

Entering the fourth stage of marketing



**At Mediaedge:cia
we have a position
on the future.**

We believe marketing
is undergoing a fundamental
revolution.

As a company, we want our
clients and the industry to
understand the implications.

We're defining it here.

We call it...

Active Engagement.

And we're making it the core
of our offer – the best way for
communications to generate
brand growth.

We want to live it and drive it.



Over the past century, we've witnessed three stages of marketing and communicating to consumers.

The first stage could be termed 'advertising-led' and lasted most of the 20th century; in fact, it only started to wane around fifteen years ago.

Stage 1: Advertising-led

Advertising-led was the time of 'the manufacturer brand'.

It was driven by three factors operating in combination. Firstly, rising consumer prosperity. Secondly, falling production costs. Thirdly, technological advances in products that made a genuine difference.

Prior to 1950, as new packaged goods emerged, marketing and communication was based around a scientific, intrinsic, almost direct-marketing approach.

But after 1950, driven by the post-war boom in the USA, it evolved. At this time, new 'miracle products' like washing machines and vacuum cleaners appeared. At this time, Rosser Reeves 'invented' the USP. This was the golden age of 'washes whiter' marketing.

By the 1970s, the environment had already changed significantly and the whole advertising-led model had started to become less effective. The post-war boom was over. Prosperity was less certain, there was overcapacity and surplus production across the world.



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By the 1980s, there was too much choice and fewer opportunities for meaningful innovation around meeting needs.

So 'meeting needs' gave way to 'driving wants'. Marketing and communication became far more image-based in approach.

By the mid-1990s, product innovation yielded fewer gains. Retailers had also started to challenge manufacturers with their 'own-label' brands and discount outlets. Trade marketing budgets were taking a bigger slice of the pie.

Consumers, in turn, became more cost-conscious and less brand-loyal. Around this time, the communication landscape started to change rapidly.

The number of communication vehicles began to multiply, with subsequent fragmentation in audience. Consumers were becoming saturated with ad messages.

Around the mid-1990s, we moved into the second stage of marketing: 'through-the-line'.

By the 1980s, Procter & Gamble in the US had more scientists on the payroll than Berkeley, Harvard and MIT combined. Disney's Michael Eisner claimed that the company developed a new product – film, comic book, CD, etc. – every five minutes.

THE FOUR STAGES OF MARKETING

Around the mid-1990s, the American Advertising Association claimed that of the 5,000 branded communications we were exposed to each day, we noticed less than 2%, and less than 0.1% had any perceptual impact on us. Return on investment demanded a different approach – a way of making the advertising model work harder.



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THE FOUR STAGES OF MARKETING

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Stage 2: Through-the-line

This stage was all about integrating above-the-line communication with below-the-line.

The advertising model was expanded to include elements from the above-the-line executional idea – characters, pay-off-lines and symbols – through-the-line and exploiting them across the marketing mix.

This form of ‘integration’ elevated the role of advertising still further. It sometimes failed to exploit the potential of non-advertising contact points by not acknowledging that different communication channels work in very different ways.

Ultimately, ‘through-the-line’, in some cases, did not fulfil the need for improved return on investment and things quickly moved on.

Concepts such as ‘Have a break, have a Kit Kat’ or ‘The Duracell Bunny’ were exported from TV, print, outdoor and onto every wrapper, promotion, piece of point-of-sale and even salesman’s diary.



THE FOUR STAGES OF MARKETING



Stage 3: Media-neutral

Around the early 2000s, we moved into the third stage, termed 'media-neutral'. It is the stage we are currently in and it is what most marketers currently aspire to.

Here, all communication channels are considered according to their respective merits, and assigned different roles around a central idea to fulfil communication tasks.

In other words, this stage is driven by different channels working to their respective strengths.

This is an improvement on 'through-the-line' but two challenges remain.

Firstly, it focuses on which communication channels are used and what each channel's role is. It still doesn't question the need to communicate with consumers in a fundamentally different way.

Secondly, while no longer TV-driven, in reality, we intuitively remain TV-led. In other words, we don't challenge TV's place at the top of the communication hierarchy enough.

