

# market smarter

It's time to look at marketing in a whole new light.



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## INTRODUCTION

*The long-overdue need for systemic change.*

pages 1 – 4

## CHAPTER 1 – THE MESSAGE

*The nature of effective messaging has gone from push to pull.*

pages 5 – 16

## CHAPTER 2 – THE DELIVERY

*What it takes to truly connect with today's consumer.*

pages 17 – 40

## CHAPTER 3 – THE ECOSYSTEM

*Going from an island mindset to a wide-open perspective.*

pages 41 – 64

## MARKETING REBORN

*Embracing the power of the new reality.*

pages 65 – 68



INTRODUCTION  
**Marketing is broken**

# Ding, dong. The old paradigms are dead.

Marketing is broken. It has been for quite some time.

You see, many companies are still trying to use interruptive techniques and mass media to broadcast generic messages to a very jaded public.

They're using outmoded delivery systems that are increasingly more expensive and ineffective. They're trying to build brands via a loosely connected set of marketing tactics. This is with next to no input from the customer – and without the benefit of a cohesive overarching strategy.

Their internal marketing ecosystem is also failing them. It's the result of too much siloed thinking. And too little emphasis on measurement and ROI.

Worst of all, their external partners are not working in their best interest. These partners are still incentivized by volume-based commission models – as opposed to a goal of achieving superior results within a streamlined budget.

## Now for the good news.

For companies who are willing to break the rules – and willing to turn the old paradigms on their proverbial heads – it’s a whole new ballgame.

For the first time in marketing history, small and midsize companies can level the playing field by leveraging a whole new set of tools and channels at their disposal. It’s possible to build thick-line relationships through real conversation and relevant content. With the kind of dialogue that can build a following of evangelists who identify with your brand.

The idea is to *pull* in these self-selected followers through low-cost *inbound* Web 2.0 channels such as blogs, social media, SEO and pay-per-click. This is in stark contrast to spending untold sums to *push* mass-market messages through high-waste *outbound* channels like newspapers, magazines and broadcast TV.

# The wisdom of building a tribe.

Savvy companies today aren't just trying to push product with clever ads and taglines. They're working to build a tribe through genuine communication and meaningful interaction.

It's working. A recent survey has shown that for companies who spend more than 50% of their lead generation budget on tribe-building inbound channels, the average cost-per-lead is less than half – \$134 vs. \$332 – as compared to their outbound-dominant competitors. This is just one reason why 88% of the companies surveyed were planning to increase their inbound spend for 2010.<sup>1</sup>

The following chapters will take a deeper look at why a shift to tribal marketing is crucial for your enterprise, while exploring its key effects on your strategy and execution. Along the way, we'll consider:

- What this means for your overall messaging approach.
- How it will change the way you deliver your messages.
- How your ecosystem needs to evolve to take full advantage of this sea-change in opportunity.
- The larger implications for building your brand.

Everything you know about marketing has changed. You're about to find out why this is a very good thing.

<sup>1</sup> HubSpot.com



CHAPTER 1

# The Message

**DO  
NOT  
DISTURB!**

# ISSUE #1: It's no longer okay to interrupt.

As far back as any of us can remember, it's never been polite to interrupt. But until recently, the world of marketing always got a free pass on this golden rule.

In the boom times of yesterday, it was so easy to be good. Advertising was more of a novelty. Companies would simply interrupt viewers, readers and listeners with mass-market messages. The well-paved road to success was to buy large amounts of media time – broadcast these generic messages to the waiting masses – and see what sticks.

For decades, this unabashed play for the quick-hit worked quite well. It took advantage of the fact that the average person was enamored with media. Then everything changed. Consumers are now tired of being hyped to the nth degree. Interruptive tactics and impersonal messages are viewed with indifference, and even disdain.

I know the feeling. As a consumer, I'm tired of being warned, threatened and spoken down to. I've had it with the “pardon my interruption” techniques that have been the status quo of mass marketing. Like other consumers, I'm also armed with high-tech weapons – like a DVR with a fast-forward button. There's an unprecedented array of marketing and purchasing channels at my fingertips. And I'm turning off traditional channels for information and entertainment.



## ISSUE #2: Being unapproachable is unforgivable.

Not only I am being interrupted, but this unsolicited intrusion usually comes from a company that is unapproachable for all practical purposes. The message comes down as an edict of sorts. You're told to buy a certain product or service, lest some unspeakable evil should befall you. It's a ploy the consumer is supposed to accept hook, line and sinker – if he has a sense of what's good for him.

This is the equivalent of starting off a first date with: “So will you marry me? C'mon, I'm in a hurry.” But this is pretty much how push marketing has been conducted up to now.

Here's the kicker: today's consumers want to be courted. They have more choices than ever before, available through an unprecedented array of marketing channels and purchasing channels. If you want a shot at starting a relationship, you need to give people a sense of who you really are – along with some time to get to know you a bit.



## ISSUE #3: No one likes a phony.

The strategy of relying on a snazzy new logo no longer applies. The practice of relying on a snappy jingle has also seen its day. I'm tired of being treated like a faceless reader, listener or viewer: where all I know about the company is based on slick advertising campaigns. These campaigns are typically contrived by a "department" that's compensated for selling me stuff. I'm fed up with being hyped all the time. In addition to being boring, it speaks to me like I'm a child. And I don't like being spoken down to.

Today, the most important thing for a company is to be real. To let its guard down. To talk to customers like they're human beings. And to be vulnerable.

The fact is, even if you can talk a good game over the long term, you can't be something you're not. Yet, many companies still try to get by with glib on-the-surface ads, taglines and "branding" initiatives. If you want me to start liking you, you'd better be genuine. Because once I find out you're not, our relationship is over.



## ISSUE #4: Monologues vs. dialogues.

It's hard for a company to be likeable when it's doing all the talking. However, many companies continue to unleash one-way monologues on their customers and prospects. The resulting lack of a two-way dialogue is more than inconsiderate: it has an alienating effect.

The company-to-consumer relationship has not only changed. The hierarchy has been reversed, and the consumer is in control. Marketers need to realize this – and fast. Consumers have matured to the point where they're looking to identify with a select group of companies, brands and products that align with their values. They need to feel their concerns are being heard, their thoughts are being embraced, and they're contributing to the overall brand experience and evolution.

If you want a chance today to establish valuable customer relationships, you'd better establish mechanisms to encourage a genuine two-way conversation. Without that, you're just talking to yourself.



## THE SOLUTION: Think tribal.

You've just read about the ways the old-paradigm messaging model is broken. But all is not lost. As push has suddenly come to pull, a groundbreaking new approach for attracting business has come to the forefront.

It's a pull-marketing philosophy known as tribe building. The heart of this approach is all about connecting in genuine and meaningful ways using social networking and interactive channels. By providing relevant and personal content, instead of generic catch-all messages, you now have the ability to connect with prospects who are truly interested in your service or product.

### Real conversation. Without the “con.”

Tribe building is about being real, and striking a chord. The key is to be genuine and approachable from the outset. The courting process officially begins when you ask a respondent for permission to continue the conversation. Once that permission is granted, you have an outstanding opportunity to build a tribe. And to tell your unique story in a variety of ways.

