

# The NECG Edge

## NECG PREDICTS

**Wall Street Journal (8/21/02): "At 7-Eleven fresh food fix is focus."** The company is going through a major corporate overhaul under which it will expand banking services like check cashing and money orders, and fresh foods like sandwiches, donuts, etc.

**Edge:** While this strategy has worked for 7-Eleven in Japan, it may be much harder to implement in the U.S. because of staffing and theft problems. Putting more banking services could make 7-Eleven an even more promising target for robbers and fresh sandwiches may not be enough to bring upscale people in if the staff remains non-service oriented.

**Fortune (9/2/02): "Don't listen to the consumer."** Research indicates that consumer confidence indexes are not very accurate in predicting consumer spending, and are actually reactive in nature, often responding to media coverage of economic issues.

**Edge:** There is no doubt that consumer confidence is influenced by media, but there is also little doubt that it can be very predictive. In fact, new research done by ACNielsen shows that there is almost perfect correlation between Michigan's consumer sentiment and consumer packaged goods purchases with a lag of about 9 months.

**USA Today (9/8/02): "Real winner of 'American Idol': Coke."** The breakthrough hit of the year and Coke got in on the ground floor for \$10 million, "The deal of the decade."

**Edge:** American Idol pushed the revival of product/brand placement on TV that Survivor started to a new level, and the trend is going to continue until Uncle Milty fills NBC's Thursday night schedule with The Texaco Star Theater, The Brick-Berle Show and The Kraft Music Hall.

**Business Week (10/7/02): "French furniture for U.S. sidewalks."** The sidewalks of Chicago and L.A. will soon get thousands of sleek new bus shelters, advertising kiosks, and other amenities in exchange for rights to sell ad space through French outdoor giant JC Decaux.

**Edge:** Potentially an outside-the-billboard idea! The cities can make some more money and advertisers can reach consumers through another non-traditional medium. We wouldn't be surprised if Starbucks vending machines show up at these bus shelters soon!

**Fortune (8/21/02): "Servers with a Smile."** It will never beat Windows on the desktop, but the Linux operating system has an undeniable charm in the world of corporate computing: It's free.

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**Edge:** We predict that the winner of the silent Linux revolution will be IBM. What better way for IBM to destroy its archrival (Microsoft) -- let others do it for you! ■

## What's Hot, What's Not

Hot!	Not!
"Bankruptcy	" Ethics
"Havaianas	" Platforms
"AmericanIdol	" Real World
"Vin Diesel	" Schwarzenegger
" Pricing	" One-to-One Marketing

# “Dude, You’re Getting a Dell”

NECG Interviews Scott Helbing, VP Global Brand Strategy for Dell

## On-the-Edge Accomplishments

☞ Developed the new brand strategy and advertising campaign for Dell which helped the brand register a 12% increase in value on Business Week’s Top Global Brand list this year.



**NECG:** Has the Steven campaign been effective for Dell?

**SH:** Yes, on two levels. We know it works because it’s generating the number of leads we need, and we know they are high quality leads because our close rate is high. We’ve also been perceived in the consumer space as more of a business-to-business brand. So, the consumer group wanted to bring a level of humanity and personality to the brand. This campaign has created a significant improvement in making Dell a brand with more humanlike characteristics.

**NECG:** What was the process in developing the campaign?

**SH:** The agency came to us with 2 or 3 campaign ideas. The one that everyone felt good about required the right actor to play the role of Steven. We put out a casting call and found Ben Curtis, a freshman at NYU studying acting.

**NECG:** Why did you think the campaign would work?

**SH:** The brilliance of the campaign is what we call customer advocacy. People who own a Dell become strong advocates for the brand. So, Steven became the advocate for Dell. Finding this kid with this personality was just icing on the cake. Steven was able to talk about

the benefits of our models, how to go online, custom configure a computer, get a low price, and do it in a kind of humorous, engaging way. People believe that he knows what he’s talking about: that was really the genius of it.