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Moving towards Stage 4

Here we are today at a place where opportunities to interrupt and grab the attention of mass audiences are diminishing rapidly, and the gap between ‘opportunity to see’ and actual engagement with the message is widening every day. Nevertheless, a place where we still put TV first and – although we don’t say it – we still treat consumers as passive recipients of communication.

Technology as the ‘tipping point’

What will shake us out of this? Well, put simply, technology. In particular, technology that puts control in the hands of the consumer. Over the last 15 years, technology has dramatically changed the communication landscape with a proliferation of vehicles and fragmentation of audiences. More importantly, technology has also enabled a quiet revolution in the power of communication from a product-centric ‘push’ to a consumer-centric ‘pull’.

Technology is absolutely empowering the consumer and changing everything. It is enabling consumers to insulate themselves – if they so wish – from traditional communication. The rise of the Personal/Digital Video Recorder (PVR/DVR) is a good example. It also means that they are harder to connect to because they are spending more time using vehicles like computer games, iPods and mobile phones that, to date, have not proved ‘communication friendly’ to marketers.

There’s little doubt that in the future communication will be ‘on-demand’; in other words, consumers will be able to



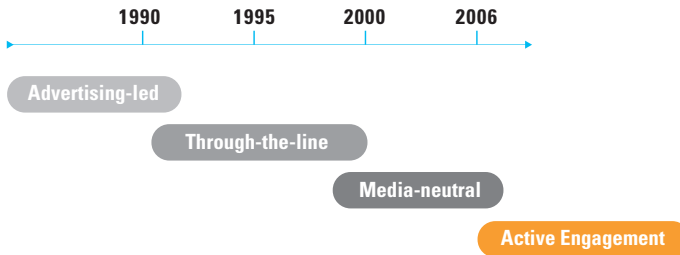
self-schedule their media consumption. Ultimately, on-demand redefines the links between communication and behavior, and challenges many traditional communication paradigms.

Technology is not just changing the communication landscape. It is also transforming our ability to measure communication. We are now witnessing a major increase in our ability to complete the cycle from awareness to sales.

Unquestionably, the communication model needs to change again, taking us into the fourth stage of marketing: Active Engagement.

“
It’s only a matter of time before consumers will be able to watch anything they want, when they want... it will be totally on their terms. It will be a total on-demand world, and that’s a profound and enormous shift. I think the whole way that content and entertainment is delivered will totally change.”

Jim Stengel,
Chief Marketing Officer,
Procter & Gamble





Active Engagement

The fourth stage of marketing:

Active Engagement

Mediaedge:cia's point of view is that Active Engagement will be a stage of fundamental interaction between brand and consumer.



In this stage, brand-owners will come to acknowledge that the consumer is the leading stakeholder in brand stewardship.

They will therefore focus on building a structured dialogue and conversation with consumers. Their aim will be to create genuinely engaging ideas and content, while at the same time incorporating mechanisms for consumers to interact with brands. This ensures that the consumer **actually does something** as a result of communication. For example, this might be asking for a coupon, downloading something, reading pages on a web site, giving an email address or participating in a survey.

Consumers are becoming much better informed, more empowered and more willing to talk than they were before.

As a consequence, brands will increasingly need to allow and invite consumers to contribute and participate in how a brand is built. Procter & Gamble has acknowledged this and created tremor.com to facilitate a dialogue with younger consumers.

Active Engagement in practice

Active Engagement will change the way we work.



Firstly, our working methods will change, in particular in planning and the disciplines used.

Secondly, the way we use communication channels will change – with a fundamental acceleration in those that facilitate consumer-brand interaction.

And thirdly, there will be a real change in measurement techniques, with rapid feedback loops and constantly changing plans based on a stronger understanding of what is and isn't working.

Active Engagement in practice



Working methods will change...

Planners will start to think much more about creating and managing a consumer dialogue over time. They will need to be aware that, increasingly, consumers will break down the communication and reprocess it, effectively giving them a greater level of brand control.