By providing engaging content – and establishing an effective channel for meaningful dialogue – you’re able to attract tribe members who are willing to engage in an extended conversation about your brand. It’s a deep-level connection that isn’t possible with the one-way messaging techniques of traditional mass media. As a result, you can build a niche audience of followers who actually look forward to your next communication.

Tribe building is consistent with the new reality of how today’s online consumers get their information, explore their options and make key purchasing decisions. Prospects can take their time to get to know your offerings, and what’s in it personally for them. They get to know you for who you really are.

## The value of storytelling.

With tribe building, the messaging strategy isn’t geared toward a quick-hit, impulse-buy kind of approach. It’s more of a process of osmosis, where you have the opportunity to impart information over time.

This makes storytelling a valuable technique. I’m not talking about concocting a story, or creating a piece of fiction. The idea is to create a story that can promote your brand in a memorable and lasting way. A story that can also serve as the overriding theme for an extended dialogue with your tribe members.

Think about some of the more memorable brand stories of the past half-century. Volvo has built a “safety” story over a 50-year period. Ben & Jerry’s built their

brand entirely through PR and events – and by producing a high-quality product – without any paid advertising. Up until recently, Toyota had built a “quality” story that was the envy of the industry and beyond.

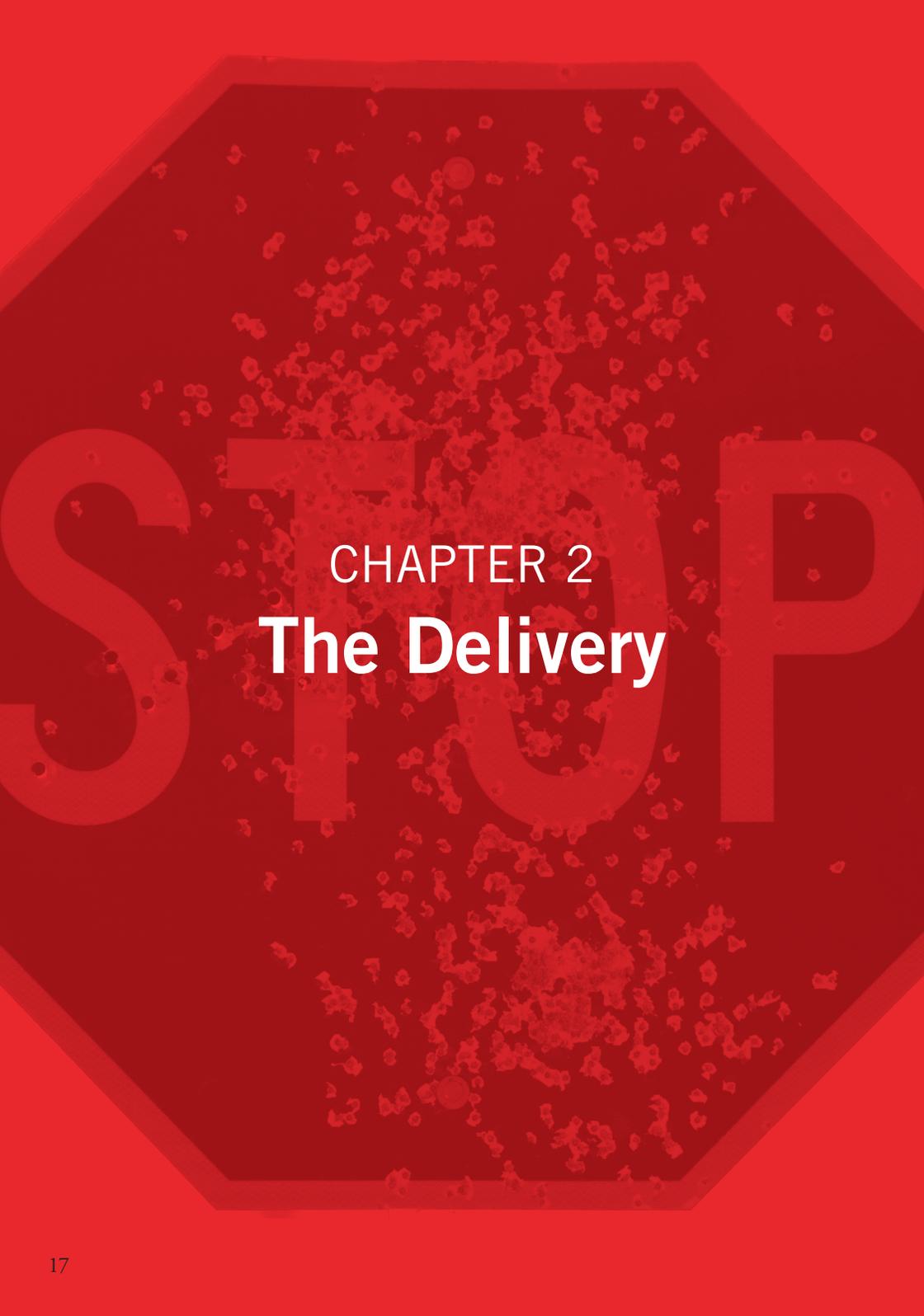
A dry presentation of features and benefits isn't going to generate the attention, nor the stickiness factor, that it takes to become a memorable brand. It takes an engaging and genuine story, backed by quality products, superior services and conscientious follow through.

## The magic of human interaction.

Today's consumers have gone beyond the instant-gratification mindset that once permeated the marketing landscape. They want to find brands they can identify with – that align with their beliefs and lifestyle. They want to express their opinions and help shape these brands and their offerings.

For those who can master the tribe building process, and engage their followers in an active conversation, the rewards are many. The objective is to build a community of self-selected and engaged tribe members. People with the potential to actually become evangelists for your brand, products and services.

This isn't just a passing marketing fad. It's a virtual revolution in the way marketing is strategized and executed. Now is your opportunity to get in on the ground floor.



CHAPTER 2  
**The Delivery**

# ISSUE #1:

## The big push is over.

For anyone who doubts that the average consumer is fed up with traditional marketing, here are a few pointed statistics to consider from a recent survey.<sup>1</sup>

- 65% of those surveyed feel they're constantly bombarded with too much advertising
- 56% avoid buying products from companies who they think advertise too much
- 86% do not trust information communicated via advertising

The use of mass media (i.e. television, radio, newspapers & magazines) has always been expensive, hard to measure, and wasteful in its buckshot broadcasting approach. Now it has the added charm of being largely ineffective.

To make matters worse, it's also harder than ever to stand out from the crowd in today's ultra-competitive marketing environment.

Clearly, the tried-and-true delivery models of traditional media are broken – as they continue to lose ground daily in terms of audience and impact.

<sup>1</sup> Justin Kirby & Paul Marsden, Connected Marketing, Oxford, U.K. 2006



## ISSUE #2: The consumer has changed the channel.

John Wanamaker, the pioneering Philadelphia department-store magnate, was famously quoted as saying: “Half the money I spend on advertising is wasted; the problem is, I don’t know which half.”

