

I believe brands should only invest
in marketing communications
through existing users of their
brand

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Abstract

I believe our focus has become too narrow. I believe that we've come to accept as fact the supposition that the primary role for marketing communications is growth through customer acquisition. In doing so we virtually ignore both the existence of current customers and the pivotal role they play in the growth of brands.

This essay joins up the disparate themes of loyalty, advocacy, word of mouth, customer retention and acquisition. It demonstrates the degree to which these themes are inter-dependent; and proposes as a result of this understanding a new way to approach developing, planning and measuring marketing communications.

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Part 1

Who am I?

I am the one who generates your profits

I am the one you never chase

I am the one who doesn't walk away

I am the one who sings your praises

I am the one you could plan to talk to

I am the one with whom the right agency could communicate

I am the one you need to understand

Who am I?

I am your existing customer

Part 2

Existing customers: a brand's greatest asset

2.1 The value of existing customers

The principal assertion of this essay is that any brand should focus their efforts through their existing customers. It is so obvious that most revenues, and therefore most profits, are derived from existing customers that we seem to have forgotten its fundamental importance.

But that is only the start of existing customers' importance. Fred Reichheld – who pioneered loyalty research at Boston's Bain Consultancy – observed that in most businesses the profit earned from customers increases over time. Furthermore it generally costs more money to service a new customer than an established one; some businesses lose money on a customer in their first year¹.

Accenture have demonstrated the extent to which it is within the control of businesses to increase customer profitability. They suggest that a typical \$1 billion business could add \$40 million in profit by enhancing Customer Relationship Management capabilities by ten percent².

It's also more expensive to attract rather than keep a customer; a repeat sale is generally accepted to be between a quarter and a third the cost of a new customer. Julian Saunders observes that “the economics of winning a new customer versus keeping an existing one is generally well known. A healthy and mature service should get most of its business from existing customers; it costs less”³.

2.2 Case study: magazine subscriptions

Let's take the example of magazine subscriptions. The profit on a typical annual magazine subscription is around £15 per customer⁴, but the cost to acquire that customer is in the region of £34. The acquisition cost doesn't begin to be recouped until the third financial year.

Compare this to a retention strategy. Utilisation of the customer (subscriber) database reduces – on average – retention cost to around £1, which generates a profit of £14 in year one. Average retention rate in the magazine industry is around 45-50% in year one, but – significantly – this increases to 75-80% in year two and a massive 98% in third and subsequent years. The fiscal benefit of retaining your existing customers as opposed to the acquisition of new ones is clear.

Part 3

Our addiction to customer acquisition

3.1 The three quarters we misspend

Despite these facts, most brands seem addicted to investment in marketing with the sole purpose of attracting new customers. They are determined to talk to those who don't love them. Think about the last dozen briefs you wrote or received. How many were instigated to recruit new customers?

A survey conducted for this essay asked eighteen major brands, who between July '07 and June '08 collectively invested £380m in communications; "What proportion of your marketing budget is spent with the specific intention of acquiring new customers?" The average – weighted by spend – across those brands was 78%⁵. Over three quarters of their marketing investment is deployed to communicate to those with whom their brands have no proven relationship, and from whom no immediate profits will derive.

3.2 Hooked on an immediate fix

It's not difficult to identify the sources of our addiction. We measure ourselves and are judged by immediate-term sales metrics. Peter Doyle observes that "marketers have often allowed themselves to be trapped by accounting-orientated management into seeking to justify their marketing strategies in terms of improving immediate earnings"⁶.

Weekly and even daily acquisition is what drives personal and departmental targets. A senior agency figure⁷ commented that "this is part of the trap that most businesses find themselves in: uncertain economic environments and hyper competition in commoditised

markets mean that most estimations of a company's success are based on evidence of growth (ie headline sales)".

It's also Google's fault. One consequence of the emergence of the internet has been the precision with which we can track online behaviours. The granularity of information around acquisition of new customers in particular means that marketers who know they are focussing on the wrong measures are nevertheless hooked on the heroin of CPAs and CPRs that drive targets.

Part 4

The loyalty debate

4.1 Loyalty is dead

Ehrenberg showed us that loyalty has never existed. In a retrospective of his research in marketing he notes that within all the categories he has examined, brand-buying is polygamous; consumers have “several steady partners (brands), some [of which are] consumed more often than others ... Very few buyers are 100% loyal. Nor do they do it often. They therefore have few opportunities for being disloyal. Marketing’s common target of more loyal buyers is deeply unreachable”⁸.

Ehrenberg’s position is reinforced by the very nature of loyalty in the context of free market economics. Adam Smith writing in the 18th Century commented that “It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest”⁹.

In other words, corporations don’t work in the interests of consumers. “For the market to function well it is not necessary to be altruistic; indeed, it is even counterproductive to be so. Altruists ruin the functioning of the market ... What is needed is competition, non-violent rivalry between producers and consumers”¹⁰.

In this context it’s hardly surprising that consumer brand loyalty isn’t observed by Ehrenberg. It is simply not in the best interest of consumers to be loyal to a brand; something that has been reinforced by the paradigm shifts in consumer behaviours that have emerged as a result of the internet.

One example of this shift in behaviour is the extent to which consumers are increasingly researching brands and purchases online. A shift highlighted by the observation that car showroom footfall has significantly decreased whilst conversions have significantly increased; consumers increasingly enter already armed with a plethora of research, information and opinions¹¹.

Not only can empowered consumers now investigate and challenge the motivations, behaviours and offerings of brands, but our marketing investment encourages them to do so. Any loyalties that did exist are increasingly tested in a market where moneysupermarket and Uswitch empower consumers to be price rather than brand sensitive¹². The irony is that the brands being undermined are the very same brands that are funding their own demise.

The ‘myth’ of loyalty has most recently been highlighted in analysis of the IPA’s dataBANK¹³. The dataMINE analysis¹⁴ showed that whilst campaigns in the dataBANK more often sought to increase loyalty than increase penetration, the success rate in doing so was a mere 24%¹⁵.

4.2 Long live loyalty

Loyalty is alive and well. Read Adam Smith carefully and you’ll see that two of his major provisions have been severely undermined; one, that information will be local and complete, and two, that foreign investment will never happen. Our world is quite different from the one that Smith and his counterparts explained.

Findings of game theory such as the prisoner’s dilemma demonstrate that cooperation is required to promote self-interest. In fact evidence points to the emergence of increasingly co-operative behaviour. In Wikinomics, Tapscott and Williams observe that “billions of connected individuals can now actively participate in innovation, wealth creation, and social development in ways we once only dreamed of. And when these masses of people collaborate they collectively can advance ... the economy in surprising but ultimately profitable ways”¹⁶.

People co-operate when they have a shared goal or belief. It is this observation that points to a very contemporary case for the emergence of loyalty to brands. In John Grant’s ‘after image’ world, the goal for marketers is to create ideas with which their brands can be associated¹⁷. Jon Alexander comments that “I would rather argue that loyalty never existed before, but is starting to now, as brands for the first time develop values in a meaningful – as opposed to

superficial, advertising-related – way. Howies is a brand I am able to be loyal to, because I know everything they stand for”¹⁸.

Of course we are repertoire consumers. Of course we can defect. But a brand imbued with an ethic to which we can relate gives us a stronger emotional reason to be loyal than any comprehensively-developed rational benefit. The logical extreme of this is seen in crowd-managed¹⁹ brands such as MyFootballClub’s purchase of Ebbsfleet FC²⁰. How long before we all have a couple of side-interests in brands? These brands will not only occupy a small - very engaged - part of our mind, but a considerable share of our wallet too²¹.