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Years ago, the town crier would shout the latest news in the town square. In the future, one of the primary communication mediums might well be a holographic image of a man shouting the news at the top of his voice in the town square. In other words, the medium may change; the message may change – but the basic premise remains the same: to communicate simply and effectively.

”

Shakir Moin, Marketing Director,
The Coca-Cola Company, Singapore



As a result, we will need a central, strategic brand idea that is as hard as nails. This idea will need to integrate our

thinking at a much earlier and more holistic level, before channel or content (message) planning and take into account how consumers will use communications in the future.

The idea will need to both inspire and structure ALL of our communication activities. Once this is in place, it will be easier to create ‘activation programs’ around it that are fluid, fresh and open to consumer-brand interaction. Let’s call this idea a ‘communication platform’.

When developing activation programs from the communication platform, our approach will change in two ways:



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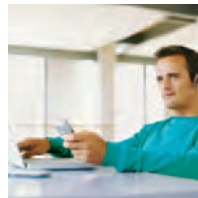
Nowadays with communication, you have to know how to start the conversation with consumers and bring it to a successful conclusion. In other words, you need to know how to plan and structure that conversation over time, using channels and disciplines in an orchestrated, interlinked way.

”

José Laso, Marketing Director,
Beiersdorf, Spain

1. Increasingly, we will target known individuals. We will seduce and court them, building long-term relationships with them. Generating 'word of mouth' from these relationships will be a key consideration. This will involve us developing a mindset based on creating inter-connections between communication elements and working out 'what drives what' to build this relationship. It might be 'outdoor drives online drives database drives CRM drives sales'. Alternatively, it might be '(interactive) TV drives online, drives retail, drives sales'.

2. We will put the tools into our consumers' hands – creating condensed, rational and emotional pieces of communication for them to pick up and interpret/pass-on.



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In a world of individualization, isolation and ‘do-it-myself’, brands will have to become the consumer’s best friend... anywhere and everywhere.

”

Mukul Deoras, Marketing Director,
Colgate-Palmolive, Thailand



Planning will become both longer and shorter-term.

We will develop three-year strategies. This will ensure that we plan and structure the conversation and relationship with our consumer base, consistently through-the-line and over time, and that we don’t re-invent the wheel every year.

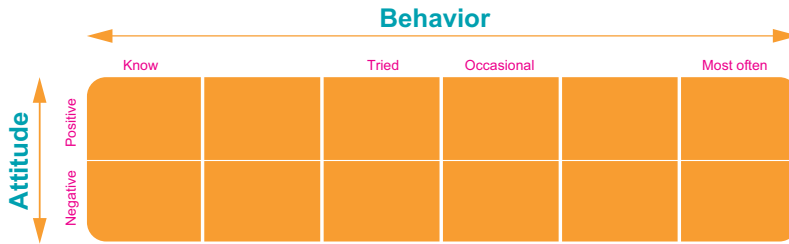
We will also hold quarterly or half-yearly reviews or ‘drop-downs’. In the Active Engagement stage, measurement technology will facilitate much better data and we will have much better, faster feedback loops (and sometimes KPI ‘dashboards’) to help guide us. Short-term planning will be more fluid.

Philosophically, we will become more task-led in our approach to communication. With continued channel proliferation, audience fragmentation and message clutter, success will depend less on the reach and efficiency of communications, and more on identifying the channels that will most effectively deliver the message in order to create the desired behavior.

Active Engagement in practice: Working methods will change

Today, we still set awareness and attribute objectives. As we now move forward, we will need to pinpoint and KPI behavior and attitude changes that we want to achieve, and understand the relationship between the two (see below).

This will help define the role of communication because it will clarify the best sources of growth and what we want to achieve – who we want to communicate with and what volumes we hope to move, from where to where.



“

The relationship between brands and the consumer tends to be more dynamic and intelligent by the day. It has reached the point where we should no longer talk about ‘the media plan’: it sounds antique and unsuitable for industry requirements.

”

Andre Bonet, Marketing Manager,
United International Pictures, Argentina



Interactive channels will dominate...

In the Active Engagement stage, passive communication channels, such as conventional TV, will decline in importance because advances in technology (e.g. PVR/DVR) will have eroded their power to influence consumers. Conversely, any channel that stimulates consumer interaction will grow in importance for both consumers and marketers. These are the marketing channels of the future.