It’s safe to say that Wanamaker would be just as appalled at the dismal state of affairs in today’s supposedly enlightened marketing world. In an era when U.S. businesses are spending \$300 billion annually on advertising, it’s estimated that up to \$112 billion is being wasted.<sup>2</sup>

These days, the built-in waste factor that has been traditional with mass media, due to its broad and undefined sweep, is really just the tip of the iceberg. Everywhere you look, audiences and effectiveness are shrinking. Record declines in circulation are being experienced by 24 of the 25 largest newspapers in the nation. While consumer readership of newspapers and magazines dropped 17% and 6% respectively between 2004 and 2009.<sup>3</sup>

The news for “the tube” is even more severe. McKinsey & Company calculates that, by 2010, traditional TV advertising will be one-third as effective as it was in 1990. The reasons are many. The McKinsey report assumes a

<sup>2</sup> What Sticks, Briggs & Stuart 2006    <sup>3</sup> Forrester US Interactive Marketing Forecast, July 2009

15% decrease in buying power driven by cost-per-thousand rate increases – along with a 37% decrease in message impact due to sheer saturation. By paying more for less, TV advertisers are being subjected to a much higher cost-per-viewer-reached.<sup>4</sup>

But that's not all. The same McKinsey report says that 90% of people with the ability to fast-forward through TV ads will choose to do so. This results in a 23% decline in overall ads viewed. So how have advertisers reacted? Prime-time TV ad spending has increased by about 40% over the last decade, as viewership has dropped almost 50%. Living proof that old paradigms die hard.<sup>5</sup>

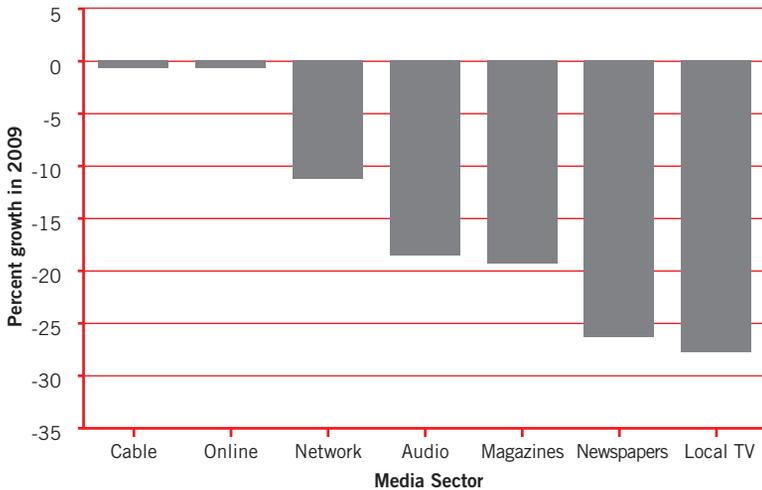
## The sudden decline of the mass-media quick hit.

**“Advertising is the price companies pay for being unoriginal.”**  
– *Yves Behar*

Until recently, the buying excesses of the Golden Age of media showed no signs of stopping. For many marketers, agencies and media outlets, there's a certain comfort in maintaining the status quo. Even if it isn't working.

In the past year or so, however, this scenario has changed dramatically. Consider the following chart from The Pew Research Center's Project for Excellence in Journalism as a case in point.<sup>6</sup>

## Change in Ad Revenue by Medium 2008 to 2009



Sources – Cable: SNL Kagan; Online: eMarketer; Network: TNS Media Intelligence; Audio: Radio Advertising Bureau; Magazines: Publishers Information Bureau; Newspapers: Newspaper Association of America; Local TV: Television Bureau of Advertising

In the space of just one year, across the board, traditional push media took a proverbial dive in terms of generating ad revenue. Some media channels are taking a bigger hit than others.

A sea-change shift of this magnitude – in such a brief period of time – is something that was unthinkable until now. Today’s hyper-connected digital world is certainly a factor. It’s also true that the general economic downturn has played a role in these ad revenue declines. However, a much bigger and robust factor is also at play. It has much more to do with the preferences of the consumer than with the predispositions of the marketing world.

## The rise of individual engagement.

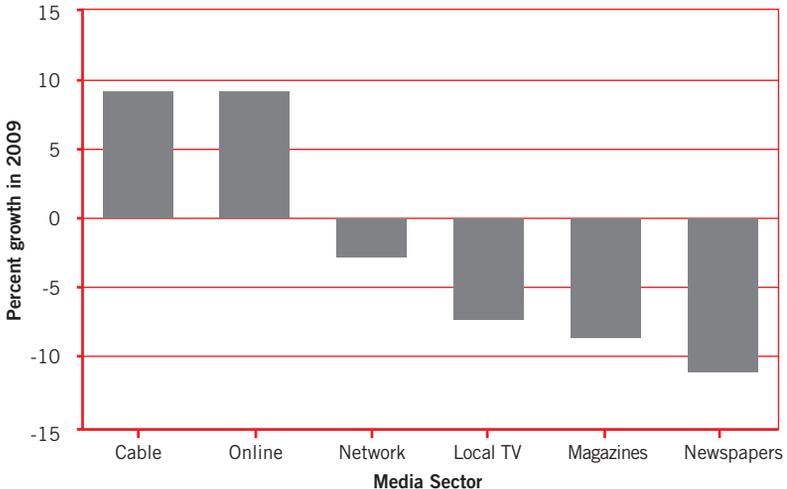
**“As marketers, we’re moving away from launching finite campaigns that start and end, to holding market conversations that keep on going and going.”**

– *Christina Kerley, Epiphany*

Is this movement away from buying traditional push media aligned with the reality of audience preferences? An additional chart from the same Pew Center report<sup>7</sup> only strengthens the argument for shifting dollars from outbound to inbound media.

### Audiences Turn to Cable and Web

Percentage Change in Audience, 2008 to 2009, Across Media



In the same one-year timeframe, only two media channels experienced an uptick. The first winner is the online channel. This is a communication medium that's participatory and diverse by nature. Two-way conversations and heightened interactions are so inherent to this environment that we don't even think about it anymore.

The other winner is cable TV. While cable doesn't yet enjoy the built-in interactivity of the online channel, it does possess an inherent proliferation of channels. This enables it to cater to a wide variety of special interests – expanding the depth and breadth of its niche programming as bandwidth will allow. And today, bandwidth capabilities are growing at an unprecedented rate.

Here's the most surprising part. It would be one thing if this Pew Center study was commissioned by a group that strongly advocates the shift to inbound “pull” media. But that's not the case. It was conducted by an organization with a substantial vested interest in the status quo of traditional media.

The Pew Center report proves there's no knowledge like self-knowledge. As painful as that realization can be.



## ISSUE #3:

# Channels as far as the eye can see.

In the days when a marketer had four choices – newspapers, magazines, TV and radio – a media buy was pretty much a no-brainer. The local newspaper was read religiously. Larger newspapers commanded their market niches. TV time bought on one of the three majors, or one of its affiliates, guaranteed a substantial slice of the viewing audience. Radio also commanded a good part of an average person's day.

