very important in advertising . . . to create awareness. That's the dot-com mantra of today. Even sophisticated advertisers sometimes get caught up in this awareness thing. The problem is that awareness without the translation to what's unique about the product is a waste of time and money.

EDGE: What are some of the other false Gods?

PP: Corporate branding is a false God. I read recently Kraft is talking about doing advertising for Kraft products. They're going to advertise the Kraft line. People don't buy companies, they buy products. In other words, there's no reason for me to believe that if I eat Kraft cheese I ought to use Kraft salad dressing, unless you tell me why.

EDGE: And the final mortal sin of advertising?

PP: The fifth mortal sin is viewing advertising as an expense rather than an investment. Advertising is no more than an efficient way of making a sales pitch to a prospective customer.

If you look at it that way, you would expect your salesman to deliver your product's sales message and come back with an order. You wouldn't judge a salesperson on whether he or she was liked, was entertaining, or was different than any competitive salesperson.

The bottom line for advertising is -- did the prospective customer understand your product's benefits and respond with a purchase? Many advertising campaigns are judged on a non-sales basis, which is a waste of client's money. Many corporate advertising campaigns fall into this category. ■

"When I think about advertising that's on the air today, I don't know what the benefit is and who the advertiser is."

Why The New England Consulting Group?

The article in this issue of The Edge describes how the Chief Marketing Office (CMO) can transform your company. Likewise, we have aligned our services to be truly transformational. Our marketing management consulting focuses on marketing strategy RoadMaps, marketing ROI optimization, and marketing/customer organization and process redesign.

Clients use our services because they recognize that marketing, unlike other disciplines, is experience-based. Therefore, our philosophy is the "Principal Principle" which simply means that only senior executives working in teams directly consult on your business. There are no "one-man bands" or junior consultants.

MARKETING/CUSTOMER CONSULTING SERVICES



PUZZLE

Find three numbers such that their sum and the sum of any two is a perfect square. Can you find the three numbers, all of which are less than 500?

INSIGHT

Between 1969-1989, the spread between the highest 10% of HH incomes and lowest 10% of HH incomes grew by 54%. However, the ratio of spending between the richest and poorest deciles barely budged during the same period.

(Continued from page 2)

Finally, in a marketing staff model, no one below the CEO is accountable for an integrated customer-driven perspective that helps in managing the customer value chain for greater profits.

Brand Management System Model

In recent years, companies have adopted the brand management system model. However, many of them have found that the system can no longer cope with today’s rapidly changing marketspace. P&G, for example, has been redesigning its brand management system to better integrate its cross-functional resources against key customer sets.

GM’s brand management system also appears to be floundering. Other companies, in industries such as financial services and telecommunications, also viewed brand management as the world class model. They raided brand management companies only to find that the system can be flawed as it does not translate to a direct customer relationship environment.

Many banks and insurance companies still fall short in taking a holistic view of the customer, and do not build a marketing system to manage the total customer relationship. Net, the brand management system is somewhat deficient in providing cross-functional integration critical to becoming a customer driven company.

Chief Marketing Office Model (CMO)

Therefore, we are staunch supporters of the concept of the Chief Marketing Office (CMO) whose role goes beyond just managing marketing communications. We believe that the CMO should be responsible for creating a marketing driven culture by:

- Creating marketing strategies ranging from brand to product to communications to channel programs.
- Providing marketing leadership in organization and process design to ensure marketing excellence.

- Constantly maximizing marketing investments and efficiencies to optimize marketing ROI.

However, changing the culture is only the first step for a CMO. The ultimate transition to a marketing driven company is where marketing becomes a key driver of profitability by integrating all of a company’s activities across an industry’s customer value chain. Thus, the CMO’s role is expanded to focus on . . .

- Industry value chain drivers.
- Market segmentation.
- Customer focused strategies.
- Functional team cross-leadership.
- Company resource optimization.

EXHIBIT B: CMO AND CENTRALIZATION

	Arguments For	Arguments Against
Centralization	<ul style="list-style-type: none"> • Globalization • Unified branding • Cultural change • Center of excellence 	<ul style="list-style-type: none"> • Market insensitivity • Slow to market
Decentralization	<ul style="list-style-type: none"> • Regional empowerment 	<ul style="list-style-type: none"> • Fragmented brand portfolios/messaging • Marketing inefficiencies

IBM has proven that the CMO can transform a company. Microsoft has also re-organized from highly fragmented marketing units into a CMO, although they call it the Central Marketing Organization.

Centralization is a Bad Word

The issue of centralization vs. decen-

tralization is always raised when the concept of a CMO is discussed and arguments are made both for and against centralization (See Exhibit B). The answer to these arguments can vary depending on marketing sophistication already in place in the business units. Typically, though, centralization provides greater focus and leverage for companies that want to be customer-driven.

The CMO of the Future

We predict that the CMO position will continue to evolve and grow in stature as companies recognize the importance of marketing. Increasingly, old and new economy companies are positioning marketers for CEO succession and the successful CEO of the future must have the skills of a CMO.

This article was written by John Ruf, a Principal at NECG. Feel free to e-mail him your comments at jjr@thenecg.com.



“The Cluetrain Manifesto”

-- Levine & Locke & Searls & Weinberger

Amazon Ranking



NECG Edge Ranking

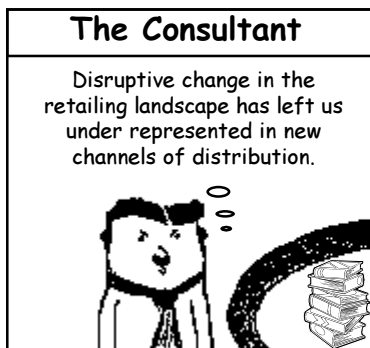


The Cluetrain Manifesto is a book that grabs you in the first chapter. It opens your eyes, frightens, and excites you at the same time with its description of the power of the Internet to revolutionize business, marketing, and most importantly customer relationships.

However, the balance of the book simply restates the argument of the first chapter, and in our opinion when someone makes their argument repeatedly rather than develop cohesive supporting evidence, they weaken their primary thesis.

The bottom line is this book is based on 95 thesis built via the Internet, of which the following 12 sum all those up, so save your time and money:

- Markets are conversations.
- Whether delivering information, opinions, perspectives, dissenting arguments or humorous asides, the human voice is typically open, natural, uncontrived.
- In both *internetworked* markets and among *intranetworked* employees, people are speaking to each other in a powerful new way.
- There are no secrets. The networked market knows more than companies do about their own products. And whether the news is good or bad, they tell everyone.
- In just a few more years, the current homogenized “voice” of business- the sound of mission statements and brochures- will seem as artificial as the language of the 18th century French court.
- Brand loyalty is the corporate version of going steady, but the breakup is inevitable and coming fast. Because they are networked, smart markets can renegotiate relationships with blinding speed.
- Networked markets can change suppliers overnight. Networked knowledge workers can change employers over lunch. Your own “downsizing initiatives” taught us to ask the question: “Loyalty? What’s that?”
- Today, the org chart is hyperlinked, not hierarchical. Respect for hands-on knowledge wins over respect for abstract authority.
- If you don’t impress us, your investors are going to take a bath. Don’t they understand this? If they did, they wouldn’t let you talk that way.
- We are immune to advertising. Just forget it.
- Your product broke. Why? We’d like to ask the guy who made it. Your corporate strategy makes no sense. We’d like to have a chat with your CEO. What do you mean she’s not in?
- Our allegiance is to ourselves-our friends, our new allies and acquaintances, even our sparring partners. Companies that have no part in this world, also have no future. ■



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