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They're Doing Wonderful Things with Computers

"Why, a child of five would understand this. Quick, someone fetch a child of five."

–Groucho Marx

Chapter Contents

My aunt, bless her heart, thought a *cursor* should have his dirty mouth washed out with soap. Any discussion about technology left her as confused as a sheepherder inside a Circuit City. So it was a challenge for her when I became a computer programmer—she felt compelled to ask me about my job, and I dutifully attempted to explain it. Those conversations always ended the same way, when Aunt Minnie quickly turned to the person next to her, exclaiming, "They're doing wonderful things with computers!"

Well, yes they are. But I can forgive you for thinking that the changes brought about by technological advances are not always so all-fired wonderful. As much as change provides new opportunities, it also poses new challenges. And nowhere are the challenges more obvious today than in the field of marketing.

But we're getting ahead of ourselves. (I have never understood how we could actually get ahead of ourselves, but cut me some slack here.) Let's start at the beginning.

In the beginning, there were no marketers. We had *entrepreneurs*, although they didn't call themselves entrepreneurs back then. I'm not sure they called themselves anything, but they were the smart guys (yes, back then they were guys) who thunk up the new stuff that people wanted. And they came up with some very cool stuff. And that was good.

Unfortunately, most entrepreneurs weren't very good at selling their stuff. They needed *salesmen*. Salesmen weren't so good at coming up with new products, but they sure knew how to sell them. Not only could an eloquent salesman persuade people to buy a vacuum cleaner after he spread the dirt on their carpets, but some seemed to be able to talk the dirt into jumping into the vacuum without turning it on.

Yes, salesmen could talk. They could look at a person, talk to him for a minute, and size him up on the spot. A good salesman could connect with people and figure out what they really wanted. And once he did, he'd use that to sell what was on the truck. Whatever the entrepreneur brought to market, the salesman could sell.

But then technology changed everything. Newspapers and magazines—and later radio and TV—created a new way to communicate. And while some used mass media to inform and entertain people, other people realized we had stumbled onto the greatest way to sell things ever invented. They discovered that media can drive demand for products. Those people were the first *marketers*.

Marketers discovered that *advertising* can deliver the *message* for your *brand* to your *target market*. (Just look at all those new italicized words that we marketers came up with just to explain what we do.) In fact, mass communication is what begat the need to have brand names at all.

Let's face it. Your customers don't need a name for what your salesperson is pressing into their palms. But without a brand name in your newspaper ad, your customers won't know what to ask for at the store—or have any way to connect the ad with what they now want to buy. The invention of advertising *requires* that products have brand names.

Now when all this branding stuff began, no one knew what they were doing—that's true at the start of just about anything. Whenever the world changes, there are no recipes for success, at least at first. In fact, when we consider how advertising evolved with the advent of newspapers, we can almost hear Ben Franklin's Aunt Minnie turning away from the young printer exclaiming, "They're doing wonderful things with printing presses!"

And so they were. They were experimenting like crazy because printing presses caused the invention of marketing—a big change. Any new world order forces experimentation, and the bigger the change, the more massive the scale of the experimentation. Gradually, over a long period of time, "best practices" were discovered by expert marketers and marketing consultants. (If you don't believe that best practices are discovered by consultants, just ask them.)

It's worth noting, however, that the best practices were *discovered*—everyone was forced to experiment precisely *because* no one knew what they were doing. Only as the world stabilized were successful experiments distilled into best practices so that people could be taught to follow them by rote. (I'm not really sure what *rote* means, but I tend to repeat that word a lot without thinking.)

The best practices of marketing evolved over just such a long period of time so that today we can scarcely think of a world without marketing (although some of our customers dare to dream). Marketers need to remember that marketing is all made up. It isn't chemistry, where laws of nature are discovered. Yes, market researchers do discover things about our customers, but the point is that marketing changes whenever people change—which is often.

Marketing is a set of ideas that people invented because they seemed to get other people to buy more of the stuff being hawked. The minute those things stop working, marketers will make something else up and call *that* marketing. Whatever works becomes the new best practice. Does that make marketing frivolous or unimportant? Certainly not. But it does make marketing as malleable as the customers it attempts to persuade.

Now then, this is all well and good, and this story about how marketing evolved is a necessary background for you to think about marketing in today's world. It has the one slight disadvantage of not being true. I mean, at least I don't know if it is true. I didn't research it, and I intended it to be an oversimplified history of marketing. But the story served my purpose as a way to get you to think about where marketing has been and where it is going.

And you'll likely remember it better than if I had painstakingly related the full history of marketing, replete with facts and dates and famous marketing thinkers and heroes. Why? That's just the way our minds work. We're all suckers for a good story, which marketers know better than anyone.