**NECG:** How important is the tag line . . . “Dude, you’re getting a Dell?”

**SH:** I think it is really what took the creative execution to the next level. And anecdotally, Michael tells stories about being in the senate chambers testifying, or speaking at the World Economic Forum and someone yelling, “Michael, Michael, dude you’re getting a Dell.”

**NECG:** Has it become instant credibility?

**SH:** Yes, it’s just one of those lines like “Where’s the beef?” It absolutely captures the essence of the idea.

**NECG:** Do you think that some of the brilliance of the campaign was the fact that Steven really related to the culture of that age group?

**SH:** I couldn’t agree more and you realize your kids do know what they’re talking about.

**NECG:** Do you normally go through a disciplined process, including copy strategy and testing?

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**SH:** We do a lot of communications testing to make sure the message is coming through, but we really kind of rely on the agency and the advertising team to be the judges of the creative. Most important for us are the questions, where does Steven go and is the message still coming through?

**NECG:** How do you think your competitors, like HP and Compaq, are going to react?

**SH:** You see a lot of spokespeople in commercials. IBM.com has their spokesperson. CDW has an IT spokesperson in a small business. Gateway has their cow who's kind of their person. So I think in any category, you're going to see competitors mimic what the leaders are doing.

**NECG:** That usually doesn't work though.

**SH:** Normally, you're right. I was at Reebok for a few years and they kept wanting us to mimic Nike. But you can't out-Nike Nike. But what they see now is that all of a sudden Dell has a face and a heart in the consumer space. They see that this company is not just a business-to-business company, it's a home computer company. And what probably concerns them the most is how do they compete with us in the future.

Ted tried to do that when he went back on air sitting around the barn with the cow. But it went in the other direction, because it's hard to believe that somebody would sit around and talk to a cow? It just kind of missed the point.

I'm not sure what HP and Compaq are going to do in the future going forward. That's a great question. Obviously they've now stated

what products are going to stay around and they have to play to the retail channel. However, we don't, so we can go directly after the retail channel. It's an easy target for us to aim at. On the other hand they're trying to do more things direct. They're trying to remove a lot of the costs they've built into their model by going direct, but they can only go so far before they alienate the retailer that they need. It's going to be an interesting situation. I'm not really sure how much of a role advertising will play as opposed to how much their business model has got to change.

**NECG:** Your strategy for B2B is a different strategy and a different campaign?

**SH:** Well, the strategy is similar. We believe in the idea of an advocate. It lets us tell the story, but from a third-party's view so it can be more aggressive in talking about the benefits than if we were talking.

**NECG:** Would you consider using Steven for your B2B commercials?

**SH:** That is an interesting question. There has always been some concern about the visibility of Steven. We wonder if Steven might detract from our message in the enterprise space. But it was interesting throughout all of this that so many of our large corporate customers such as General Motors and GE were asking for him for their annual meetings or sales meetings.

**NECG:** Well, you know, it's interesting because all those people probably have teenagers themselves and relate to Steven. Have you seen any reaction from retailers or other channels?