This A-list includes digital channels like online, iTV and mobile phones. The possibilities in this area will grow, with the acceleration of cross-ownership between content providers, distribution networks and telephone services, as shown by eBay's acquisition of Skype, the internet telephony service, in the US.

It also includes some less topical and sometimes overlooked channels, like face-to-face service (a bank conversing with its customers in a retail outlet, for example) as well as things like branded trial sessions, retail immersion programs and sponsored events.

Active Engagement in practice: Interactive channels will dominate

Growth of online and iTV channels will be driven by broadband penetration. By 2010, this is set to be as high as 40% in Europe and 75% in the US.

Source: Forrester



Engaging an audience from broadcast to retail

As the market leader of chocolate powder milk drinks in China, Cola Cao faced a growing threat from emerging Ready-To-Drink brands. The challenge was to grow sales across an expanding product portfolio and strengthen their position as a provider of healthy food against all competitors.



Mediaedge:cia devised, developed and produced the 'Cola Cao Happy Little Challenger' game as a major segment within the hit children's TV programme – 'Fun!Fun!Fun!' – syndicated across 100 cities in China.

We created a buzz in the playground, the living room and the supermarket. Off-air activity included supermarket talent searches, 'camps' where kids could try the show's games and competitions to recruit contestants.

Annual sales increased by 70%, exceeding targets by 30%. Independent tracking demonstrated that 70% of adults and 81% of children were more willing to buy Cola Cao as a result of watching the game show. 'Happy Little Challenger' quickly established itself as the highest rating segment within 'Fun!Fun!Fun!'.



Interactivity enables brands to interact and build dialogue with consumers. The extension of this idea is

consumers using brands to interact and build dialogue with other consumers – in other words, build communities. Facilitating communities will be the ultimate goal for brands.

Brand communities will be built and managed using basics such as bulletin boards (where people post messages), live chat rooms (hosted perhaps by brand advocates or even senior brand employees) or instant messaging sites. They will also be built and managed through the use of events that are not broadcast, but rather, set up solely for the community and rely on word of mouth building off them.

Furthermore, communities will also be built around so-called ‘peer-to-peer advertising’. Peer-to-peer advertising is about co-opting consumers in the creation of communication messages, for example, receiving an email or SMS/MMS/IM message from a friend, clicking on the link, and then watching an ad or some content that would include a personal element. Since watching yourself or someone you know is inherently compelling, it’s likely that ads and content such as this will be forwarded online.



No matter at what level or scale, channels that facilitate consumer interaction are going to become

much more prevalent and valuable by offering consumers dialogue and a relevant brand experience.



Inspiring consumers to participate in a brand experience

In the US, Ford, Cingular and Sony teamed up to launch the 2006 Ford Fusion sedan with an immersive 'Activation Idea' in the shape of a grassroots series of concerts called 'Fusion Flash'.



The communication channel, in this case, was 'Flash Mobs' – or impromptu gatherings co-ordinated by mobile phone texting. The brands presented a series of ten free unannounced (until the last minute) concerts performed by hot and emerging music artists in secret locations around the country. They promoted the concerts with blogs, music downloads and ringtones. By visiting a special web site, fans could deepen their connection with the event community by creating music 'mash-ups', entering sweepstakes or downloading podcasts. Fans could 'fuse' their own photographs of the event with other uploaded photos from music fans around the world to create and share entirely new standalone images.



"This is all about challenging people to break free from their reality TV shows and office cubes, and inviting them to come out and play with us."

Marty Collins, General Marketing Manager, Ford

Accountability will accelerate...

Active Engagement will prompt a sea-change in research and measurement.



The link between communication and sales will become much more direct, making it easier to quantify the impact of communication on consumer behavior.

The online environment already lends itself to measurement of how people behave. However, technology is now emerging which can directly measure the link between communication exposure and sales.

Other technological developments like RFID (Radio Frequency IDentification) will make data easier to collect, store, sort, evaluate and report – privacy legislation notwithstanding.