But my main purpose isn't to get you to remember the story. I want you to *do* something. I want you to change your thinking, change what you're doing, and get out there and become Millennium Marketers. Don't remain stuck in the old ways—start adapting to the huge changes that are right now remaking our profession. So I want you to remember what I said, but I also want you to take action.

That's what marketing is *really* all about, isn't it? That's why I told you a story, and that's why I am challenging you to change. Hey, I even branded you "Millennium Marketers," which might not go down in history like the "Pepsi Generation," but at least gives you a handle on what you are striving for. If you want to be in that select group of Millennium Marketers, then you've come to the right place.

And, come to think of it, if you don't have the slightest interest in all this new-fangled marketing on the Internet, you've come to the right place too. That's because, although I hate to have to break it to you, you don't get any choice. The world is changing, and the old ways are not working the way they once did. When you're born into a time of change, you don't get to coast along.

This is one of those times.

The Internet (and the World Wide Web in particular) is a new world order of amazing magnitude—probably the biggest change any of us will see in our marketing lifetimes. And that means that no one really knows what they are doing right now. The things that consultants call "best practices" today might seem laughable a couple of years from now. Right now, the successful marketers are experimenting like crazy and producing new best practices every day. Some of them will define what your children learn when *they* study marketing. So even if we're sure that we understand the basics of marketing, the change wrought by the Web forces us to go back and reconnect with the basics. (And maybe forces us to figure out the future tense of the word *wrought*.)

And so with no further ado (because I have already provided the perfect amount of ado), what is *really* changing about marketing? Let's start with the changes the Web is forcing on marketing communications.

The New Marketing Communication

Traditional mass media is a critical piece of many marketing communications plans today, and that's not going to change anytime soon. Coca Cola needs TV ads and billboards, and your company might too. The problem is that mass media's effectiveness in conveying your marketing message is fading.

The rise of the Web has ushered in huge changes in usage of mass media. Internet usage is beginning to overtake TV viewing in some countries, especially among younger market segments. Newspaper circulation has seen a steady, continuous drop over the last 40 years. What explains these dramatic shifts? Simply, people have only so much time in the day. Every time you see a stat that says Internet usage is up, understand that something else must be down.

Or that *multitasking* is up. More and more, people seem to be consuming multiple media sources simultaneously, such as watching TV while using the Web. When they do so, the effectiveness of the TV commercial is lessened because you don't have the full attention of the viewer the way you once did.

What's more, advertising-supported media is steadily losing ground to commercial-free sources. Of the time customers spend consuming media, the fraction spent with media directly supported by advertising has steadily dropped in recent years—it is expected to fall below half in the next decade. Consumers already spend more of their own money on media than advertisers spend for ads on ad-supported media—and that trend will only accelerate. Premium cable channels steal audiences from commercial-supported channels, iPods and satellite radio cannibalize free radio, and subscription information services lure readers from ad-supported media.

Smart marketers are adjusting their marketing mixes. Microsoft says that it's shifting half a billion dollars from offline to interactive marketing by 2010. And just listen to Al Hurlebaus, Senior Director of e-commerce for U.S. computer retailer CompUSA:

> *We're not going to completely abandon broadcast—we're still going to put out a circular every week. [But some] customers only want specific notifications, such as [content about] "Apple" or "notebook." An element [of the marketing mix] will continue to be broadcast and a portion will be personalized.*

Even the remaining time spent on ad-supported media is less effective than in years past because your customers are increasingly ignoring or blocking the commercial messages. Tivo and similar machines allow viewers to "fast forward" through TV commercials. Households without Tivos use remote controls to channel surf when the commercials come on. The Web's so-called "banner blindness" (people completely ignoring banner ads) should give us a clue as to how much impact billboards and print ads *really* have.

And what else should we expect? Most people are exposed to thousands of marketing messages per day—one every few seconds during their waking day. When people ignore or block these intrusive messages, that behavior seems like a sign of their mental health.

"So what?" you might ask. (Well, you probably are not so rude to ask it like *that*, but you might be wondering it anyway.) Well, it adds up to fewer opportunities for traditional marketers to reach their markets, compounded by each opportunity getting less attention. Old media has not completely lost its effectiveness by any stretch, but it is less effective than it once was.

It might seem safe to continue to rely on TV and other traditional media, but Joel Reimer, Director of Interactive Marketing at lawn care company Scotts Miracle-Gro, says that "you need to try everything except TV." He further jokes, "The ship is sinking; it's on its way down—how long are you going to wait?"

Certainly, in many countries (and in many industries), TV, radio, and print advertising are still king. But in Japan, in much of Western Europe, and in the United States, the tide is turning toward the Internet. In consumer electronics, books, music, movies, and other information-rich products, marketing is moving online. Now is the time for marketers to adapt to the new ways, while there's still time.