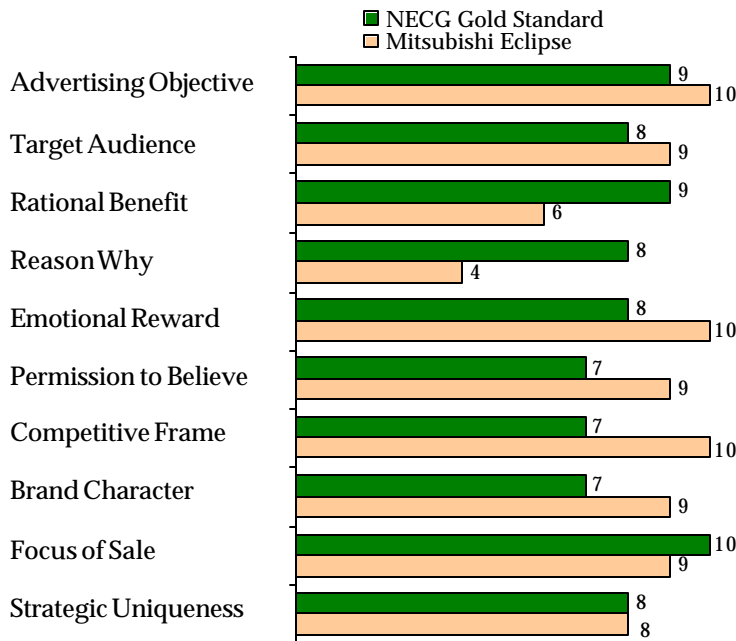
**SH:** We've seen reaction from a pricing standpoint. They are trying to get closer to our prices, but we haven't seen any kind of direct response in terms of bashing Steven. ■

***“The brilliance of the Dell campaign is what we call customer advocacy. People who own a Dell become strong advocates for the brand.”***




# Mitsubishi Eclipse Campaign

The Mitsubishi Eclipse campaign features a young girl dancing in the car to the Dirty Vegas song, "Days Go By." The campaign has become very popular and been credited for helping the formerly unknown song jump to top song lists on radio stations. Gary Stibel and Bob Lepre give the campaign high marks on both strategy and execution and believe that it breaks through the clutter of car advertising and positions the Eclipse as the "ultimate" fun car to drive.

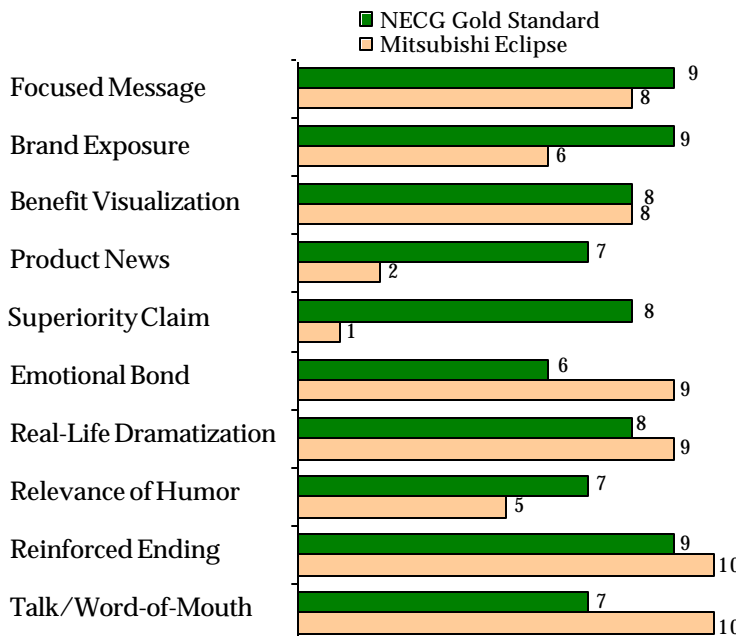


**STIBEL ON STRATEGY**

“The brilliance of this campaign is the single-minded objective of making Mitsubishi ‘cool’ and the non-automotive competitive frame of being ‘in’, in your zone.”




**NECG Gold Standard = 81/100**  
**Mitsubishi Eclipse Campaign = 84/100**



**LEPRE ON EXECUTION**

“Are you in? This spot certainly is. It’s cool, has lots of talk value, is fun to watch and focuses on showing that the Mitsubishi is fun to drive. The song became popular, and as such, will reinforce the awareness of Mitsubishi as a fun car to drive. The spot breaks out from the amorphous, boring, and insipid world of most car advertising. With a little more product news and focus on why they’re better, this spot would be a perfect 10 at telling the world that they should ‘wake up and drive’ a Mitsubishi Eclipse.”