The success in building loyalty isn’t reflected in the IPA’s dataMINE study because you can’t examine loyalty in isolation. The concept of brand loyalty can only be understood in the context of other factors. In another analysis of the IPA dataBANK, Peter Field identified that what was so remarkable about O₂’s ‘World that revolves around you’ campaign²² was not just that it increased loyalty by reducing defections – or churn – “from 35% to 29% at a time when competitors’ churn rates were rising ... Rather the real achievement of this remarkable piece of marketing was to double recruitment rates, in part by turning existing customers into advocates for the brand ... Twice as much share gain resulted from recruitment as retention ... to characterise the success of O₂ as loyalty growth is like describing Dom Pérignon as a fizzy drink”²³.

This is the key to understanding brand Loyalty; we must place it in the context of the inter-related factors with which it sits. Loyalty is inextricably linked to encouraging customer retention through combating defections. Loyalty is in effect the opposite of defections – if you have a 10% defection rate you have, by definition a 90% loyalty rate. Not only does loyalty exist, but it has for each and every brand, a number.

More crucially, the case study demonstrates the extent to which both loyalty and retention are themselves intrinsically bound to advocacy – the active support²⁴ for a brand by a customer.

Part 5

Advocacy and the power of word of mouth

5.1 The increasing importance of word of mouth

(so I'm told)

Advocacy takes many forms. The principal form with which we're interested for the purposes of this essay is word of mouth, the power of which is increasing. A relevant word in the right ear can in a moment override all our accumulated knowledge and opinion on a planned purchase²⁵. Intergration's Market Contact Audit (MCA) declared word of mouth to be "the form of consumer contact with the highest capacity to create consumer engagement"²⁶. McKinsey estimate that word of mouth influences two-thirds of US industries²⁷.

Word of mouth isn't a modern phenomenon. It is, in many ways, the oldest form of communication. What is very modern is the increased power word of mouth has in a digital age. Technologies such as the internet, email, mobile phones, text messaging, PDAs, instant messaging, and blogs have made sharing information and opinion easier than ever before. The combination of these digital technologies and the fragmentation of media channels that has instigated the waning of the disruption advertising model, mean that "in a networked society ... personal recommendations, and recriminations, have more weight"²⁸. We make our purchase decisions based on what people tell us.

Furthermore as Paul Revere's ride through New England to warn of the approaching English – as recounted by Gladwell²⁹ reminds us; not all word of mouth is created equal. Some individuals are more powerful carriers of a message, some messages more contagious, and some advice is more likely to come from one person rather than the next. ævolve research demonstrates for example the extent to which men are more likely to give advice about new technologies than women³⁰.

5.2 Herds and tribes

Nor is the effect of word of mouth limited to affecting changes in individual behaviour, it also works at a group level. Our opinions and behaviours (and brand preferences) are very susceptible to the opinions and behaviours of those around us. “Most of us are only likely to change our behaviour if there is evidence of a larger movement emerging”³¹; evidence for which we increasingly gather in the form of word of mouth.

Mark Earls goes further, and suggests that “when we in organisations think about affecting mass behaviour in customers or staff, we tend to think ... that it is what we do that affects the way that our audience behaves ... but this is misleading ... what really matters is what each of the individuals in the mass does to the others”³².

In his studies into the emergence of society’s modern tribes, Bernard Cova proposed that people are less interested in objects of consumption than in the social links and identities that come with them. Demographically disparate but connected individuals now have control over the brands they collectively choose to consume; choices determined not by product or service intrinsics, but by a shared and agreed understanding of what that brand represents and stands for.³³ Similarly Brownlie and Elliott asserted that such tribes hold greater influencing power than the mass audience.³⁴

Word of mouth is – in the majority of instances – the single most important determinant that influences our individual and collective behaviour. When we form opinions and make decisions it is as part of an ongoing series of conversations with other people.

5.3 Advertising and word of mouth

What matters most then is what we communicate to each other about brands. Yet our objectives and measurement remain largely bound by proximal metrics – such as awareness, or ultimate metrics – such as customer acquisition. Furthermore when brands attempt

to engage consumers through word of mouth programmes, efforts remain largely isolated into specific silos of expertise.

We're not joining up the dots. "There is often a mistaken notion that word of mouth needs to stand in stark contrast to traditional forms of advertising. But this is not the case ... in many cases traditional forms of media serve as conversation starters and are the basis for people talking about a product or a service"³⁵. The sentiment is echoed by James Harrison; "the reason why advertising works has always been because of word of mouth"³⁶.

Advertising and word of mouth are inextricably linked. Those most likely to give advice about a product or service are proven to be those most likely to seek out advertising in their given categories of interest³⁷.

Yet we divorce advertising and word of mouth programmes into different silos. We ignore not only the combined effect of these disciplines but the opportunity it presents to engage our existing customers – mitigating defections and stimulating positive word of mouth on behalf of our brands – thereby generating acquisition of new customers.

A new model, as outlined in figure 1, presents itself:

- › Place retention as a starting rather than an end point
- › With the aim of making existing customers not want to defect (ie be loyal)
- › At the same time generating word of mouth
- › Which subsequently drives acquisition of new customers

What this model demands is a new way of thinking about marketing and communications planning. We need an approach that combines customer relationship marketing (CRM), advertising and word of mouth in a way that not only engages and empowers the existing consumers of our brands, but communicates to potential customers just what they're missing.

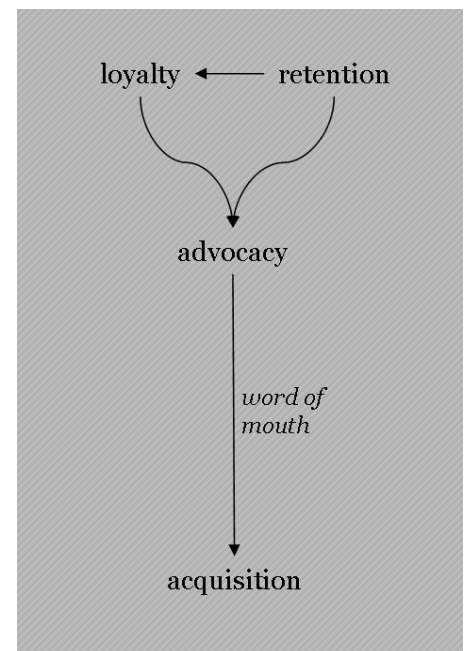


Figure 1: a new engine for brand growth places retention as the starting point for marketing strategy

Part 6

A new way of approaching communications planning

6.1 From media scarcity to abundance

People don't consume advertising. They really don't. Sometimes an ad is great enough to attain the position of demandable content; YouTube fame then beckons. For a while. But all in all we don't consume advertising. We consume content; and to get to that content, we consume media.

The most significant trend in our industry – a trend discussed by Rory Sutherland during a presentation to an IPA Outdoor conference in 2007³⁸ – is a shift from media (and therefore content) scarcity to media (and therefore content) abundance. Media channel fragmentation, in conjunction with technology-driven control over content creation, distribution and consumption has created a new paradigm.

In his Excellence Diploma submission in 2007 Faris Yakob described how this new paradigm is already here, “it's just not evenly distributed ... young people today [as opposed to the ‘passive massive’] have grown up with digital media, and so they have an intrinsically participatory relationship with ideas”³⁹; and by implication with brands. Brands are, or should be, participatory.