Today's fragmentation and proliferation of channels is mind-boggling. It's a virtual explosion of options, each with a thin slice of the overall audience. These include a wealth of niche-oriented cable networks. New-media realities like YouTube, Facebook and web-based radio. Thousands of special-interest websites. Along with 200 million blogs.

The days of lazy, let's-see-what-sticks marketing are over. Smart companies need to make sense of this confusion. They need to find their audience niches – determine how they're getting news and information – and seek the most appropriate and cost-effective channels to reach them.

It's no small order. But it's essential in a media environment with more potential than ever to waste hard-earned marketing dollars. The media landscape has undergone a structural change of massive proportions. The good old days of simple choices are never coming back.



## ISSUE #4: The demise of one-to-many.

The proliferation of marketing channels has also changed the basic nature of message delivery. Once, Walter Cronkite would speak and 100 million faithful viewers would listen. Every night. At the same time. No opportunity for feedback or dialogue.

The scheme was lazy and inefficient, but it worked. Advertisers happily paid to fill the slots when Walter wasn't speaking – unleashing their own one-to-many monologues on a very receptive public.

The premise of this “buckshot” approach was, if you scatter your message in front of enough people within the right demographic, the law of averages will reward you. Those days are gone. For good. With all the Web 2.0 delivery channels now at our fingertips – and the analytics, tracking and science behind them – there's no longer any excuse for this buckshot approach to marketing.

Tonight, you can turn on any number of news channels. Or don't turn on your TV at all. Just surf the net, read your RSS feeds, visit a few sites, and interact with a few blogs.

The demagogue-like mediums of the past are no longer sufficient. There are no places left for one-to-many messaging. Certainly, none have the reach and scalability that made Cronkite a living legend.



## THE SOLUTION: Out-smart rather than out-spend.

If you look at the fragmentation and proliferation of today's media channels with an old-paradigm mindset, you may think it's a massive problem. In reality, it's an incredible opportunity. Today's Web 2.0 tools make it more possible than ever to adopt a direct "shotgun" approach – as opposed to the long-questionable buckshot approach.

True, the consumer has changed the channel. The good news is, if you can find the channel your target prospects are frequenting, it's more cost-effective than ever to reach them. You also have an unprecedented capability to engage them in an ongoing brand-building conversation.

In fact, finding direct and interactive delivery channels for your niche audience is as important as identifying the niche audience itself. It's also imperative to give your tribe members the ability to identify with and interact with your brand. And more and more, they're going to demand it.

## Think about why instead of what.

In order to design and execute a successful delivery effort, the outmoded we-need-an-ad mindset is something you need to get past from the get-go. A solid strategy is, more than ever, the foundation for marketing success.

You need to strategize your overall media effort to gain as many qualified leads as possible over time – in the most effective and cost-conscious way – in as many channels as possible. For instance, take a look at how most prospects tend to find you in the first place. Then make a concerted effort to retool your marketing strategy to communicate with them on their terms, via the channels they favor most.

This is not to say that traditional media no longer has a place in the mix. If your audience is 75-year-olds who regularly watch Lawrence Welk, then so be it. You could even use a self-serve Web 2.0 tool like SpotRunner. This enables you to adapt a readily-available syndicated TV concept to your needs, choose affordable cable TV slots that fit your audience's demographic, and track the results from the campaign to boot.

But the fact is, with a greatly expanded set of tools at your fingertips, establishing a solid strategy is more crucial than ever. The real power of today's hybrid mix of delivery options lies in using both new-media and traditional channels, in appropriate ways, to market smarter.

Don't be afraid to break the rules. But it's important to understand why you're breaking them, and to what ultimate end. This foundation of analytical

thought is what keeps your marketing effort on course. It helps to steer you toward the channels that will connect most effectively with your niche audiences, in order to maximize the ROI of your marketing dollars.

## Be targeted.

Before you go fishing, it's best to identify a pond that actually has fish. And the right kind of fish. In marketing as well, half the battle is making sure you're fishing in the right waters.

Think of delivery channels as lakes and ponds. The fish are your target audience: people who are likely to be receptive to your product or service. Where do these people look for information? What are the channels and communities they're engaged with? How do they prefer to be communicated with? Are there key influencers that you should pay special attention to?

Fortunately, today's sophisticated Web 2.0 monitoring tools can help you to hone in on the most promising prospects for your tribe – along with the most fertile places to drop your bait.

The possibilities are endless. Put RSS feeds, leading back to your site, in a special-interest article. See who's talking about your product or service genre, in real-time, on SocialMention.com. Design a pay-per-click (PPC) campaign using Google Adwords.

It's a fragmented media environment out there, with more potential than ever to waste precious marketing funds. That's why it's imperative to do your homework and be proactive. The rewards, in terms of ROI, are substantial. The key is to put your messaging where your prospects are.

## Be available.

With a tribal inbound marketing initiative, once you've gotten prime prospects to engage, you've established a genuine interest and need. Now it's all a matter of timing.

An effective marketing strategy in the Web 2.0 world is more like a marathon than a sprint. It's less and less common for consumers to make an immediate decision. The first impression will probably just get them thinking about your product or service, and maybe get you permission to begin a dialogue. This is usually followed by period of on-again, off-again comparison shopping – during which they're viewing your competitors' propositions as well.

The idea is to maximize your accessibility to potential customers and to be visible when the actual moment-of-need arrives. This is where the targeted, pre-qualification power of Web 2.0 is worth its weight in gold.

Unlike a quick-hit print ad, you don't have to count on the right person reading a magazine or newspaper on the right day. Your message also isn't wasted on the 99% of people who aren't looking for that product at this specific time. When

already-interested prospects are ready to make a decision, they can find you at a moment's notice via a targeted Google search, a saved URL, or any number of ways.

Enabling the customer to hone in on your offer at the exact moment of need. That's about as customer-centric as you can get.

## Be sociable.

We've already spoken about the need for companies to increase their inbound "pull" marketing efforts via low-cost social networking and interactive media channels. Tribe building, in particular, is how the great brands and communities are now being created.

Today's proliferation of social media channels and Web 2.0 tools is a bona fide game changer. It is now possible to craft your own customized media network, targeted to the specific market niches and demographics that best suit the mission of your enterprise.

Studies have shown that 96% of Millennials, also known as Generation Y, have joined a social network.<sup>8</sup> While this segment of the population virtually thrives on being online, it would be short-sighted to think social networking is still largely a phenomenon among the younger set. Recent studies have also shown that 60% of all Americans now use social media. Within that group, 59% interact with companies via social networking websites. One in four interacts more than once a week.<sup>9</sup>

<sup>8</sup> Socialnomics.net <sup>9</sup> Forrester US Interactive Marketing Forecast, July 2009

For additional perspective, consider the meteoric rise of Facebook alone which is currently at 500 million users and counting.<sup>10</sup> Even more remarkable is that Facebook added 200 million of those users in less than a year. If Facebook were a country, it would now be the third largest in the world.<sup>11</sup>

“The news here is that Americans are eager to deepen their brand relationships through social media,” says Mike Hollywood, director of new media for Cone, a leading interactive media firm based in Boston. “It isn’t an intrusion into their lives, but rather a welcome channel for discussion.”