OK, everyone who didn't know these things raise your hands. Hmmm, no hands up, huh? Yeah, I think most marketers understand that things are changing and I promise not to bore you with a whole book about how TV is dying and the Web is the new thing. Because even though the Web is the new thing, TV isn't actually dying, any more than radio died when TV came on the scene. But old media is becoming less important than it once was as the Internet becomes more important.

Now, in the face of such changes in the past, marketers always knew what to do. When radio made newspapers less important, we bought ads on the radio. When TV pushed radio farther back in the line, we flocked to TV ads. So, now the Web is the next big thing. We'll just buy ads there, right?

Wrong.

Well, it's partially wrong at least. (But it sounded so much punchier to merely say "Wrong," didn't it?) *Of course* we will buy ads on the Web. If there's a place to plaster our message, we will do it. We buy video ads in elevators, at gas pumps, and even above men's urinals. Oh yeah, we'll buy ads on the Web all right.

Beyond ads, the Internet has spawned a dizzying array of strange new ways to reach your markets. If you think that a "podcast" is a horror movie from the '80s, or a "Web feed" means buying pizza for your HTML coders, you'll want to study Chapter 2, "New Wine in Old Bottles." Once you do, you're sure to use all these new geeky toys along with Web ads.

But something more fundamental is going on. The rise of the Web is not merely a shift of media, the way print shifted to radio to TV. The Web is creating a shift of *control*. Your customers have more control than ever over which messages to see, which to ignore, and which to outright block.

Telephone solicitation has been curbed in the U.S. by the "Do Not Call Registry." Some companies responded by cranking up the spam e-mail, but they don't get it. Pop-up windows and other intrusive ads are not the answer either. If you feel the need to offer a "Skip this Ad" button, then you aren't doing it right.

Unless you engage your customers in *deciding* to view your ads, and you can convince them to *stick with* your ads, they won't see them. And they won't get your message.

Time was that your marketing program was limited by your budget—you could reach anyone if you had enough cash. Today, entire market segments are tuning out TV and other traditional media. Advertising money is easier to come by than your customers' time. Customers *choose* where to focus their attention. How do you become their choice?

Author Seth Godin has framed this dilemma as the "interruption model" versus the "permission model," and he's right. Advertising has traditionally been about interrupting people, blaring your message when they wanted to be doing something else. ("I was sitting in my living room, minding my own business watching the ballgame, when all of a sudden they're telling me about erectile dysfunction.")

The Web can change that model. Instead of showing a zillion car commercials in the hopes that customers remember your brand when they actually want to buy a car, what would it be worth to be able to talk to customers at that moment of readiness? To know exactly when your customers *want* to hear everything about your car?

Another way of describing this shift is "push" (interruption by the marketer) versus "pull" (permission from the customer). Godin describes deeper permissions where customers subscribe to regular messages from you or even have standing replenishment orders (for supplies, for example). Essentially, they are pulling your push.

So the real challenge of the Web is not the mastery of a new way of interrupting people. It's a lot harder than that. How do you get people to actually *want* to listen to you? Why should anyone choose to hear what you have to say?

Well, they might listen if your message is relevant to their needs and if you sound like an authentic and reliable source of information. And they might listen if they thought you were listening to them, too.

Yeah, I know. We all drone on about how we listen to our customers and how we "appreciate your feedback," and blah, blah, blah. Customers can talk to salespeople or the complaint department. That's the way it's always been, right? Unfortunately, on the Web, customers can talk back to us. Yeah, us. The marketers. Directly.

Uh oh.

By now, you probably realize that you need to use podcasts, blogs, and other new media to send out your message, but you might not realize that your customers will use them to talk back to you. Not only will customers comment on *your* blogs, but they will talk about you on their *own* blogs with other customers. And you might not like what they say. You might even need to respond.

So we *really* have to listen to customers now. Marketing communication is shifting to marketing conversation. You might say MarCom becomes MarCon. (OK, OK, you probably have better judgment than to say that.) The point is that you no longer deliver a message—you start a conversation.

Some pundits are going to the other extreme—saying that customers are now grabbing control. (And they say it with the same tone of voice as "The barbarians are storming the gates!") What's really happening is that instead of marketers conducting an old-fashioned monologue, marketers and customers are now *sharing* control of a real conversation.

MARKETS ARE CONVERSATIONS

Back in the mid-90s, I worked with Chris Locke, later one of the authors of the seminal book, *The Cluetrain Manifesto*. All Chris could talk about back then was how the Internet enabled *communities* to form around almost any subject—communities that would become more powerful than the hackneyed marketing messages that pervaded our public discourse. I could see his logic, but I wasn't smart enough to see what we should be doing about it at the time.

Later, Chris and his co-authors made "Markets are conversations" the first point of their 95-point manifesto. So why are we still talking about it now? Because it is finally happening.