6.2 The importance of collateral

Creating a participatory relationship with brands is encouraging brands to go play (see right). It's why the BBC built the iPlayer. It's why Mother created a musical for Pot Noodle⁴⁰. It's why Innocent put bobble hats made by the WI on their bottles. It's why Honda made a live ad. It's why O₂ branded a dome. It's why Walkers are asking for help creating a new flavour of crisp. It's why Eurostar

The business of creating collateral that adds value to brands:

From top; Pot Noodle the Musical, Innocent Bobble Hats, Honda Live Ad, Walkers 'Do Us a Flavour', Eurostar's Somerstown and Nike's Human Race



funded Somerstown⁴¹. It's why Ben and Jerry's had a party on Clapham Common. It's why Nike encouraged to us run against the clock, then each other, then the world. It's why Contagious Magazine exists.

It's also why clients demand big ideas and brand platforms; and why agencies went media-neutral and 360 degree. It's why all of us look for new, interesting, engaging and involving ways for the brands upon which we work to communicate. We're in the business of creating collateral that adds value to brands; investing today to generate cash flows tomorrow through the creation of brand equity⁴².

Ultimately we're responding to a climate of media abundance by encouraging consumers to participate in our brands' ideas. The incentive to do so comes in the form of added value for customers; value which – as the examples above demonstrate – comes in the form of 'collateral': ancillary items or experiences created through the marketing function that add value to our consumption or appreciation of a brand.

6.3 A framework for collateral creation

Let's return to our model of retention as a starting point; with the aim of making existing customers not want to defect, but rather generate word of mouth which in turn drives acquisition of new customers and ultimately profits and growth.

How can we go about systematically creating collateral which we can deploy to existing customers with the ultimate aim of growth? We first need to appreciate that not all products and therefore brands are created equal. Where a brand is best placed to deploy content – and therefore the most appropriate collateral to create – depends, I believe, on two factors (see figure 2⁴³). Firstly, whether you offer a product (generally tangible) or a service (generally intangible), and secondly how often your brand is consumed⁴⁴.

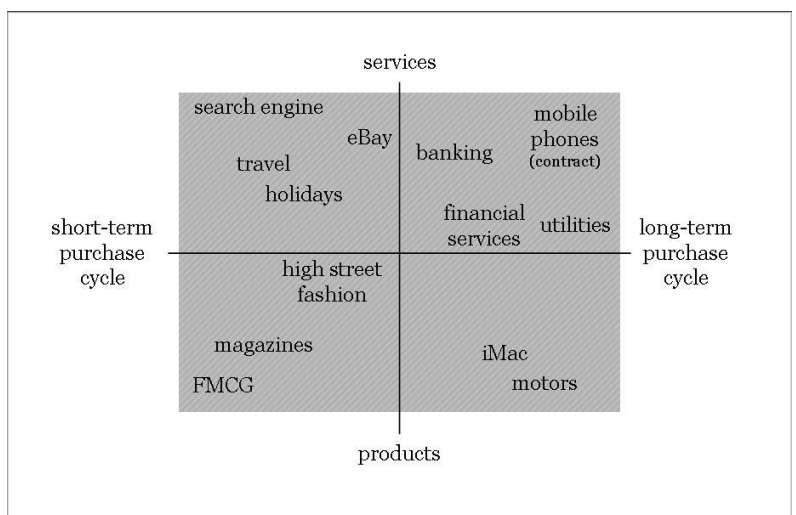
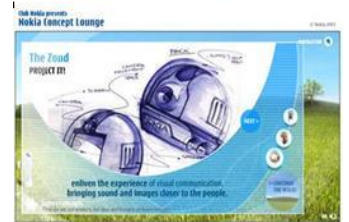


Figure 2 illustrates distribution of various categories across these two parameters

Short-term products

Products consumed in the short term (eg FMCG) typically have less opportunity to create and maintain relationships through tangible customer databases. They rely instead on panel data to monitor penetration rates and share of customer.

Collateral created for products consumed in the short-term (see left) is primarily deployed through consumer touch points such as packaging (eg Radiohead's packaging for it's 'In Rainbows' album⁴⁵), co-creation (eg Nokia's Concept Lounge⁴⁶), branded retail environments (eg Niketown or Glaceau vitamin water's pop-up shop) as well as through experiences (eg Innocent's Fruitstock).



*Short-term product collateral:
From top; Innocent Fruitstock, Radiohead's 'In Rainbows' album, Nokia's Concept Lounge and Niketown*

Long-term products

Products purchased and consumed over the longer term (eg motors) have the double dilemma of being purchased infrequently and – because no ongoing financial relationship exists – of not necessarily having sustained contact with a customer once they do purchase. It's for this reason that customer identification processes such as product registration (eg in the case of many technology products) are often prevalent.

The collateral primarily created for long-term products (see left) are deployed therefore through consumer touch points such as clubs (especially in high-interest categories eg Mini2.com⁴⁷), branded retail experiences (eg the Apple store), and product customisation (eg the Electrolux DesignLab⁴⁸).



Long-term Product collateral; From top: The Apple Store and Electrolux's DesignLab

Short-term services

Short-term service-orientated brands (eg airlines) are, by virtue of being in the service sector, often in the position to collect substantial information about their customers. Online retailers know the purchase history and online behaviour of customers and can make recommendations for future purchases accordingly. Amazon's accuracy in knowing what I may wish to read next never ceases to amaze me. Google knows more about me than my mother does.

Collateral created for short-term services (see left) are primarily therefore often in the form of ongoing transaction-based consumer touch points of clubs (eg Tesco's Clubcard), and rewards (eg British Airways' Gold and other cards).



Short-term service collateral; From top: Tesco Clubcard and British Airways' Executive Club

Long-term services

Long-term service brands which include – amongst many others – mobile phone network operators⁴⁹ and utilities have the dual virtues of being a service with an ongoing financial relationship. These brands are arguably the most experienced in the creation and deployment of collateral for their customers (see left).

Rewards (eg the previously mentioned O₂ 'World that revolves around you' campaign) and experiences (the mobile networks are all over this with the O₂ and Orange Wednesdays) are both opportunities keenly deployed to minimise defections (increase loyalty) and ideally increase ARPU⁵⁰.

It is brands in this quadrant which are most likely to benefit from shift-inertia. We (half) joke that it is more common to get divorced than change your bank account, but its essence reinforces the central belief of this essay – that it makes no logical sense to invest marketing time and money in a group who not only generate zero profit for a brand now, but who are unlikely to switch to doing so in the near future.



Long-term service collateral; From top: The O2 and Orange Wednesdays

6.4 Collateral: Why building it is no guarantee they will come

One response to media abundance has been the creation and deployment of a whole range of collateral designed to add value to customers. In their own right the examples of collateral described above are largely designed to, and therefore may very well function as, opportunities to mitigate defections (ie increase loyalty). In some instances they may also function as pre-cursors for word of mouth. The creation of such collateral however is not enough.

Let me say that again. Creating the collateral is not enough.

Advocacy – through word of mouth – works when one individual has knowledge or information about a branded product or service that someone else doesn't. Even in the case of two individuals being aware of the same brand or branded collateral, there is increased incentive to discuss it if one person knows more about it than the other.

For example two individuals may both be aware of Orange Wednesdays; but only one knowing about a recent movie release creates the incentive to discuss. Or whilst both may be aware of Orange Wednesdays, one may think that the number of tickets is limited. They are not; the other would have the opportunity to correct them. Word of mouth is sparked by a knowledge differential.

Currently brands largely and unwisely rely on the individual with that knowledge or information to volunteer it to another individual. By themselves. With everything they've got going on in their content-abundant time-poor lives. Brands at best encourage word of mouth on an individual basis and at worst just pray that the positive experiences they create for their customers will be shared.