**NECG Gold Standard = 78/100**  
**Mitsubishi Eclipse Campaign = 68/100**

# Staying Fashion Forward

## NECG Interviews Debra Kennedy, Director of Brand and Consumer Marketing for Nokia

### On-the-Edge Accomplishments

- ☞ Changing Nokia's brand advertising strategy from product based to a lifestyle/value orientation
- ☞ During her tenure, Nokia has been named the 5th most valuable brand in the world
- ☞ Received an Effie for her team's 1999-2000 Campaign



**NECG:** Could you give examples of interesting marketing programs Nokia has executed?

**DK:** An interesting marketing program we executed in 2000 was with ESPN in which Nokia brought the first wireless game to the U.S. Given we were trying to get people to do something that they were not used to (e.g., messaging), it was much more successful than we had ever anticipated and it was very exciting to get consumers to do something with their phone other than just talk on it.

Another exciting marketing execution that comes to mind was developing a cross-media deal with Fox in 1999. The deal involved sponsoring the Emmys, which included featuring Nokia phones in gift baskets to Emmy nominees and winners and running media across mediums such as newspaper inserts, TV Guide magazine, grocery store radio, TV, and print. Nokia was one of the first companies to sponsor an event produced by the Television Academy of Arts and Sciences which has resulted in a continued relationship with Fox. This deal has also led to the opening of a whole new world of sponsorship in an industry where in the past you could sponsor few events other than sports.

Nokia prides itself on doing new and different things. Internally, we've adopted the philosophy that "if you're not failing, then you're not doing your job, you're not learning, and you're not growing". As an example, every year we sponsor a new television show. The third show, *Alias*, was the charm as the first two did not turn into something big.

**NECG:** How does your relationship with *Alias* work?

**DK:** It consists of full product integration into the show. Nokia sponsored the first episode (67 minutes) commercial-free and now we've developed a relationship with the show and its producers. Product integration (or placement) has really helped us achieve the objective of getting consumers to do something other than talk on their phones, i.e., messaging. We've been thrilled this show has taken off as it has. Jennifer Garner, the lead, won the Best Actress in a Drama at the Golden Globes and the show won a People's Choice award for Best New Drama.

**NECG:** What factors have resulted in Nokia's brand being as strong as it is?

**DK:** There are two key branding strategies Nokia has faithfully adhered to:

- 1) **Being Consistent:** For over 15 years we have constantly said we want to stand for "Connecting People." Not connecting people so they can call each other on the phone, but connecting people to each other, to new ideas, to their abilities and to new opportunities. In other words, opening people's world up for them.
- 2) **Standing for the Consumer:** It's all about the consumer -- not technology for technology's sake. Our design centers all over the world are key to tapping into what is on the cutting edge of design. This has been a key factor in the success of our brand. We have realized that a phone is

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an extension of the user, something that is carried with him/her every single day, everywhere. A phone expresses the consumer just as a purse, or clothes do. That's why we developed changeable color covers and screensavers, and created the ability to personalize everything else about a phone. By bringing individualization to the category, we've also brought fun . . . technology as fun.