## Be interactive.

When you consider statistics like these, it’s easy to see why large companies are beginning to shift dollars from traditional to interactive media in a major way. By 2014, this aggregate shift from traditional to interactive is expected to approach \$55 billion annually and represent 21% of total marketing spend.<sup>12</sup>

This shift to interactive, once heralded as progressive, is now moving into the realm of the expected. 93% of social media users believe a company should have a presence in social media. 85% think a company should actively connect with its consumers via social media. 56% feel a stronger connection, and that they’re better served by a company, when they can interact in this way.<sup>13</sup>

Now here's the best part. Social networking and Web 2.0 channels aren't just for large companies. These readily-accessible, low-cost tools perform as well or better for small to midsize businesses. In fact, being smaller and more nimble is often a distinct strategic advantage.

The playing field has been leveled. Tribe building strategies via Web 2.0 can be used by any enterprise, regardless of size, to effect comparable or better results than traditional media for far less money. It's not unusual to cut the cost of the overall effort in half.

## Be engaging.

In our previous discussion on the “dating” process, we pointed out how the days of the quick-hit, impulse-buy approach are officially over. The old method of pushing an overload of mass-market information at consumers is no longer effective. And these days, a quick-hit print ad is rarely the right vehicle to promote your brand story. It simply doesn't provide an opportunity to “unfold” anything, nor to make a lasting impression.

A tribe-building approach, using an optimized mix of Web 2.0 tools, offers a variety of ways to impart useful information in digestible, timed-release dosages. It's also in concert with the way people naturally get their information these days.

New-millennium consumers prefer an environment where they can explore their options, settle in, and take their time to get to know you. They need to compare notes with friends and associates. They tend to check blogs and reviews to see what others are saying about you. They want to have the ability to communicate with you directly in a genuine and open manner.

## Be public.

The reality that push has come to pull doesn't just apply to advertising. With the proliferation of Web 2.0 tools and connectivity, it is transforming the practice of public relations as well.

For years, pricey PR firms have been hired to push press releases at a relatively small number of editors in any given market niche. Their intent is to pitch these editors on the idea writing an article about the company or its product by crafting the story around a newsworthy “hook”.

This hierarchy has also changed dramatically. Editors today, like the consumer, are firmly in the driver's seat. More often than not, they decide what they want to write about. Then, they go to appropriate websites and blogs to get the information they need – often contacting host companies for clarification or additional content.

In the same way, the Google-armed public-at-large is continually searching for and finding information to fuel their specific interests and needs. What's more, the tried-and-true press release format is just one vehicle to impart your valuable

knowledge to your tribe and beyond. Getting involved in online communities, wiki collaboration spaces and the like are an excellent way to share information. People who respond with appreciation then provide you with the ultimate promotional tool: an unsolicited third-party endorsement.

Granted, the traditional mass-media PR approach is still hugely important and productive for a company like Apple when they're introducing a bold new product. But for the rest of us in creation, it is suddenly possible to generate genuine and widespread response in the marketplace using homegrown, do-it-yourself programs – which can be executed with virtually no outside costs.

In the era of Web 2.0, public relations is more public than ever. It is the most genuine of all delivery systems: putting you directly in touch with the buyer audiences and virtual communities you desire to reach. As such, it has become a vital element for the marketing plan of any forward-thinking small or midsize entity.

## Create a wow experience.

Before making a buying decision, a typical prospect will visit 5 to 10 websites before he or she decides which company to engage with. In a marketing environment with no shortage of choices, an average product, service or enterprise just doesn't cut it anymore. And more than ever, your brand needs to establish some wow factor to cut through the clutter.

In reality, your customers are the greatest delivery system of all. Companies who can create the wow factors that get their tribes truly engaged – and excited – generate a special kind of synergy that is infectious.

For this reason, the customer experience has become the real differentiator in today's post-modern marketplace. It is now a crucial extension of the branding effort for every enterprise. For companies like Starbucks and Zappos, the online shoe retailer – both billion-dollar companies that until recently have never advertised – their obsessive focus on the customer experience has enabled them to rely less and less on other marketing delivery channels. This experience is their *raison d'être*.

I'm talking about the kind of incremental innovations and improvements that get your product noticed. This is what gets people talking. It's what creates loyalty among your tribe. This is why savvy enterprises look for every possible means to provide the wow factor that elicits referrals – which are still the most inexpensive form of marketing – while leading to long-term customer relationships. Examples from real life include:

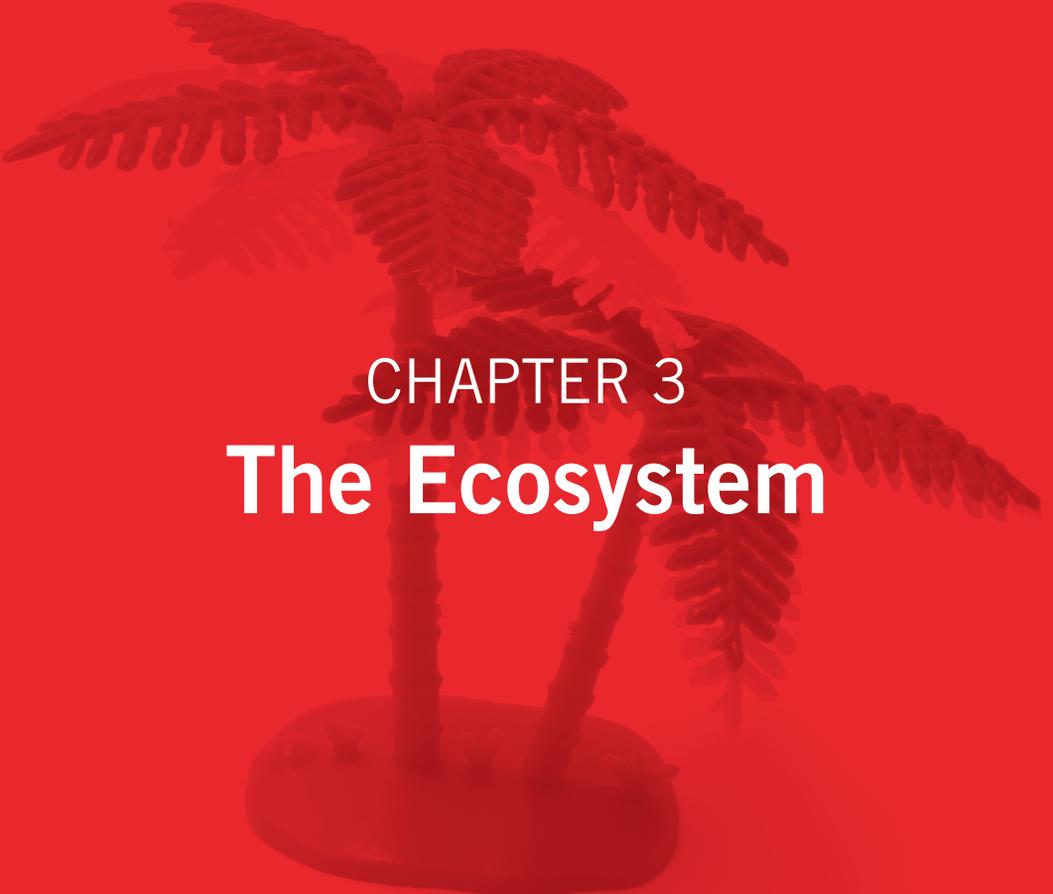
**Panera Bread.** Think about how Panera has turned the typical coffee/lunch spot into an everyday business and networking destination. Its core offering is a varied menu of quality food and beverage choices. Yet it's the extras such as home-like seating, the cozy fireplace – and of course, the free WiFi – that have really made it the gathering place of choice.