The Cluetrain folks were visionaries. Back then, this conversational market phenomenon affected only a few industries. Today, average people are participating in communities in many markets. Soon, rating a product or commenting on a blog will be as common as e-mail, and many more methods of customer participation will arise too.

Chris was absolutely right, of course. He warned you this was coming years ago. Luckily, you still have a chance to do something about it before the vision is totally realized.

And it's not always a *private* conversation. Everything you say is just the starting point of where it will go in the new public discourse made possible by the Web. Sometimes the conversations are public; sometimes they are private. That used to delineate the difference between sales and marketing, but no more. The stark lines between sales and marketing disappear on the Web.

If you want a preview about how this new marketing conversation might evolve, check out one of the "rat-a-base" sites such as DontDateHimGirl.com, where you can see names and even pictures of men that women are warning other women about. In a world where alleged bad behavior in something as private as dating is plastered all over the Internet, you shouldn't have any expectations that your marketing message will go uncommented upon. Our customers are changing. They expect to comment on what companies say and do, and the Web lets them do it.

And you must be willing to adjust what you are doing at every moment. You need to be willing to change your message if it's not working. You must take responsibility for errors your company makes and ensure they are corrected. Your response to one customer might be seen by *all* your customers. So you must listen with new ears and take action if you want to appear responsive.

In the old days, public relations people handled these public discussions. Large companies needed to worry about negative publicity, but small companies were never interesting enough to be noticed by the media. With the Web, no company is so small that it can fly under the radar.

Your customers (or your competitors) can use the Web to give you whatever good or bad publicity they desire. So if your restaurant was cited for health violations or your products are assembled by child labor in a third-world country, you'll have to defend that. If someone took offense at one of your ads, you'll have to respond. Even if you are a very small company, someone will blog about the issue in front of your other customers, and you will be on the spot. Everything you say and do is public.

So if you prefer to *control* the marketing message, you might be in for some disappointment. No one can control a conversation—you can control what *you* say but not what your customers say. And honestly, when you have a dozen bloggers in your company, it's hard to impose traditional message control on even *your* part of the conversation. Can you strive to be relevant? Yes. Authentic? Definitely. Responsive? Absolutely. But can you exert control? Probably not.

Your marketing message is just the beginning of a conversation, which we'll discuss in depth in Chapter 3, "Marketing Is a Conversation."

The New Marketing Segmentation

If the changes in marketing communication didn't scare you enough, let's talk about the fundamental changes in market segmentation.

Market segmentation is the fancy marketer's term for dividing up the pool of potential customers based on shared characteristics. So a consumer marketer might segment markets based on demographics (such as age or gender) while a business-to-business (B2B) marketer might use firmographics (such as company size or industry).

With old-fashioned marketing, the best creative folks come up with a great message for the mass market (something clever, like "Coke is it!"), test it against focus groups, and push it out there—over and over again. It's on TV, on the radio, on billboards, on just about anything in front of a consumer's face. To decide exactly where to place those ads, we segment our markets based on their characteristics. Need to reach folks in the publishing industry? Buy an ad in *Publisher's Weekly*. Want authors, also? Put the same ad in *Writer's Digest*, too. For some companies, deciding where to place their ads is all they ever do with market segmentation.

Other businesses are more sophisticated—they might target *different* messages to different segments. Perhaps a B2B company might target by industry, using print ads emphasizing different concepts and examples in magazines for different industries. Some companies act like the politician with a different stump speech for each constituent group.

But the old-fashioned ways don't work on the Web because everything you say is now in public. If you publish conflicting messages in different magazines, your customers will "Google" their way to *every* message you've sent. If you sell "freedom fries" in your U.S. restaurants and "French fries" over the border in Canada, expect someone to call you on that. Hearing you talk out of both sides of your mouth won't do wonders for your credibility.

But that's not the biggest change. There *is* a way on the Web that you can differentiate messages to market segments (as long as they don't conflict). You allow the customers to segment themselves.

Segment *themselves*? Doesn't the marketer decide the market segments? The customers don't even know what segments we put them in. How can they segment themselves? Well, they can. The Internet allows customers to *self-segment* in ways never before possible.

One way of self-segmenting uses *search*. Every time people enter a few words into Google, they tell you what they are interested in. Subtle differences in wording identify different target segments. For example, a searcher who is looking for "lodging" is vastly different than one who searches for "hotel"—"lodging" searchers want a "bed and breakfast" or some other hotel alternative, which is why they search for a less-common word. These searchers are self-segmenting—they are dividing themselves into your target market segments.