We're relying solely on Gladwell's law of the few; the connectors, Mavens and Salespeople "with a particular and rare set of social skills"⁵¹, to instigate word of mouth. Instead, we should be creating the potential for every existing customer to become an instigator. Rather than limiting ourselves to Pareto's twenty percent⁵² we

should be encouraging advocacy through word of mouth amongst all one hundred percent of existing customers at our disposal.

And that is only addressing one side of the equation. The other side of the equation are the potential customers who aren't given reasons to specifically ask their peers – their influencers⁵³ – about a brand, because brands and their agencies don't give them reasons to do so. Collateral, when it is deployed, is only delivered to existing customers. Potential customers remain unaware of its existence.

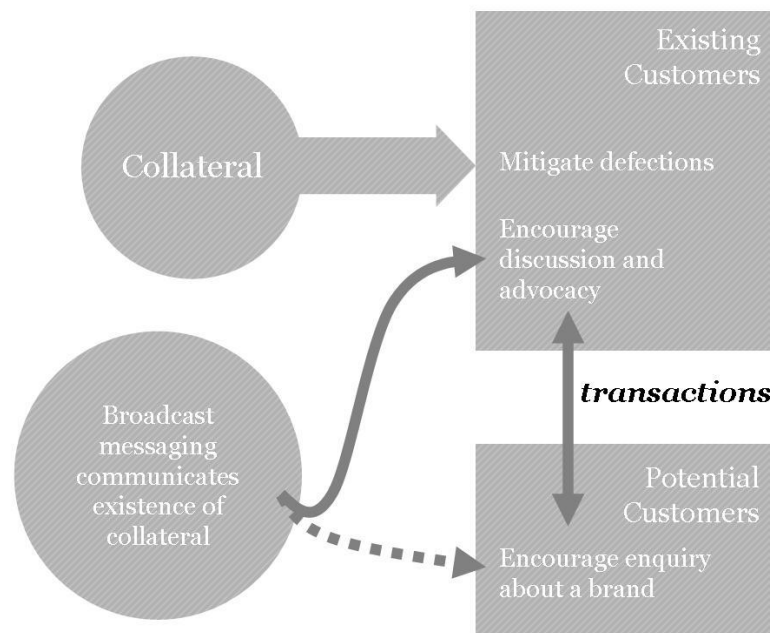


Figure 3: Transaction Planning; communicating to existing customers – via mass media - the existence of collateral with the deliberate intention that its existence is overheard by potential customers

6.5 Planning for Transactions

This is the final and most crucial element of the holistic planning process being proposed in this paper. That it's not enough to create and deploy collateral to existing customers. In addition to broadcasting the existence of collateral to existing consumers, we must also deliberately expose potential consumers to the existence of that same collateral.

I call it Transaction Planning; communicating to existing customers – via mass media - the existence of collateral with the deliberate intention that its existence is overheard by potential customers. The result being that we create the conditions within which existing customers are best placed to ‘transact’ with potential customers (see fig 3).

We turn the (perceived) inefficiency of broadcast media to our advantage by using the same communication to publicise customer collateral to existing customers (thereby reinforcing its existence and credibility) as well as to potential customers (thereby communicating its existence). Every impact we plan and buy becomes valuable; as Sameer Modha put it when I discussed this theory with him “you’re releasing media planners from the tyranny of CPTs”⁵⁴.

In planning for Transactions; not only are existing customers encouraged to discuss and advocate a brand, and not only are potential customers encouraged to enquire about said brand; but communications provide them with a common precursor and language to do so⁵⁵.

6.6 Launching a brand

The principles outlined in this essay also support creation of a brand from scratch. Franzen established that smaller brands are largely dependent on increasing their penetration to drive growth⁵⁶. The Loyalty approach would see creation of a small critical mass of consumers – either via sampling or by partnering with a distributor – to which we apply the collateral / communication paradigm.

In Microtrends Mark Penn argues that once you have one percent you have enough of a base to “create new markets for a business, spark a social movement, or produce political change⁵⁷”. It is possible, and I believe preferable, to establish then grow a small audience; you just need to understand how.

Part 7

A new force of agency

7.1 Fragmented thinking: fragmented implementation

Planning for Transactions requires the alignment of three distinct disciplines – CRM (including where appropriate DM channels), word of mouth marketing and broadcast media – into one holistic channel plan. And that requires a whole new force of agency.

The last decade has seen the emergence of a whole new ball game. Media fragmentation; consumers with less time, little attention and no patience; an infinite amount of broadcast and on-demand content; digitisation rendering channels irrelevant⁵⁸; technology to control and filter demanded content⁵⁹...

The collective response of the communications industry has been to diversify into a multitude of different and varied operations⁶⁰. It is this diversification that is partly behind the lack of cohesion between word of mouth marketing and mass (or broadcast) advertising⁶¹.

Agency silos generate silos of implementation. In an interview for this essay a data planner⁶² highlighted the current difficulty he was having aligning CRM and broadcast timings (let alone the strategic development) for a campaign on which he was working. The planning of retention (loyalty) and mass media are in concept as well as in implementation operating in different worlds.

This division isn't however limited to agencies. Marketing departments within clients operate in the vast majority of instances separately from their CRM counterparts. The opinion of Andrew Wythes at Eurostar is that "in theory, a lot of companies are bringing the two together, with CRM becoming more aligned with marketing". But he also observed that – for Eurostar – this is

predominantly around specific projects, for example Eurostar’s transfer in 2007 of international rail operations from Waterloo to St Pancras. In that instance “marketing and CRM worked really well together ... it is the day to day where it’s less aligned; CRM needs to break out and do its own thing over and above the loyalty scheme, and in doing so focus on what our customers really want”⁶³.

7.2 The Loyalty Agency

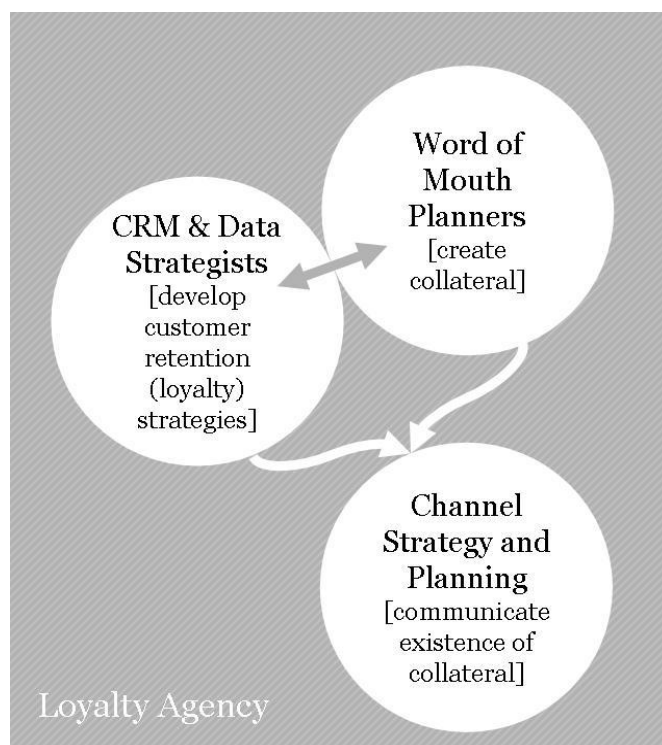
Transaction planning – as a solution to our new paradigm – requires alignment of the three distinct disciplines of CRM, word of mouth and broadcast media into one holistic channel plan. Developing such a plan necessitates the creation of a single agency offering; an agency whose positioning isn’t articulated around solution-orientated concepts such as Different, Pioneering, Ideas, or ROI – but that is instead positioned around a business-orientated concept; the concept of customer loyalty. To do so, such an agency would integrate three key functions (see figure 4).