- NECG:** Given the complexity of the wireless business in terms of service provider brands versus manufacturer brands, how does Nokia manage for success?
- DK:** It's all about levers. We have different levers to drive our business, depending on where the business is. It's a constant balancing act to determine which levers to use to drive the business at a particular time. The levers we use in Asia-Pacific and Europe are different than what we might employ in the U.S. or Latin America. For example, in the U.S., the carriers sell the phone so we definitely work closely with them. We partner with the carriers to determine how to drive their business, because our success depends on them. We serve as a consultant or "market maker" to assist in driving their business.
- NECG:** How does Nokia so successfully stay fashion-forward and a step ahead of everybody?
- DK:** We started by positioning our product as a lifestyle accessory, like wearing jewelry, and have never wavered from that. The following are examples of other ways in which we remain fashion-forward:
- We are heavily involved with a design school in California where we run contests in which students design futuristic phones.
  - We partner with a nonprofit organization, Gen Art, in New York that supports up-and-coming photographers, filmmakers, designers, and artists.
  - We focus on recruiting people who are also consumer focused and not just technology focused.
  - We share ideas across the globe.
- NECG:** Does Nokia have a CMO who coordinates the marketing efforts of the different regions?
- DK:** No. We have a global brand organization called Brand Forum, which comprises the heads of marketing in Asia-Pacific, Europe and the Americas, as well as the heads of design and product marketing. They meet regularly and develop global training programs on how to run the Nokia brand.
- NECG:** How will marketing in wireless communications change in the next five years?
- DK:** There are really two parts to that question. First, how is marketing wireless communications going to change? Second, how is marketing in general going to change?
- Pertaining to the first question, Nokia fortunately plays in a growing market in the U.S. However, in other parts of the world, we are creating a market where no market exists. For example, more people in the world will someday use the Internet on a device about the size of a phone, rather than on a computer as they do today. Therefore, we need to go back to that stage in marketing where we create something that doesn't exist and then demonstrate why it would be beneficial.
- As for marketing in general, it's where much of the change will happen. For one, people are going to be walking around with your marketing because they will have it on a mobile device. Today, there aren't many people walking around with your marketing, but I think in the future people will carry brands with them and showing what they've saved on their phone to their friends. It's going to enable you (marketers) to do something that you couldn't do before. People couldn't walk around with your commercial before; in the future they will. This means that the medium we communicate through will be different, what we think of viral marketing will completely change, and the speed with which our message gets across will increase even more. It's a fun, fun marketing world we're going into. ■

# Extreme Marketing

## New England's Approach to Technology Marketing

Marketing technology products is not only different from marketing consumer packaged goods, but more challenging in many ways. Product life cycles are much shorter for technology products, which makes the classic Awareness, Trial, Repeat type marketing model limiting in effectiveness.

New England Consulting Group's approach to technology marketing is unique in that it pushes the integration between consumer behavior and marketing mix planning to the extreme.

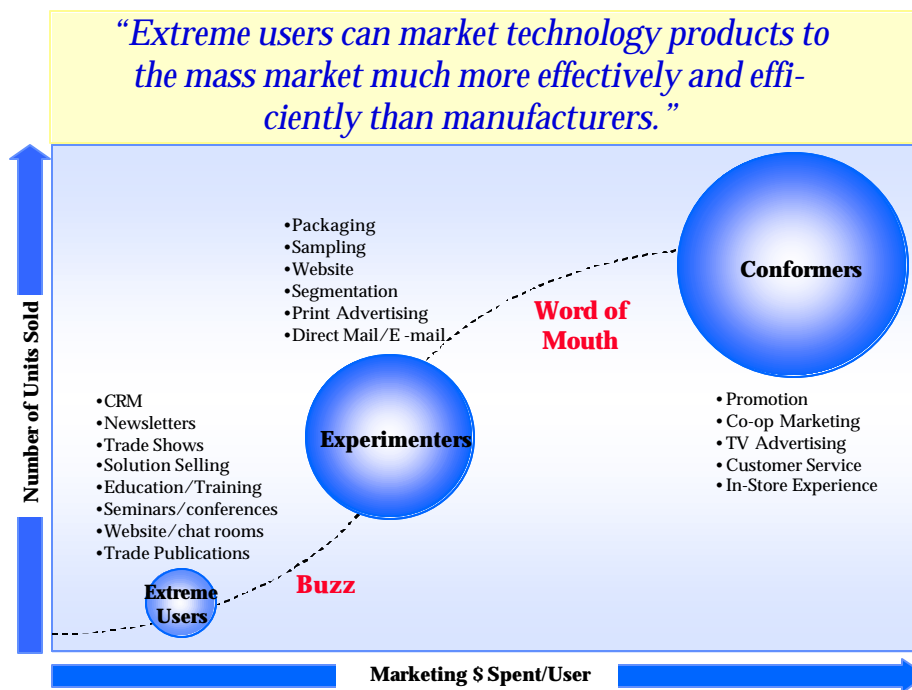
Extreme Marketing is based on the simple insight that extreme users can market technology products to the mass market much more effectively and efficiently than manufacturers can.