**Tom's Shoes.** A very different example of wow factor is how an online enterprise like Tom's Shoes has established a truly compelling reason for buying from them: They actually give a free pair of shoes to a child in need, for every pair you purchase. It's not often that a brand promise can deliver such immediate effects across the globe. But this one does.

**Apple Store.** Everything about the sleek, engaging environment of an Apple Store says “we make life simple for you.” Plus, the inviting store design is augmented by knowledgeable staff who can guide you through the buying and ownership process for a Mac, iPod, iPad or whatever. What is often a confusing and angst-ridden decision is instantly made understandable and relevant.

As mentioned previously in this book, being customer-centric is more than a strategy. It's a way of life. That's why companies like these go to great lengths to walk the walk for their brand promise. Then they kick it up to the next plateau by adding the wow factor.

As varied as these enterprises are, they all realize the only thing that's more valuable to a business than a customer. An evangelist. It's one thing to develop customers that may place an order now and then. It's quite another to develop the kind of enthusiastic followers who can sustain you for the long haul. These are the people who willingly spread the word about your company to others that could use your product or service.



CHAPTER 3

# The Ecosystem

# ISSUE #1: An island called Marketing.

Today's enterprise has the ability to market itself in countless ways. It also has an unprecedented set of options to connect and engage with customers and prospects. In fact, just about everything a company does relates to marketing in some way.

Yet many people still perceive marketing as the exclusive bailiwick of a specialized enclave within the enterprise. The result is that marketing is viewed as a department, as opposed to a way of life.

It's typically isolated within a company's walls, and doesn't permeate the overall culture of the organization. The marketing folks are viewed as the tagline people or the agency liaison. A siloed center of creativity that's still akin to a black box in a lot of ways. Something you can magically apply to a situation to pump up the sales engine and revenue stream at a moment's notice.

So who really suffers? The consumer, of course. This is because the siloing of marketing also tends to isolate the needs, concerns and pain points of both customers and prospects. These are issues that need to be dealt with in some way. However, many marketers consider them to be separate and apart from the operational concerns of the company at large.



## ISSUE #2: The lack of boardroom cred.

This isolation and department mentality speaks to a far greater problem marketing faces in many organizations: a general lack of respect. Sure, the marketing gurus may get invited to the boardroom now and then. But there's no real seat for them at the table.

While upper management can be partially blamed for this misguided scenario, marketing itself has to accept a fair share of the blame. That's because, for way too long, marketing has relied heavily on instinct for its overall strategy and direction. They haven't been armed with the metrics and quantification needed to establish real credibility in the boardroom.

In an Association of National Advertisers (ANA) survey of senior level marketers, 73% said they didn't see the sales impact of their marketing campaigns. Approximately 60% said that defining, measuring and taking action on ROI is important. Only 20% reported being satisfied with their ability to do so.<sup>14</sup>

If you're not measuring what you market, then you can't be held accountable, right? Well, that's no longer the case. This is an age when budgets are tighter than ever. Plus, Web 2.0 has added a dizzying array of media and delivery options to the mix – which are capable of being tracked and analyzed to the nth degree. There's no longer any place to hide. You can no longer make excuses for the failure to expand your skill sets, or the lack of quantitative focus, nor to make excuses for not being quantitative in skill-set.

<sup>14</sup> What Sticks, Briggs & Stuart 1996



## ISSUE #3: Relying on the smartest people in the room.

In addition to having a marginal or non-existent connection with metrics, an in-house marketing effort is often subject to insular and even myopic thinking. If you think about the typical upper management meeting, it's not hard to see why.

Chances are, you'll find people with many of the same skill sets. Granted, these upper management pros are quite valuable for the big-picture vision and managerial prowess they bring to the table. But by necessity, they tend to be generalists who are focused on steering the ship. They're not people who are inclined or equipped to delve into the nitty-gritty of messaging, delivery and channel-mix decisions.

Relying on the smartest people in the room to sculpt and implement your marketing strategy is no longer a viable approach. This is especially true when you consider the channel-specific expertise that can be found today outside your company walls.



## ISSUE #4: The lack of flexibility.

But wait, there's more. The smartest-people-in-the-room issue is exacerbated even further within the marketing silo itself. By its very nature, an in-house department can tend to view things within the narrow framework of its niche industry or even its company.

The makeup of an in-house team also tends to be static. While individual team members can certainly continue to evolve and grow, there just isn't a regular influx of different viewpoints and approaches to keep things fresh and on the forward edge. As a result, you wind up with an assemblage of internal players that can't be readily adapted to the changing needs of specific projects and marketing channels.

Today, the ability to anticipate and respond to fleeting opportunities is especially crucial. In his best-selling book *The Future Arrived Yesterday: The Rise Of The Protean Corporation and What It Means For You*, Michael Malone speaks of shape-shifting organizations that “will be able to adapt and change themselves at lightning speed... yet they will retain at their core something enduring and unchanging.” Nowhere is this flexibility more crucial than in a company's marketing operations.

The cost of missed opportunities is just one consideration. It's also expensive to assemble and maintain this level of in-house resources. Today, a modest in-house department is an annual investment that easily stretches into six figures. This creates year-round overhead – including benefits, vacation pay, and the like – that becomes a fixed, immovable expense. This is all at a time when fewer and fewer companies can justify such an expense in their overall business model.



## ISSUE #5: Interests not aligned.

So how about if you look to outsource partners to augment your in-house department? Frankly, this is another area where the traditional marketing model is broken. Because the firm you hire may already have competing interests.

Traditional ad agencies and marketing firms have been built largely on commissions, production costs and markups. The problem with this arrangement is that the outsource firm's income level is directly tied to the size of the media buy and/or production effort. The larger the campaign or marketing project, the more money the outsource firm makes. Under this model, budget creep can often needlessly inflate the total cost of project delivery.

This is hardly putting your interests first. And from a purely strategic point of view, this traditional company/agency relationship isn't one that encourages real collaboration or transparency. The reason I know is because I've been there.

As a former CMO, I was constantly pitched by ad agencies and marketing consultants. These were firms who supposedly had my best interests in mind. Yet their same-old PowerPoint proposals were seldom results-driven or backed up with bottom-line accountability.

Their focus of these "partners" was typically on winning a slice of my fifteen million dollar annual marketing budget. It was on pushing product. On selling me as much creative, PR or whatever as possible. It wasn't on saving me money, or making my overall spend more efficient. Nor was it on providing unbiased solutions that would directly impact my bottom line.