Subscriptions provide similar self-segmentation possibilities. E-mail newsletters allow prospective customers to raise their hands and tell you they are interested in a certain subject. But some people are reluctant to give out their e-mail addresses because they don't know what else you'll send them. *Web feeds* (such as RSS) are a new way to subscribe to information with no loss of privacy—anyone using a blog reader (such as Bloglines) is already using Web feeds to subscribe to their favorite bloggers. We'll dive deeper into more of these new marketing methods in Chapter 2.

Self-segmentation goes beyond these marketing tactics, however. Because the Web is an interactive medium, anything your customers do has the potential to place them into a market segment. If you can get a customer to your Web site, every click reveals information you can use for segmentation. Every product viewed demonstrates interest. Rather than revealing the customer's demographics or firmographics for traditional market segmentation, however, you are instead learning what they are interested in. Customers self-segment based on their needs.

Traditional segmentation often ignores differentiation based on needs because it is hard to know when someone needs something, but the Web makes it much easier to do. And it is very powerful. If you know that the customer is in the market for your product now, you have a much better chance of selling it.

Clothing retailer Jo-Ann Fabrics set up their navigation to target different messages and products for people in various areas of their Web site. For example, if someone enters the sewing area, they assume she is a seamstress—interested in different products than knitters are, for example.

Web geeks even design software to respond to your customer's every click, called *personalization software*. If you've ever visited amazon.com, you've seen personalization in action. Anytime you look at a product or (even more telling) purchase a product, Amazon remembers what you did and designs your experience to suggest related products in the future. That's personalization. It's also self-segmentation based on needs—each Amazon customer creates a unique experience based on where they go and what they do on amazon.com.

But Web segmentation methods go farther than that. In classical marketing, the purpose of segmentation is to differentiate your entire offering—the communication about your product *and* your actual product. We've talked about differentiating the marketing communication, but how can the Web help differentiate the product itself?

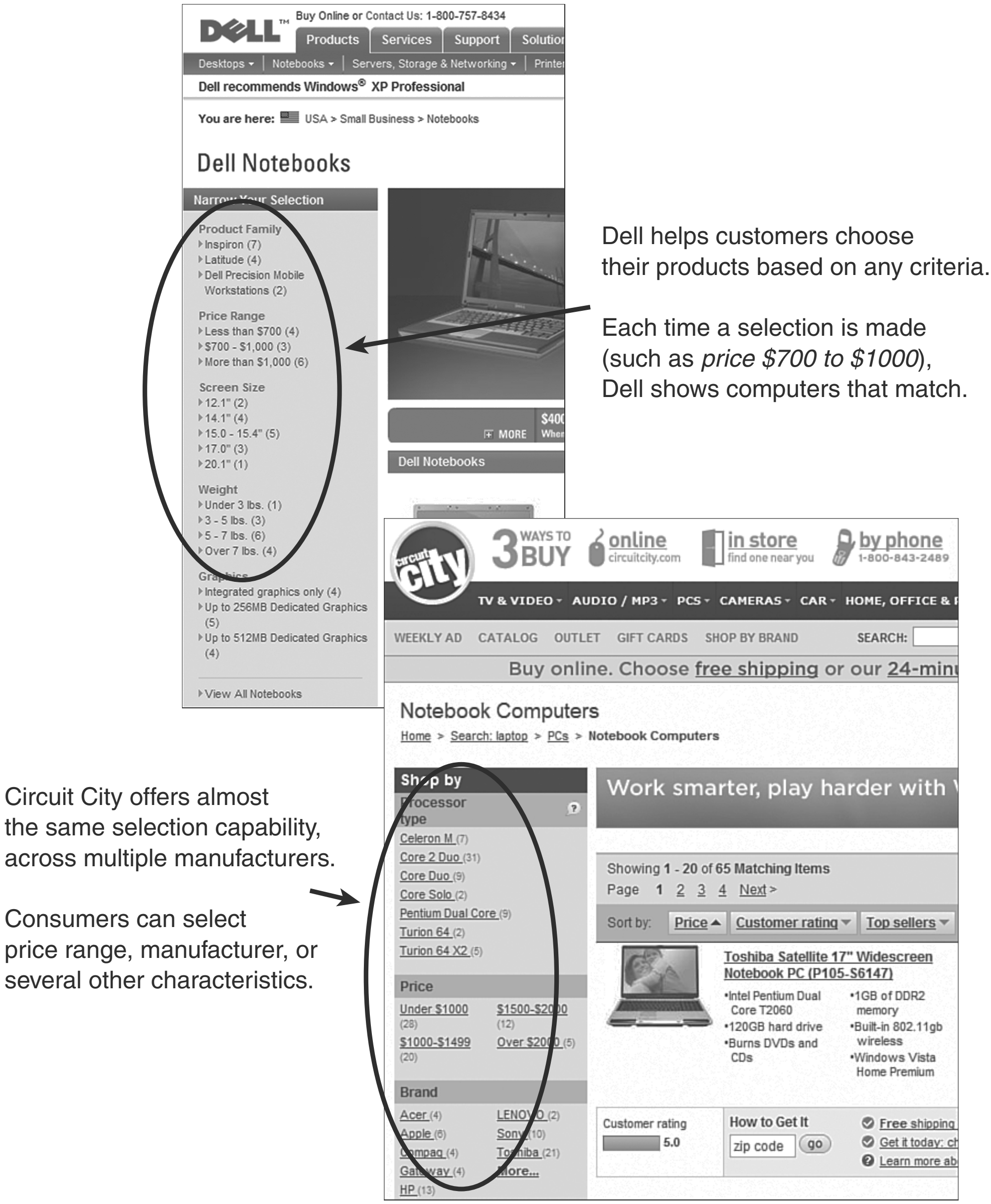
At first, you might not see how the Web can differentiate your product. After all, you make what you make, and the Web can only sell it. This is true, but only up to a point. The Web excels in making vastly complex choices simpler, so your Web site can offer hundreds or thousands of variations on your product that can be customized in ways that would be expensive or impossible any other way.