Function one: CRM and data strategists, working with brand CRM teams to mine customer databases for information on who customers are, as well as the identification of who’s leaving and who’s hanging around. They’d develop customer retention (loyalty) strategies.

Function two: word of mouth planners, identifying relevant consumer touch points and developing, as a result, appropriate collateral with which to deploy with the aim of mitigating defections ie, engendering loyalty.

Function three: Channel neutral planning. Working closely with the former two functions, their role is to develop strategies that use channels and specifically mass communication to convey the existence of collateral to existing consumers in such a way that it’s overheard by potential customers.

Figure 4: the three core roles within the Loyalty Agency



An important point to make on our proposed Loyalty agency is that their output is first and foremost the creation and deployment of relevant and equity-generating collateral for a business. In doing so it creates an extension of that business’ product or service. For clients, working with such an agency would mean working with an agency partner that encouraged marketing effort to be a part of the business; rather than a signpost to it⁶⁴.

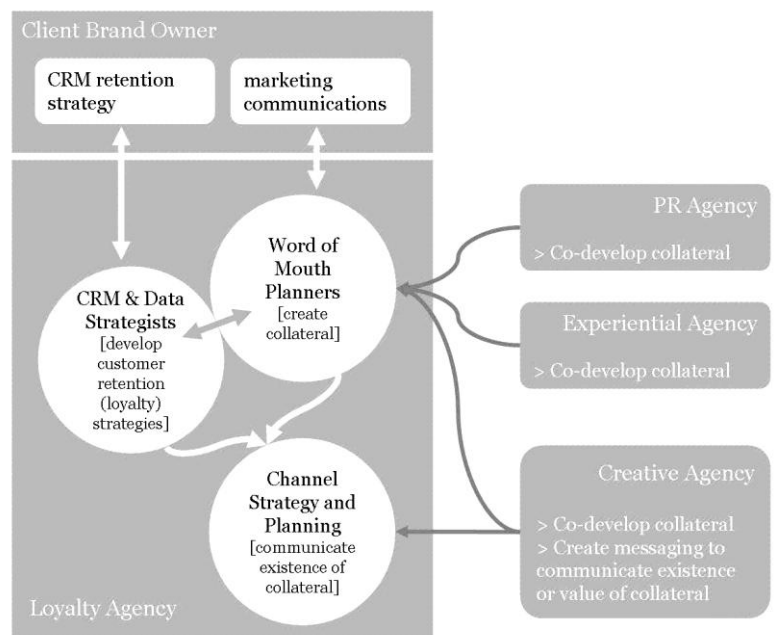
7.3 Integration with other agencies

Despite the assertion that “Integrated Communications are like weapons of mass destruction; everyone knows they exist but no one has ever seen it done”⁶⁵, coordination with other agencies will be key. In particular the role of creative agencies⁶⁶ is fundamental to planning Transactions in two key ways (see figure 5). Firstly, along with PR and other agencies, they’d work with word of mouth planners to help shape the collateral that is developed.

Some of the most forward thinking creative agencies are already operating in this capacity; I’ve already mentioned Mother’s musical for Pot Noodle. Last August Bank Holiday also saw Eurostar’s Ebbsfleet station host a drive-in movie for existing and potential Eurostar customers⁶⁷. The creative concept – as well as much of the infrastructure for the event – was created by Fallon, working alongside experiential agency Space.

Secondly, creative agencies would continue to work to the more conventional creative brief, but with a key difference. Rather than communicate a branded product or service proposition with the intention of recruiting – through awareness et al – potential customers to that brand; they would instead work with a brief to communicate the collateral developed earlier in the process. Their communications would be developed with the sole aim of communicating to existing customers (but overheard by potential customers) the existence, use, or consequence of that loyalty-generating collateral.

Figure 5: Loyalty agency integration with clients and other agencies



Part 8

A holistic approach to metrics

8.1 Barriers to Scientific measurement

Tim Ambler categorises five stages of sophistication in the assessment of marketing; from Unaware to Scientific⁶⁸. Different corporations regard themselves as being at different stages of this evolution⁶⁹. The ideal – based on a database of past and current metrics, derivatives and diagnostics – is ‘Scientific’⁷⁰ measurement, barriers to which are twofold.

Firstly, few companies have access to sufficient data, both in terms of number of metrics but moreover in the consistency of any data over time. Secondly, the priorities of organisations – and especially marketing departments – change over time, mitigating consistent collection of metrics⁷¹.

The result of which is a further feeding for our collective addiction for short-term acquisition gains as the primary metric of the result of marketing effort. Brands are measuring and reporting acquisitions as a short-term proxy for longer-term metrics that should be measured instead.

8.2 The right metrics

The creation and deployment of branded collateral to existing customers and its subsequent communication to existing and potential customers, requires a set of metrics to ensure success at several stages.

One, we need not just a database of current customers, but a database capable of being cross-referenced across Ambler’s database of past and current metrics, derivatives and diagnostics. This at its most basic permits us to know the value of our existing customers;

what's the annual profit pattern and how long before they are likely to defect?⁷² (They always will).

Understanding this is fundamental to addressing one of the evaluation challenges necessitated by the adoption of the methods proposed in this essay. Most evaluation is centred on acquisition. To monitor retention you have to gain an understanding of defection, but customers defect because of a much broader and comparatively unpredictable set of reasons.

Two, we need to know which consumer touch points are most relevant for and pertinent to existing customers; a playground for data strategists with sufficient customer data. It is also important to understand the frequency of communication required. Every moment is an opportunity for a customer to defect. How consistently or frequently should collateral be deployed? This informs the brief for the creation of collateral.

Three, understanding of media consumption; specifically how it's consumed by both existing and potential customers. Cross-referencing of existing and potential customer data with media consumption panels – both proprietary⁷³ and industry standard (namely Touchpoints) – informs the Transaction planning component of the process.

Four; metrics for advocacy and more specifically for word of mouth – the most oft cited is the Net Promoter Score⁷⁴ (NPS). Despite initially being widely embraced by the business community as a simple and comparable measure of loyalty and word of mouth – which also handily correlated to business growth⁷⁵ – its importance has since been challenged⁷⁶. The debate revolves not however around whether or not the NPS is a useful metric per se, but rather whether or not it is the absolute metric for Loyalty. Consensus remains more than comfortable with the former; “The NPS has been added to successful brand trackers ... certainly a good use of the metric, especially if it is presented alongside other word of mouth-related scores, such as brand reputation or online buzz”⁷⁷.

The online conversation is now large enough to significantly indicate the levels of conversation within the wider population. Tools for

measuring this 'buzz' track not only the extent of the conversations but also their polarity (positive versus negative) and the relative influence of the conversation points⁷⁸.

8.3 Difficult is worth doing

Even the best and most appropriate metrics if used disparately will fail to give as complete an understanding as possible of our activities and – more crucially – their adherence to any model⁷⁹ against which we base our hypotheses and actions.

Our ambition must be for a new and more holistic model based on integration of the three data sets of CRM, advocacy (through word of mouth) and media metrics. There's a perception that our existing – acquisition-based – models of understanding are getting better. They're not. It's the data we put into them that has become consistently better over the last twenty years.

James Northway comments that “moving to this type of model is going to require people to be a lot braver, because the measurement and evaluation models don't yet fully exist. ‘Let's put 80% on TV’ has an established formula ... measuring ‘Transactions’ necessitates a much more holistic model”⁸⁰.