In the future, technology will enable us to measure brand communication exposure from all sorts of sources. A T-shirt logo, a poster, a gondola-end promotion – all of these can be fitted with short-range transponders that will register on receivers worn by volunteers (on their watches, spectacles or even embedded in their mobile phones or cars). It will take just a few mouse-clicks to compare the collected data with sales at, for example, a supermarket check-out.

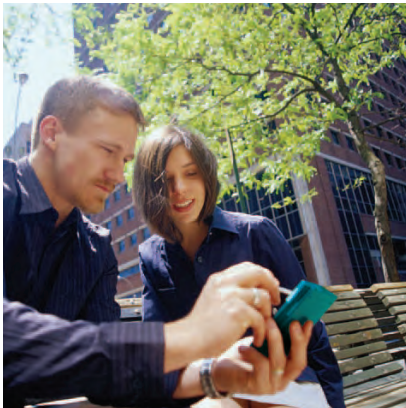
As a result of these changes, there will be a fundamental shift in the 'currency' of communication measurement. Awareness, GRPs, coverage and frequency will be replaced by behavioral measures. These may be click-through or response rates, or acquisition, migration and retention rates...or even sales.

Future consumer behavior will be judged by actions rather than by stated intentions. As a result, behavioral research will grow and blogging will become a qualitative research technique supplementing more robust 'cross-community' online panels.

In the years to come, we will be using parallel testing and refining multiple strategies in-market, rather than the currently conventional consumer group 'pre-test' and gradual roll-out.



In the US, VNU has launched Project Apollo. Volunteer consumers wear a pager-like Portable People Meter which records the ads they hear and then plots the consumer's actual response. Over the next decade, such devices will become far more sophisticated and far more commonplace.



“

Now the communication environment is changing again and Active Engagement is an appropriate response, with a focus on the right end game: behavioral change. In the new fight for customer attention and ROI for marketing expenditures within business, it will take the lead in providing solutions.

”

Anne Stephens, Director of Insight,
SABMiller, South Africa

Mediaedge:cia is the first global communications planning and implementation agency

We get consumers actively engaged with our clients' brands, leading to relevant awareness, deeper relationships and stronger sales.

Our services include consumer insight and ROI, communications planning, media planning and buying, interaction (digital, direct, search), sponsorship consultancy and activation, branded content and entertainment marketing.

Our 4,000 highly talented and motivated people work with local, regional and global clients from our 199 offices in 79 countries.

We are a founding partner of GroupM, WPP's media investment management group.

MEC Navigator is the way we work across the globe.

It's like having our own unique 'operating system' that enables us to deliver the best of Mediaedge:cia to our clients.

It's an approach which can be used for communications planning and/or media planning and buying to engage consumers actively. The focus is on outcome and ideas to create more powerful communications solutions for clients' commercial gain.

We invest heavily in training our people through the MEC Navigator Academy – an internal residential masterclass.

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Ten challenges for today

Fragmented audiences, multiple media channels and consumer empowerment present daunting challenges to advertisers and marketers as they strive to balance cost-effectiveness with accurate targeting.

But it's time to face the facts. The old days have gone and the old ways won't work any more.

Active Engagement represents a fresh approach that accepts the future on its own terms. It enables advertisers to influence audiences in the interactive environment. It talks to consumers as equals. Its results can be measured more closely.

So ask yourself:

1. Do you have a strong single idea (communication platform)?
2. Do you have a three year through-the-line communication plan?
3. Do you aim to drive consumer participation?
4. Do you put interactive channels at the heart of your communication plan?
5. Do you fully exploit the opportunities of digital communication?
6. Do you believe your strategy will build a long-term relationship with consumers?
7. Do you aim to engage your consumer by creating the most receptive frame of mind?
8. Do you incorporate ways to measure behavior as well as attitude?
9. Do you do the traditional easy things, or are you driven to find new ways to engage with your consumers, accepting that these will involve a lot more effort from everyone involved?
10. Do you accept that the future is here and it's time to change? **We do.**

To find out more about how we can help you actively engage consumers with your brand, please contact us – full regional details are available on the inside back cover.

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