Think about how Dell sells laptop computers—they let customers "build" their own computers on their Web site. By providing an easy way of selecting how much memory or disk space is desired, Dell simplifies a very complex task and provides exactly what the customer requested. Talk about self-segmentation! Dell can reach customers that want a three-to-five pound laptop built for games for under $1000—and show them exactly what they are looking for at the moment they want it. The Web is a great way to mask the complexity of a customized manufacturing process.

But you don't need to have Dell's customized manufacturing process to provide a similar experience to your customer. Retail Web sites can provide similar choices to customers without manufacturing anything. Look at Exhibit 1-1 to see how strikingly similar the experience can be. Circuit City allows customers to narrow down their choice of laptop using almost any characteristic (price, memory size, disk space, processor, brand, and many more) by listing all the choices and letting customers click what they want.

The Web allows a nearly endless number of variations to be chosen, which is the equivalent of custom manufacturing. So even though manufacturers and retailers might take different approaches, the customer's ability to get exactly what is desired doesn't change one iota. (For some reason, iotas never come in pairs.) A customer experience that formerly demanded a massive investment in custom manufacturing now needs not much more than a Web server. In Chapter 5, "The New Customer Relations," we'll see how you might provide this experience for your customer.

So what's the big change here? Market segmentation is becoming market personalization. You don't target markets anymore; you target individuals personally, using technology to do it. And you can't separate sales from marketing anymore—that clear dividing line is gone. You need to be ready to speak to customers as individually as possible from start to finish and to offer them the exact product they want, not just what's "on the truck."



(Dell screen image ©2007 Dell Inc. All Rights Reserved)

Exhibit 1-1 Self-segmentation experiences from manufacturers and retailers

The New Direct Marketing

Direct marketing. All marketers know what it is, but many of them treat direct marketing as a backwater inhabited by hucksters. Well, direct marketers are getting the last laugh because the rise of the Web means that we're *all* direct marketers now…or at least we all need to be. We need to emulate direct marketers. Emulate their experimentation and their attention to details. But most of all, we need to emulate a direct marketer's obsession with measurement. No longer is it enough to be creative. To succeed in marketing, you need to measure your success.

Scary, huh?

For some of you, measuring success is a daunting prospect. It's true that the many successful marketers know how to analyze market segments based on market research and build a mean spreadsheet. But too many brand marketers have entered this field as a refuge from numbers. (After all, English majors deserve to make a living, too.) Maybe you are one of them.

Some slick marketers might even shirk accountability. (Not you or me, of course.) If you're a fast enough talker, no one can tell whether what you are doing really works or not. Let's not sugarcoat it—most brand marketing has no measurable correlation to sales. But that won't last, according to Imran Khan, Chief Marketing Officer at Internet lender E-LOAN, who says that "accountability will become more and more important."

In our everyday marketing world, we know that your commercial ran on TV last night, but how do we know whether it was effective? Did sales go up today? If they did, do we know whether the commercial was the reason? The impact of most marketing spending can't be measured very easily.

Geoff Ramsey of eMarketer likes to tell a story about the accountability of marketing spending. When the CEO asks the heads of manufacturing or sales or R&D what will happen if their budgets are cut 10 percent, they each can give a crisp answer with quantifiable business impact. But when that CEO asks the Chief Marketing Officer the same question, the answer comes back, "Well, our brand awareness will sure take a hit." So then the CEO says, "I see. Let's cut marketing *20* percent."

Such is the fate of all marketers that cannot measure their success in the real currency of the corporation—sales. "Traditional marketers tend to shy away from measurements," says Devashish Saxena, Manager of Worldwide Internet Marketing at Texas Instruments, "or they measure things that don't mean anything, like ad recall." At the end of the day (or even at lunch time), brand awareness doesn't mean anything if your product doesn't sell. It's not enough for marketers to talk a good game and then let the sales department be accountable for the company's revenue.