Metrics shouldn't be an add-on to attribute numbers to what we produce for the brands upon which we work. Rather they should be an ongoing measurement to aid better understanding of the contribution our efforts and activities make to the brand equity at the bottom line of the businesses with which we work.

It may sound like a not-insignificant mountain to climb, but we have a key advantage. One of the most important data sets is the one brands are closest to – their existing customers. We know – or should know – more about them than any conceptual demographically-defined group of potential 'consumers'. The world is moving in our direction; as the digital paradigm takes hold, it is facilitating not only the accumulation but the understanding of that customer data. It is our choice whether or not we take advantage of it.

Part 9

Case Study: *Relentless*

9.1 Dual challenges in a growing and competitive sector

Relentless, with its "Give and you shall receive. No half measures." positioning, was developed by the Coca-Cola Company in 2006 to compete within the highly profitable and expanding energy drinks market. The sector has experienced rapid growth over the last decade and is dominated by Lucozade and Redbull with 50% and 30% market shares respectively⁸¹.

Competition for consumers is most fierce in the 500ml can offering, in which Relentless operates. In November of 2007 Barr Soft Drinks signed a deal to distribute US energy drink Rockstar in the UK⁸². Competition was further ramped up by the US-based Hansen Beverage Company's launch of Monster in early 2008⁸³. Relentless faces the dual challenges of stealing share from market-dominant brands whilst defending its share against recent newcomers.

For a brand with relatively low penetration in a fast-growing and competitive sector, the obvious route to growth is to advertise at potential customers to create awareness and by doing so generate intention to purchase.

If however we adopt the principles outlined in this essay, Relentless should instead focus on the share of market it already has. It should concentrate on identifying the most relevant consumer touch points. It should then create and deploy at those touch points collateral for its existing customers.



9.2 Making it happen (I): Creating collateral

As we identified previously, for a product consumed in the short-term the four principal touch points are the creation of experiences, branded retail environments, co-creation, and use of packaging. Relentless should therefore aim to add value for existing customers at these touch points.

The opportunity to add value through experiences is in the creation of exclusive events and secret gigs; experiences that you can only find out about by signing up to Relentless' website⁸⁴. At these events Relentless could create branded retail experiences with pop-up Relentless 'Recharge Bars'. Co-creation could take the form of customised drinks available at the Recharge Bars, developed in association with mixologists or sports and music artists.

Finally – in keeping with the brand's 'No half measures' positioning that emerged from the idea that true artists go further and sacrifice more for their art – Relentless could commission exclusive pack designs by cutting-edge and emerging artists, collateral that would only be available to existing customers at events.

Much of this thinking has already been adopted by the brand. Relentless has a presence at action and motor sports events, as well as music events – even hosting its own 'Wakestock' event last summer⁸⁵. But adoption of the principles outlined in this essay would see Relentless take a crucial step further.

9.3 Making it happen (II): Communicating the existence of collateral

It is not enough just to create collateral, Relentless must communicate the existence of that collateral in broadcast channels to existing drinkers. Whilst this could be in the form of ad space, it would be much more interesting to co-create content that showcased the events, in the form of a TV show, YouTube channel, or magazine advertorials.

The desired response from existing customers is “yeah I was at that gig – it was awesome”. But crucially – because of the broadcast nature of the communications – there is an inherent take out for non-drinkers: “hey that looks awesome – I want me some of that!”

The perceived inefficiencies of broadcast communications are eliminated. Every impact is relevant. To existing Relentless drinkers advertising becomes an extension of the brand – a tool to mitigate defections and engender loyalty. Furthermore brand communications become a validation of existing customers’ decision to purchase. Attitude follows purchase behaviour; as opposed to (costly) change-attitude-with-the-hope-of-funnelling-down-purchase-corridor approach.

Relentless is already investing heavily in the creation of a broad range of collateral. It next needs to plan for Transactions – maximising the potential for word of mouth to both grow share and defend against aggressive entrants into their market.

9.4 Relentless metrics

Relentless must measure the results of its efforts by tracking the four metrics identified previously.

Firstly, development of customer database (through use of the website in conjunction with panel data); and secondly, analysis of the database to identify consumer touch points; marrying purchase patterns with Relentless drinkers’ passion points (gigs, events, bars etc).

Thirdly, fusion of the customer database to a media consumption survey (such as TGI or Touchpoints); identifying where the existence of collateral is best broadcast. Finally, tracking the advocacy and word of mouth of Relentless drinkers – who are the most likely to grow the brand via word of mouth and who within the database wield the most influence?

Part 10

Embracing Change

10.1 The role of brands in the early 21st Century

Brands are stubborn things to pin down. They have been described as metaphors, as intangible assets, or as codes of conduct and rituals; as the ties that bind us and the ideas that inspire us.

I believe the role for brands in the early twenty first century is twofold; that brands give people reasons to be loyal to a product and service, and that brands provide an affirmation of our purchase decisions.

10.2 I believe

I believe brands should only invest in marketing communications through existing users of their brand.

I believe we will come to look back at our marketing efforts at the turn of the twenty first century as excessively wasteful; where marketing was divorced from the products and services to which it pertained.

But most of all I believe we will look back at how we embraced change. Not because consumer behaviour forced us to, but because we collectively saw a better way to nurture and grow the brands we held so temporarily in our care.

Notes and references

¹ Frederick F Reichheld. The Loyalty Effect: The Hidden Force Behind Growth, Profits and Lasting Value.

² Customer Relationship Management: Divide and Conquer, an Accenture report by Mark T. Wolfe, Stephen F. Dull and Timothy Stephens
http://www.accenture.com/Global/Research_and_Insights/Outlook/By_Subject/Customer_Relationship_Mgmt/CustomerConquer.htm

³ Julian Saunders. A market leader exclusive report: What is really changing in marketing communications?

⁴ Based on a typical annual subscription cost to the reader of £36, less £21 fulfilment cost on the part of the publisher. Source: Milivres Prowler Group.

⁵ Collectively between July 2007 and June 2008 the brands surveyed spent in the region of £380m on media and direct marketing (direct mail and door drops); 78% of this - £294m – on acquisition. If this were representative of the spend of the top 200 brands across the same period it would amount to £4.6billion being invested purely to communicate to non-users of their brands. All spend figures sourced from Billetts.

⁶ Peter Doyle. Value-Based Marketing: Marketing Strategies for Corporate Growth and Shareholder Value.

⁷ Who preferred not to be identified by name.

⁸ Andrew Ehrenberg. My Research In Marketing. Admap - May 2005, Issue 461

⁹ Adam Smith. The Wealth of Nations (1776).
http://en.wikipedia.org/wiki/Adam_Smith

¹⁰ A.A.M. Kinneging. Loyalty in the modern world. Modern Age; Wntr-Spring, 2004 http://findarticles.com/p/articles/mi_m0354/is_1-2_46/ai_n6140578/pg_1?tag=artBody:coll

¹¹ Observation made by Dennis Woodside, Vice President of Google Region One, in a recent talk entitled 'Chasing the Consumer'.

¹² At the time of writing, consumer price-sensitivity is being further instigated by rising inflation and an economic slowdown in part as a result of the global credit crunch.

¹³ The IPA case study dataBANK is comprised of papers submitted to the IPA Effectiveness Awards competitions since 1980.