## ISSUE #6: Limiting your options.

The traditional agency model also shares a deficiency with the traditional in-house arrangement. While it's true that an outsource partner will often have more varied staff than the typical in-house department, it's literally impossible to cover the wide world of marketing specialties within four walls.

For starters, what if the best illustrator for your project lives in Tacoma? Or the perfect technical writer just happens to be in North Carolina? Should you really be deprived of their services just because that person isn't on staff?

Limiting yourself to the smartest people in the agency is only marginally better than relying on the smartest people in the room. Especially if you're looking to leverage the full effect of today's interactive Web 2.0 channels.



## ISSUE #7: Multiple tactics vs. unified strategy.

Let's recap. The typical agency's expertise lies in creating the "big idea", rather than in developing cost-effective strategy. Plus, their "owned" internal skill sets can be a limiting factor. So why not just hire multiple agencies and consultants to serve distinct areas? This is a good start, but still an imperfect solution.

You can certainly gain valuable advice and services from a variety of outsource suppliers. But it's easy to wind up with a collection of disparate marketing elements, from siloed outsourcers, without the benefit of an overall plan. One consultant sells you a website. Another sells you a pay-per-click campaign. And so on.

What's worse, these partners could be generating multiple strategies that are working at cross-purposes. This is a very common problem. It's also very real. Suppose you hired multiple investment advisors, each offering a specialized area of knowledge, but with no perspective on your total portfolio of funds and income? It would be nearly impossible to get these various elements to work in concert toward an overarching investment strategy.

A marketing effort without a clear, unified strategy and defined objectives is the equivalent of flying without a compass. Yet this is a modus operandi that many time-pressed companies grow to accept. It's just easier to launch isolated tactics to address immediate issues, as opposed to taking the time to craft a comprehensive plan. To be fair, the current internal/external ecosystem doesn't really support this kind of holistic approach. There is also an urgent need for advisors who offer all-encompassing solutions that consider the big picture.



## THE SOLUTION: A whole new type of ecosystem.

As we've just discussed, the marketing ecosystem model is broken in many ways. It's not something you can fix with a few tweaks and additions.

We need to build an entirely new ecosystem from the ground up and from the inside out. It needs to be pervasive internally, and based on a foundation of metrics and accountability.

It also needs to be flexible and inclusive in order to take advantage of the collective wisdom of internal team members, outsource partners, and tribe members as well. Wherever they may happen to be.

Most of all, this ecosystem must be designed to align the interests of all concerned with a clear, overarching strategy to unify and sustain an effective long-term effort.

With the will and focus to reinvent the ecosystem itself, we can greatly strengthen the overall impact and results of marketing in general. This will make it possible to fully leverage the power of today's Web 2.0 marketing universe – and to maximize the unprecedented opportunities at our disposal.

## Breaking down the walls.

The need to be client-centric in every facet of your organization is today's most important factor to success. The process starts by eliminating the “island” of marketing. This enables marketing to permeate the overall culture of the enterprise – and to be viewed as a way of life.

To facilitate this sea change, smart companies are now reinventing the human infrastructure within their companies. They're also instituting software solutions and operational processes to establish and enhance the requisite synergy. This demands a willingness to break as many rules and assumptions as necessary to bring a fresh, no-holds-barred approach to your marketing challenges and opportunities.

The goal is to ensure the continuous communication and feedback needed by marketing to prioritize and analyze the performance of various channels. The interaction of marketing with upper management is just one facet that needs to be strengthened. A symbiotic relationship also needs to be developed with sales: which is, after all, a company's most direct connection with the consumer.

In my previous life as a CMO, it always amazed me that the head of the call center was never invited into the boardroom. How can an enterprise gather the requisite feedback and knowledge to fine-tune its marketing effort without tapping into this direct link to the consumer? Today, it's more important than ever for marketers to embrace and leverage the wisdom of their tribe. In addition, there are so many robust Web 2.0 tools at your fingertips today to establish this ongoing exchange.

The care and feeding of this dialogue actually helps the entire organization to create a common view of what a prime prospect looks like. How that prime prospect likes to be reached. And what it will take to bring that person into the fold. This is after all, the essence of tribe building.

The ability to break down the walls, and take marketing out of its silo, is also where the rubber meets the road on the customer side of equation. The Zappos philosophy is 110% focused on “delivering happiness” and elevating the customer experience. Starbucks gives in-store associates the leeway to do whatever it reasonably takes to make the customer happy at any given moment.

A service rep at Zappos once handled a request for shoes they don't sell in a very unique way. He actually found the shoes on a competitor's site, while on the phone with the customer, and sent her the link. Guess what company that woman will think of first the next time she's looking for shoes? I'm willing to bet it's Zappos.

## Embracing metrics and accountability.

Once you've broken down the walls within your organization, in addition to the barriers between you and the customer, the next step is to build ROI into the core of the process. You need to develop the infrastructure to provide the analytics and real-time reporting that is now crucial for generating revenue, enhancing profitability, and maximizing the value-add of your marketing plan. This is the only way for marketing specialists to shed the tagline-folks tag, and to earn their seat at the boardroom level.

For decades, accountability was somewhat of a step-sister for the overall marketing effort. In many cases, measurement was barely considered among a dizzying collection of competing tasks. This is an omission the post-modern enterprise can no longer afford. In fact, experts today maintain that at least 10% of a company's marketing budget should be reserved for testing and measurement.

There are more ways than ever to effectively evaluate program results. This includes the ability to monitor response and success rates in real-time – enabling you to fine-tune messages and channels at a moment's notice. It means not being afraid to ask the tough questions like: How many customers did we bring in this month? How do we increase that next month?

This all ties back to our discussions on “thinking about why instead of what” and about the need for a solid overarching vision. With a clear and concise strategy in place, and the science to back it up, an organization gains the confidence to compile a mix of marketing channels that may fly in the face

of the status quo. During the execution of the plan, it also guards against the reactive mindsets that even the most savvy marketers can fall into by default – which typically lead to a string of tactical executions with no unifying connection.

Considering today's proliferation of marketing channels, and the relative noise level within these channels, measurement is more crucial than ever. It's the only way to ensure that maximum ROI is being generated from your overall effort. Key metrics like ROMI, ROAS, CPM, CPP need to be part of a marketer's vocabulary. These are statistical areas that CMOs need to have under their command – both to maintain real credibility in the boardroom, and to quantify the value-add of the overall marketing program.

Marketing has long been thought of as part art and part science. While innovative thinking still plays a major role throughout the process, creativity and concreteness can go together. And at this time, when enterprises are looking for every opportunity to cut costs and boost margins, they must.

## Think partners, not vendors.

Metrics and analysis are the lifeblood of investment counseling: and the open-architecture model of investing has become the de facto standard. I was first exposed to this during my time at Yale, while working as a summer associate on Wall Street. This led me to think that a similar model could be ideal for marketing counsel as well.