We do have a model for merging marketing and sales—*direct* marketing. With direct marketing, everything is measurable, and marketing no longer exists in a vacuum without sales. Direct marketing lives and dies by metrics—*response* metrics.

Think about how direct marketers work. Let's consider a new credit card application in a direct mail offer. (Ever see one of those in your mailbox?) That mailing piece has been painstakingly crafted to evoke a response. Every word on the envelope is designed to get it opened. Every word in the letter has been tested to persuade. And some guy made the Direct Marketers Hall of Fame when he came up with the idea for the handwritten Post-It note that says, "Before you throw this offer away, just read this." That gambit increased response rates by 0.7 percent, so it is worth millions.

Direct marketers never design their mail and then send out millions of copies indiscriminately. They carefully select the recipients—that's their market segmentation. They buy mailing lists of prospective customers that match their target markets, and they send out a few thousand pieces to see what the response rate is. They then pare down the lists they use to just the ones that get the highest response rates.

Measurement isn't an afterthought in direct marketing. Duane Schultz, Vice President of Internet Marketing for Xerox, likes to say, "The old model was Build, then Measure, while the new model is Measure, then Improve."

Direct mail marketers know this "new" model well because it's *always* been the direct mail model. Every aspect of a mailing piece is tested. They send different variations of the piece to their test mailing recipients to see whether different words on the envelope, a different offer, or even a different color for the Post-It note raises response. Direct marketers throw a party when they can get a 0.1 percent rise in response rates.

Catalog marketers are no different than direct mail marketers in their need to test everything possible to raise response rates. Catalogs are even personalized with different products or prices to different target market segments. Anything is fair game if it can raise response rates.

This is all very well and good but what's it got to do with the Web? What's the big deal about direct marketing, anyway? Well, the Web is the biggest direct marketing opportunity the world has ever seen.

Direct marketers pore over their response rates, but they don't have much information about what *caused* the response rates. They don't know how many envelopes were thrown away without being opened, for example. If they did, they would work feverishly on the envelope to get it opened more frequently. They'd change the words on the front. They'd change the size of the words, the typeface, and the color of the printing. They might even change the size and color of the envelope itself. If they knew what was lowering response rates, they'd attack that problem.

But they can't always do that because they just don't know how many people open that envelope. Michael Petillo, e-business Leader at W.L. Gore & Associates, notes, "In marketing, you always want to say you've created value today, but you didn't have the tools to show it."

On the other hand, the Web allows you to measure *everything*—every tiny step in the process. You know whether they saw your paid search ad on Google and whether they clicked it. You know whether they abandoned your Web site on the first page or they bailed out during checkout. You can know your response rate for every blessed step in the process, and you can experiment and tweak your marketing with far greater impact on the Web than in any traditional direct marketing campaign.

Both direct mailers and catalog marketers follow the same process of experimenting and testing the results before executing the campaign by sending out a million pieces of mail or a million catalogs. But the Web changes this aspect of direct marketing, too. With the Web, the most granular part of marketing is not the campaign. In fact, you can be as granular as you can afford. You can change something three times every hour if you want and see whether response rates go up each time.

Maybe this seems like small potatoes to you. (Strangely, nothing ever seems like *big* potatoes.) Maybe raising response rates by fractional percentages sounds like small-time thinking. Guess again.

The Web allows an accelerated pace of experimentation that is turning the world on its ear. The accumulation of changes that can be made at Web pace raise your effectiveness at blinding speed. If you change the copy on your product's Web page, you might know whether the change was a good idea in a couple of hours. If it's a dumb idea, you change it back or change it to something else. By relentlessly experimenting time after time, you gradually fine-tune your marketing to have the highest possible response rates. Web sites often improve their response rates ten-fold with this attention to detail.

But this requires a huge change in the way we think. We are accustomed to spending months in meetings reaching consensus on every detail of "the plan" and reviewing everything with executives for approval. And then we execute the plan and declare victory.

We often don't measure whether it worked. We frequently don't find out what is wrong with what we did. And we rarely spend months tweaking and polishing it to make it better than what we launched in the first place. Our basic approach is to spend almost any amount of time and money to get it right the first time. We do it right, slowly.

The reason that we do things slowly is very rational. In the old marketing world, it is dangerous to make a mistake. You make big decisions, such as the wording of the new slogan for the next calendar year. You spend money up front to make TV commercials and design print ads. You commit to commercial time and ad space months in advance. Then you debut your campaign…and hold your breath.