¹⁴ The IPA dataMINE project aims to use the dataBANK to produce general learnings about how marketing works. For more information visit:
<http://www.ipa.co.uk/Content/Marketing-in-the-Era-of-Accountability-published-today>

¹⁵ Only 24% of campaigns succeeded in increasing loyalty compared to 73% success rate for those campaigns which sought to increase penetration and 88% success rate for those campaigns which sought to increase both loyalty and penetration.

¹⁶ Don Tapscott (Author), Anthony D. Williams. Wikinomics: How Mass Collaboration Changes Everything.

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- ¹⁷ John Grant. After Image. Grant observes that ownership of ideas is far more valuable than the ‘personalities’ from which brands were previously carefully constructed using insights and aspirations of brand users.
- ¹⁸ Jon Alexander, Planner at Fallon – as quoted in an conversation for this essay.
- ¹⁹ Crowd-managed refers to consumers tangibly owning a share in a brand. For more see:
http://www.coolbusinessideas.com/archives/from_crowdsourced_ideas_to_a_crowded_downed_crowdmanaged_business_entity.html
- ²⁰ MyFootballClub consists of 30,000 members who own Ebbsfleet United and vote on all key decisions from team selection to financial budgets. See more at:
<http://www.myfootballclub.co.uk/>
- ²¹ After all, if the brand was so good that you bought and continue to buy into it, why - when you get to the shelf - would you buy anything else?!
- ²² O2 – The best way to win new customers? Talk to the ones you already have: the story of O2. IPA, 2006.
- ²³ Peter Field. The quest for loyalty. Admap Magazine March 2008, Issue 492
- ²⁴ Advocacy: *n* active support of a cause or course of action – Collins English Dictionary.
- ²⁵ Blades & Phillip. Decision Watch UK. MRS Conferences 2005. “The extraordinary power of word of mouth became obvious, this unscientific sample of one vague acquaintance, whose knowledge of cars Gary couldn’t even assess, put him off purchasing a car for six months”.
- ²⁶ Laborie, Jean-Louis. "The Theory Behind Engagement and Integration's Early Experience Across Media." Paper presented at ReThink: 52nd Annual Advertising Research Foundation Annual Conference and Expo, March 20–22, 2006: [URL: <http://mail.thearf.org/rovmorgan/Engagement/2006.rethink.ARF.The%20Theory.pres.Laborie.pdf>].
- ²⁷ Dye, Renee. "The Buzz on Buzz." Harvard Business Review, November 2000. McKinsey & Company estimates for the 1994 US Economy (note this is prior to the emergence of the mainstream internet paradigm so likely to be conservative) – total equals \$6 trillion. Slightly more than two-thirds of the U.S. economy has been influenced by buzz: 13% Largely Driven by Buzz (Toys, sporting goods, motion pictures, broadcasting, amusement and recreation services, fashion); 54% Partially Driven by Buzz (Finance (investment products), hotels and lodging, electronics, printing and publishing, tobacco, automotive, pharmaceuticals and health care, transportation, agriculture, food and drink); 33% Largely Immune to Buzz (Oil, gas, chemicals, railroads, insurance, utilities).
- ²⁸ Wilmot & Nelson. Complicated Lives: sophisticated consumers, intricate lifestyles, simple solutions.
- ²⁹ Malcolm Gladwell. The Tipping Point.
- ³⁰ Data from ævolve’s CCS study. The survey regularly asks its panel about advice given about various categories in last 3 months.
- ³¹ Caroline Whitehall. Inertia is good.
- ³² Mark Earls. Herd.
- ³³ Cova, B. (1999), "From Marketing to Societing: When the Link is More Important than the Thing", in Brownlie, D., Saren, M., Wensley, R. and Whittington, R. (Eds) Rethinking Marketing, Towards Critical Marketing.

34 Elliott, R. (1999), "Symbolic Meaning and Postmodern Consumer Culture", in Brownlie, D., Saren, M., Wensley, R. and Whittington, R. (Eds) Rethinking Marketing, Towards Critical Marketing Accountings.

³⁵ Ed Keller and Simon Chadwick. Is word of mouth Just a Buzz? MRS Annual Conference, 2006.

³⁶ James Harrison, Managing Partner at Fuel, Engine Group – as quoted in an interview for this essay.

³⁷ Data from ævolve's CCS study. The survey quantifies the proves the propensity for people who give advice to be 'ad-seekers' within that category.

³⁸ Rory Sutherland. Adapted from notes taken at *Delivering the Landmark Creative Campaign* – a speech to the IPA Outdoor's Seeing Digital Conference.

³⁹ Faris Yakob. I believe the children are the future. Essay submission for IPA Excellence Diploma class of 2007.

⁴⁰ There's a great report which includes interviews of some of the people behind the development of musical at <http://news.bbc.co.uk/1/hi/entertainment/7539377.stm>

⁴¹ Interestingly the film was made without any overt Eurostar branding, something Marketing Director Greg Nugent refers to as 'Unbranded Content' – for more see: <http://www.brandrepublic.com/InDepth/Analysis/808432/Close-Up-Live-Issue---Mother-Eurostar-abandoned-branding-embrace-feature-film/>

⁴² Peter Fisk in his book Marketing Genius defines Brand Equity as "*the sum of future cash flows driven by the investments of today*".

⁴³ I find these two axes the best way to map consumer touch points with the aim of identifying where the most appropriate points of for the deployment of collateral. Other axis were explored – specifically an axis that differentiated between contractual versus one-off transactions with a brand versus regular and occasional consumption. However being able to separate regular versus occasional contractual relationships proved to be less useful to me that a clean split of tangible products versus intangible services. This isn't to say that there are alternative ways to map the touch points, indeed many planners will wish to play with alternatives depending on their own, or their agency's, specific point of view.

⁴⁴ Note that aggregator brands (such as moneysupermarket or uswitch) are 'trending' many brands left and down; left towards the shorter-term – ie changing supplier more often (especially in the utilities sector) and downwards through the commoditisation of historically service brands (for example in the telecoms sector).

⁴⁵ The addition of packaging (as opposed to download only) increased the retail value of Radiohead's recent 'In Rainbows' album more than nine-fold... When originally released in October 2007 as download only – unpackaged – the value was determined by consumers; they could choose their own purchase price – the average price chosen to pay was £3.88 (source: <http://www.whatpricedidyouchoose.com>). At the start of December 2007 the same content was released in the form of a three-format discbox (source: <http://www.inrainbows.com/Store/index3.htm>). The asking price for a product valued at £3.88 with packaging? ...£40.00. Value goes both ways.

⁴⁶ For more on Nokia's concept lounge see: <http://www.thesedays.com/conceptlounge/>

⁴⁷ Mini2 is an online hub for all things Mini maintained by its online members. For more visit: <http://www.mini2.com/>

⁴⁸ The Electrolux Design Lab is an annual global design competition open to design students who are invited to present ideas for home appliances. For more visit: <http://www.electrolux.com/designlab/>

⁴⁹ Note that I'm referring to contract only in this instance, PAYG would be significantly shorter term and more product-focussed.

⁵⁰ Average Revenue Per User.

⁵¹ Malcolm Gladwell. The Tipping Point.

⁵² The Pareto principle (also known as the 80-20 rule, the law of the vital few and the principle of factor sparsity) states that, for many events, 80% of the effects come from 20% of the causes. Source: http://en.wikipedia.org/wiki/Pareto_principle

⁵³ The term given by Blades and Phillips to the individuals to whom information about a branded product or service is sought. Fiona Blades and Stephen Phillips. Decision Watch UK. MRS Conferences 2005

⁵⁴ Sameer Modha, planner at Partners Andrews Aldridge - as quoted in an interview for this essay.