New England believes that the optimal marketing mix for extreme users is also extreme. It relies little on mass marketing vehicles like advertising and promotions, and more on buzz, grassroots programs, and relationship management.

As extreme users spread the word, it is picked up by experimenters, who set up the stage for mass adoption of the product. While experimenters far exceed extreme users in numbers, they are less efficient to reach and require a completely different marketing mix.

Experimenters don't preach or generate buzz, but they do recommend through word of mouth. Their recommendations reach conformers, who generate the largest share of volume, but need

a disproportionately inefficient marketing mix to reach.



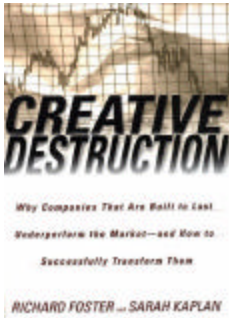
While extreme users themselves account for only a minuscule share of total volume for any technology product, they are responsible for a giant share of sales through other users. Extreme users create buzz by not only recommending a product they like to others, but by going out of their way to preach its benefits and proactively convert people.

By understanding the differences between user groups, technology companies can reduce their total marketing spending significantly, while increasing the effectiveness of their marketing mix dramatically. ■

*This article was written by Gaurav Kapoor, Senior Managing Associate at NECG. Feel free to e-mail him your comments at [gk@thenecg.com](mailto:gk@thenecg.com)*

# “Creative Destruction”

-- Richard Foster and Sarah Kaplan



**Amazon Ranking**  
 ☆☆☆<sup>1/2</sup>

**NECG Edge Ranking**  
 ☆☆☆

Creative Destruction is a book about the need for companies to simultaneously manage creation and destruction if they want to outperform the stock market over the long-term. The book tries to break long-standing myths of management and proposes a new corporate model for growth.

**Discontinuity is important in business**

- Corporations are built on the assumption of continuity; their focus is on operations
- Stock markets are built on the assumption of discontinuity; their focus is on creation and destruction
- Most industries and companies under-perform the market; when they do outperform, it’s driven by discontinuity

**Balancing continuity and discontinuity is difficult**

- Continuity requires operational excellence, but is the price of admission today
- Discontinuity requires innovation, which is often stifled by operational excellence

**Discontinuity requires new “mental models”**

- Information systems – Amount, type, quality, form and frequency of data
- Decision making processes – Planning systems, calendar management, agenda setting, decision criteria
- Executional capability – HR processes, staffing, evaluation procedures

- Control processes – Operational control, compensation systems, capital allocation

**Innovation requires both “divergent” and “convergent” thinking**

- Search – Look for anomalies, talk to mentors, meet with customers, zoom out, surround yourself with diverse stimuli
- Incubation - Suspend disbelief, avoid premature closures
- Collision – When different perspectives collide, ideas emerge

**The future corporate model is create-operate-trade**

- Increase the pace of change to levels comparable with the market
- Open decision making processes to make use of collective corporate talent (and avoid cultural lock-in)
- Relax conventional notions of control, but not to the detriment of operations

**Strategic planning, R&D, and corporate venture capital processes can be improved**

- Focus on the “periphery”; that’s where discontinuities start, that’s the hub of economic activity
- Look beyond R&D to “new business creation” through classic research, licensing, technology acquisition etc.
- Try internal “business plan contests” instead of corporate venture capital ■

**The Consultant**

The innate monetary value of our brand is commensurately sub-optimized compared to performance delivery.

**The Client**

I think he means our price is too low.

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