If your campaign is lousy, if it was a dumb idea, if it is embarrassing, if people make fun of it, if people ignore it, if no one likes it, if it is criticized in the industry, if the government investigates the claim, if there was an error in wording—you get the idea—then it is a *big* problem because it can't be easily fixed and because you will live with that problem for days or weeks or longer while it continues to embarrass you. And even if you can get it off the air and out of print, you have nothing to replace it with. You have no Plan B. If it is wrong, it will be a disaster!

You'll get fired!

So because you are rational, you take steps to mitigate all of these very real risks. You check everything with other people, ranging from PR people to lawyers to scientists. You ask anyone you can think of to help, to make sure *nothing is wrong*. You do focus groups with customers to make sure they like it. You ask your friends. You triple-check everything. You get "buy-in" from your boss, and you fix every problem that you uncover in this process, which makes the process very slow and very expensive. And the fact that it is expensive gives you even one *more* reason to be careful that you aren't about to waste a ton of money.

So make no mistakes. At all costs, this must be done right.

Except that we really *don't* do it right. At least, not as right as it could be. We gather all the smart people in a room and argue about the plan, and we convince each other it is right, but that doesn't make it so. All of us have to admit that every campaign we've ever done could have been better. Some of them, despite all of our time and effort, turned out to be downright lousy.

It's hard to admit, but many times we start off doing it wrong. It is the rare marketing campaign that would not be improved by testing it and making changes. And by taking so long to finally agree on what to do, we are losing a lot of the impact. Unfortunately, most of us are doing it wrong, slowly.

Sometimes, no matter how carefully we plan, something goes wrong. In late 2006, Chrysler's marketers came up with a great idea: On *Time* magazine's Web site, during the week that *Time* names their Person of the Year, Chrysler planned an eye-catching ad that began, "You might not be the Person of the Year…," which went on to address you as an important customer anyway.

There was only one problem—*Time* as it turned out, did name "You" as Person of the Year. The magazine had jumped on the whole Web 2.0 trend and highlighted that *everyone* is a participant. Chrysler wasn't prepared for that and could not have been.

But the Web lets us break free. Web sites are infinitely malleable, so you can change them whenever you want. Chrysler could remove that ad or change it into a joke—whatever works—while they could never have recovered from a similar misfortune in the print version of the magazine. On the Internet, you aren't committed to running that failing ad for a year—or even a day. If it's not working in the morning, change it after lunch. Alter the offer or the words or the picture—even start from scratch if you have to. Above all, you must experiment and see what happens.

Just like direct marketers, we can test *everything*. We can see what our customers do. We can see if they respond. Whatever they respond to, we do more of it and cut out the stuff they don't respond to.

And just like direct marketers, we can test in small groups. We can show the test Web pages to a small group of customers and show the regular ones to everyone else. If the test goes well, then we can show the new ones to everyone.

Remember, the Web is the biggest direct marketing opportunity to ever come along. You can try anything. You can measure its impact. You can fix it and measure it again. The more things you try, the more you will eventually get right. The faster you experiment, the faster you'll get everything right—or at least get close enough or closer than you were.

These are big changes in direct marketing. Part 2, "That Newfangled *Direct* Marketing," is all about them. Don't try to get it perfect the first time. Do it wrong quickly.

Summary

They *are* doing wonderful things with computers. But don't be like my dear old Aunt Minnie, sitting on the sidelines talking about what *they* are doing.

You need to get into the game. It's time to become a Millennium Marketer. Web analytics expert Avinash Kaushik, author of *Web Analytics: An Hour a Day*, tells marketers, "If you don't get the Web, you won't have a long future."

Extreme? Yes. But the fact is that the Web is no longer a great *potential* marketing tool. It *is* a great marketing tool—the potential is beginning to be realized, perhaps by your own competitors. As we've seen, the Web brings big changes to marketing as we know it:

- **MarCom is becoming MarCon**—Marketers who interrupt their customers to spew monologues are out. Marketing as conversation is in. What makes you someone your customers want to talk to? What makes you someone that your customers will say nice things about?
- **Marketing segmentation is becoming marketing personalization**—Web marketing makes it far easier to base market segments on needs rather than simple demographics and firmographics, and the Web lets customers segment themselves. Moreover, the Web allows segmentation to differentiate both the message and the product in ways not practical before. Do your customers feel like they get a personal message and a personalized product?
- **We're all direct marketers now**—The Web is one big direct marketing machine, and everyone is invited to the party. We can try anything, measure everything, and do it all over again 20 minutes from now based on what we learned. And we will change our culture from trying to be perfect from the outset to doing it wrong quickly.

Enough marketing philosophy! Let's dive right into what the Web has to offer. What are all those new Web marketing tactics with those funny names? Blogs and podcasts and wikis! Oh my! Check out Chapter 2 to find out what all this geeky stuff can do for your marketing.