⁵⁵ In addition a significant leap we have to make is in how as planners we categorise consumers. With Transaction Planning they are not an undifferentiated mass to which we broadcast branded messages, but nor are they distinct segments of like-minded individuals who will be most responsive to our message. With Transaction Planning, people are a channel in their own right.

⁵⁶ Giep Franzen. Brands and Advertising: How advertising effectiveness influences brand equity.

⁵⁷ Mark Penn (Author), E. Kinney Zalesne. Microtrends: The Small Forces Behind Tomorrow's Big Changes. Penn and Zalesne argue that the biggest trends in America are the microtrends -- the smaller trends that go unnoticed.

⁵⁸ Once content is digitised, not only it can exist in any digital channel, but move seamlessly across channels. It is this intrinsic that led William Gibson to first comment that "*The remix is the very nature of digital*" – ie digitisation of data and content facilitates transformation – remixing – of that content.

⁵⁹ Example of on demand include RSS (Really Simple Syndication) which automatically relays content deemed relevant to the consumer, and IPTV (Internet Protocol Television) – TV via broadband, which is currently seeing substantial investment by UK TV companies. To quote Rob Norman in his speech Do Different "*In the final analysis the world has gone on demand. That puts it beyond our control*".

⁶⁰ And a lot of specialists there now are; WPP Group has 247 companies globally and 194 offices in the UK alone. All companies relate to communications services "*Through our companies, WPP offers a comprehensive and, when appropriate, integrated range of communications services*". Source: <http://www.wpp.com/WPP/About/>

⁶¹ The many and varied agency operations are also behind failure to join up the dots across a range of other disciplines – but this lies beyond the scope of this essay.

⁶² Interview with Tim Noblett, Data Strategist at ævolve, part of Aegis Media.

⁶³ Interview with Andrew Wythes, Customer Relationship Management, Eurostar.

⁶⁴ In 2006 BBH launched Zag. Fully funded by the agency it aims to create and develop new brands, which it will license or sell to third parties in return for a

share of ongoing sales revenue. More recently New York agency Anomaly is to open its doors for business in London. The agency will be run on a model that divides the agency's revenue streams into part fees, part IP share.

⁶⁵ David Jones writing in Contagious Magazine. *Is Your Work Spongeworthy?*

⁶⁶ It is the deliberate intention that creative agencies sit outside the proposed Loyalty agency, for a very specific reason. Given the close proximity in which the Loyalty and Creative agency would work, it would seem logical to align the operations into one agency. This is the move DraftFCB made when it aligned content creators with data analysis in its 2006 merger. But uniting the silos into one operation within the Loyalty agency would be a flawed move.

At the time of writing, Endemol is eyeing up a possible takeover of ITV (Source: Financial Times. John de Mol commenting on ITV: "This one is an example of a combination that could make sense, depending on the numbers." Full story at: <http://www.ft.com/cms/s/0/02d15dca-5110-11dd-b751-000077b07658.html>)

Commenting in MediaWeek (19th August 2008; "Being the best at what you're best at is surely the best advice") Richard Eyre observes that "it's a trap. ... Successful content owners diversify their routes to market. Successful distributors source the best content wherever it can be found. Both need a diversity of relationships to stay at the top of their game".

Similarly it would be a trap to align our Loyalty agency and a Creative function into one operation; the former must be able to work with any and every creative agency that appreciated the value of existing customers. Ultimately brands would be in a better position to benefit from the diversity those creative agencies would bring to the loyalty table.

⁶⁷ For more information about Eurostar's Ebbsfleet drive in see: http://www.eurostar.com/UK/us/leisure/about_eurostar/press_release/eurostar_hospital_drive_in_cinema_at_ebbsfleet_international_station_over_august_bank_holiday_weekend.jsp

⁶⁸ The five stages outline the generalised process through which most companies develop thinking about assessment of marketing, and are 1. Unaware, 2. Financial, 3. Many Measures, 4. Market focus and 5. Scientific

⁶⁹ Nestle regarded them selves as being at the 'Financial' stage. In this stage marketing assessment is made purely on financial grounds, as opposed to the next 'Many Measures' stage, in which a diversity of additional measures – such as customer-based metrics – are used. Centrica described their organisation as being at this 'Many Measures' stage. Duracell claimed to be moving from the 'Many Measures' stage to the fourth stage; 'Market Focus'. In this stage the range of financial and non-financial measures are consolidated into fewer more meaningful metrics, which are presented to and assessed by the board.

⁷⁰ At Ambler's 'Scientific' stage; a "*database of past and current metrics, derivatives and diagnostics is mathematically analysed to provide the shortest list of sensitive and predictive metrics*". Source: Marketing and the Bottom Line – Tim Ambler, p79

⁷¹ Both of which are suggested by Tim Ambler in Marketing and the Bottom Line

⁷² Method for calculating value of existing customers as outlined by Frederick F Reichheld. The Loyalty Effect: The Hidden Force Behind Growth, Profits and Lasting Value.

⁷³ ævolve's CCS Study routinely asks it's panel if they have given or sought advice across twenty eight product and service categories.

⁷⁴ Justin Kirby & Alain Samson. Customer advocacy metrics: the NPS theory in practice. Admap Magazine, February 2008, Issue 491. “The Net Promoter Score is based on the question 'Would you recommend [Brand/Company X] to a friend or colleague', answered on a scale between 0 (not at all likely) and 10 (extremely likely). The score is computed by subtracting the percentage of detractors (those giving 0–6 answers) from promoters (9–10s). The middle section, between 7 and 8, is so called passives.”

⁷⁵ Dr Paul Marsden, Alain Samson, Neville Upton, all London School of Economics. Advocacy Drives Growth: Customer Advocacy Drives UK Business Growth. 05 September 2005. Research by Marsden et al replicated work by Bain/Satmetrix (F Reichheld: The one number you need to grow. Harvard Business Review, December 2003) that demonstrated a correlation between the NPS and business growth.

⁷⁶ Tim Keiningham. The Net Promoter debate. Admap Magazine. May 2007, Issue 483. Simply put, we found no support for the assertions attributed to Net Promoter. Our research clearly shows that claims of its superiority in predicting firm growth, or in predicting customers’ future loyalty behaviours, are false”.

⁷⁷ Justin Kirby and Alain Samson. Customer advocacy metrics: the NPS theory in practice. Admap Magazine, February 2008, Issue 491. They go on to comment that “it also represents the compromise many companies seem to have reached about the NPS, namely to consider it one important dimension of a more complex mix of customer satisfaction or brand health indicators”.

⁷⁸ For example ævolve’s proprietary ‘analytica’ tool tracks online buzz

⁷⁹ Kuhn – The Structure of Scientific Revolutions. “*There is no such thing as research in the absence of any paradigm*”.

⁸⁰ Interview with James Northway, Joint Managing Director of ævolve, part of Aegis Media.

⁸¹ The Energy drinks sector has seen +85% per capita growth between 2002-2007. Source: Canadean, <http://www.canadean.com/>

⁸² Source: <http://www.talkingretail.com/products/7094/American-energy-drink-Rockstar.ehtml>

⁸³ Source: <http://www.brandrepublic.com/Marketing/News/765163/Monster-Energy-plots-war-Cokes-Relentless/>

⁸⁴ Indeed Relentless should start with its approach to its website. Rather than being a business-orientated source of information it should instead be a customer-orientated hub for existing drinkers. Energy drink consumers are generally late teen and twenty-somethings with an active lifestyle and passion for sports and music – the site should reflect this.

⁸⁵ For details of Relentless’ Wakestock visit <http://www.wakestock.co.uk/>