With the open-architecture model, advisors are trained to be a client's financial quarterback of sorts. Their mission is to act as a point person who finds and coordinates the best available niche specialists to do what they do best – while directing the overall effort to meet the client's specific investment objectives. There's no reliance on "the smartest person in the room". It's all about finding the best possible solutions for the client, wherever they reside. Not about pushing product.

This kind of objective advisor-based approach is exactly what's needed in marketing today. When you remove elements like commission-based incentives and markups from the equation, it serves to align the interests of the agency/consultant with the interests of the client. The elimination of incentive-based biases also provides the client with a maximum level of transparency and objectivity for evaluating the results and cost of the entire project or program.

The last thing your company needs is an advisor who is intent on pushing product. A more sensible approach is to engage an outsource partner who

works on a flat-fee or retainer basis. This partner's sole focus should be to make each invested dollar work harder and go farther – as opposed to asking how much you have to spend.

As a result, the relationship needs to be performance-oriented. This requires a quantitative-based and grounded advisor who embraces metrics and analytics as paramount elements in the marketing continuum. It also requires an advisor who provides a measure of thought leadership. This includes the willingness to look beyond the obvious, while mining the possibilities found in today's greatly expanded universe of delivery channels.

The fact is, if the interests of your advisor and/or partners aren't aligned with yours from the outset, they really never will be. It's all about the partners you choose. And about forging a clear understanding of the nature and focus of your relationships from Day One.

## Open up the windows.

A foundation of transparent, aligned relationships is what an enterprise needs to be effective in today's wide-open marketing environment. You also need the flexibility to access the best possible talent for each campaign or project.

This is an approach now commonly referred to as the “Hollywood model”. To make a film, the director assembles a crew of actors and technical pros that will best serve the movie concept at hand. Once the movie project is completed, the crew disperses. For the next project, the director can choose to call back specific members, or assemble an entirely new crew. The studio may also choose a different director.

There has been no better time in history to do this. We're now living in the age of Free Agent Nation. It's an environment where companies of all sizes can affordably access top-flight talent from all corners of the nation, and even the globe. This enables you to assemble virtual teams of seasoned pros to execute a host of creative, new-media and marketing strategies/tactics. These teams can be retained for followup efforts, adjusted to meet changing needs – or totally revamped if the next assignment requires a markedly different combination of expertise and skill sets.

This is essentially a “marketing department for hire”. The flexibility of this arrangement, in terms of giving you access to diverse and relevant expertise, is reason enough to adopt this approach. It's completely in concert with the burgeoning vision of the protean corporation: an entity that can shift gears at a moment's notice to address changing marketing and operational realities.

However, the way it helps to streamline costs is the icing on the cake.

Compare this arrangement to the traditional in-house-agency approach that has now become woefully outmoded. A company no longer needs to absorb the salaries and benefits of executive/support staff which directly impact the bottom line. In contrast to this substantial year-round expense, the enterprise only needs to pay for services used, for the length of time needed. This lean and focused model can be adjusted throughout the year in response to changing parameters of seasonal activity, fluctuating cash flow and other considerations.

In summary, marketing is effectively converted from a fixed immovable investment to a completely variable expense. Yet the enterprise gains access to a nationwide network of top-notch providers, to produce high-quality output for a lower cost. That's a window of opportunity if you ever saw one.



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## The reality.

So let's get this straight.

For starters, you have jaded consumers who are tuning out after decades of interruptive tactics and impersonal messaging. Antiquated delivery channels, which have always been expensive, are no longer working.

On top of it all, the typical marketing ecosystem is a combination of internal folks – who are siloed and unable to command respect in the boardroom – and external partners who aren't aligned with your interests.

Marketing is definitely broken. Fortunately, we now know a better way.

## The path.

As we've seen by exploring the various marketing issues and solutions throughout this book, there is no such thing as an easy overnight fix. However, it's entirely possible to rebuild the effectiveness of our overall model within a compressed timeframe.

On the messaging end, it's time to build our tribes by truly earning the attention, trust and respect of the consumer. We need to be genuine, approachable and engaging. The only way to do this is with relevant, personalized content. This is what creates the magic of human interaction: encouraging prospects and followers to identify with your brand, and to help shape it to meet their evolving needs.

On the delivery side, it's time to throw out all our preconceptions and embrace the game-changing opportunity of today's interactive Web 2.0 channels. What we need to do is engage people on their own terms. It's a matter of putting your marketing where your prospects are. The conversations we have with our tribes also need to be open and honest exchanges that can enrich the brand's overall promise and performance.

For the ecosystem, it's time to recognize that everything a company does relates to marketing. Not only can we make being customer-centric a way of life. Marketing now has the tools to earn a bona fide seat in the boardroom by focusing on metrics and accountability. This integration of true science into the equation will elevate the credibility of the marketing effort in unprecedented (and highly profitable) ways.

Better yet, the ecosystem now has the ability to be as adaptive, flexible and cost-efficient as it needs to be. We can do this by adapting an open-architecture approach to strategy and execution. Because for the first time in history, Free Agent Nation has literally put a world of top-flight marketing talent at our fingertips. The key is to choose partners who are truly aligned with our best interests. These are people who are willing to add value through real thought leadership, by earnestly collaborating and participating via transparent, advisor-based relationships.

## The future.

Transforming a set of long-held industry mindsets is no small assignment. But for those of us who live, eat and breathe marketing, we know it's imperative for our industry to regain credibility with the consumer.

The loss of the intrinsic trust of the general public has already taken a toll on our industry. We not only have the tools to regain this. We actually have the wherewithal to build a trust asset that was never possible before the advent of inbound and interactive marketing.

What's equally imperative is to expand this credibility within the wider scope of the enterprise itself. Now more than ever, accountability and adaptability are the driving forces that will lead to more effective strategies and repeatable successes.

It's time to think about marketing with a fresh and holistic perspective.

This is not only the logical and strategically-sound thing to do.

Our tribes are counting on us to make it the new reality.

## For decades, marketers have had their way.

Massive media budgets and glitzy campaigns were all it really took to guarantee marketing success. The public-at-large was also compliant in accepting and embracing the interruptive, push marketing methods that dominated the landscape.

All that has changed. Today's consumers are tuning out. Tried-and-true delivery channels are no longer working. But for small businesses and midsize enterprises, this is actually good news.

As you'll discover in *Market Smarter*, the new reality of inbound pull marketing has effectively leveled the playing field. By tapping into today's proliferation of low-cost Web 2.0 tools, marketers of all sizes are connecting directly with niche audiences. It's called tribe building: a process that uses genuine, two-way interaction to engage the kind of loyal followers that are needed to build solid companies and great brands.

*Market Smarter* takes a comprehensive look at the mindsets, structures and strategies that need to be revamped in order to regain the trust of both the consumer and business owner. To introduce the ROI-driven accountability that has been sorely missing from the equation. And to create cost-effective virtual teams of top-quality resources through wide-open thinking.

If you own or manage a small or midsize business, you're probably not seeing the results you hoped for. *Market Smarter* is designed to help effect the systemic change that is vital for your program's success and profitability. It's time to throw out all your preconceptions about marketing and begin anew.



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