PART 1

# Today's Marketing Challenges and the Emoti-Suasion Response

CHAPTER

1

# Problems in (Marketing) Paradise

**I FEEL THERE IS A GROWING NEED FOR MARKETERS TO LEARN MORE ABOUT** the human gimmes (and about minds, moods, and motivations). The majority of us in marketing, advertising, and sales businesses have a growing challenge for brand management. It is under attack from many fronts. To be defensive, and even opportunistic, we need to respond correctly or many brands run the risk of profit decline.

As a consumer, many of the following observations will feel true. The challenges brand owners face may be liberating to us as shoppers. We do not often stop to consider the nature of our brand choices for deodorant, or batteries, or a bag of sugar. We approach our shopping for many household products in a habitual autopilot manner. If we stop to recognize the issues in the next few pages, some might get a feeling of comfort and even empowerment. We will recognize that each of us is (mostly) in control of our decisions. We can be disloyal, and we can feel free to switch banks, to switch car dealerships for car servicing, and to buy no-name or private-label store brands. Consumers have the power. In turn, marketers must earn consumers' respect and create empathy toward their brands. Perhaps more than ever in the history of shopping, brand owners need to work harder to overcome the many growing challenges.

The following few pages summarize some of the overarching challenges affecting brand management. As I describe these issues, there is a bias toward fast-moving consumer goods (FMCG), because I know these categories best, but I feel (and observe in our data) that these observations also apply to many non-FMCG categories. These challenges should be read in terms of the bigger picture for all of brand management.

## STAGNANT BRANDS

In the past century, particularly from the 1930s to 1980s in the western world, many brands were created by or heavily supported with advertising and sales programs. Consumers became aware and familiar with many (new) brands during this period and exposed their offspring to these brands. In the last 20 to 25 years, many of these big established brands have not really changed other than to add small tweaks to packaging or to add new varieties. I recognize that there have been new modern brand introductions (mainly new technology brands such as PCs, mobile phones, electronic gaming, and so on), but many of the leading personal care brands, grocery brands, household products, and so on have been around for over 25 years. These brands are well known and familiar to consumers. Perhaps too familiar.

## DESENSITIZING

The first problem with this stagnant situation is found in our human nature (our genes). As we will explore later, our human senses, such as taste, smell, touch, and so on, tend to desensitize to familiar old stimuli. As a stimulus continues (for example, the scent of old cigarette smoke in a room), we are genetically wired to pay less attention to it. Our brain unconsciously readjusts our senses to a fresh base zero so we can be ready to detect and process new, unfamiliar stimuli. It is a basic survival trait to be able to desensitize to neutral stimuli. Otherwise, our senses and brain would be overloaded with past and current stimuli, and we would be less capable of detecting new stimuli. Our ancestors, millions of years ago, that did not have this ability to desensitize and to be sensitive to new signs of danger likely died off as weak links in our evolutionary chain.

This concept of desensitizing works to the detriment of established brands. As consumers, we become more passive to familiar, old, mature brands and to established, tired, ongoing ad campaigns. We find supporting evidence for this in our Ipsos databases. Since Ipsos is a leader in advertising research, we have collected thousands of tracked ad campaigns. From these studies, we observe that consumers pay more attention to advertising for new products (and brand extensions) than they do to advertising for mature established products. Figure 1.1 comes from Ipsos' Ad*Graph media model based on thousands of tracked ad campaigns. Notice how campaigns for new products achieve better recall than for established products.

In a similar vein, while attending the 2005 Worldwide Readership Research Symposium in Prague, I was pleasantly surprised to learn more about this point from one particular summary presentation of a small study conducted by the University of Nottingham (commissioned by Bucknull and Masson). This study was about advertising and the involvement of the ad audience for various adverts. Among other findings, one statement caught my attention: "Furthermore, it was found that the more familiar a brand name (to the audience), the less time participants (in the study) spent looking at a particular ad." That is, we appear to spend less time focused on what is already familiar to us.

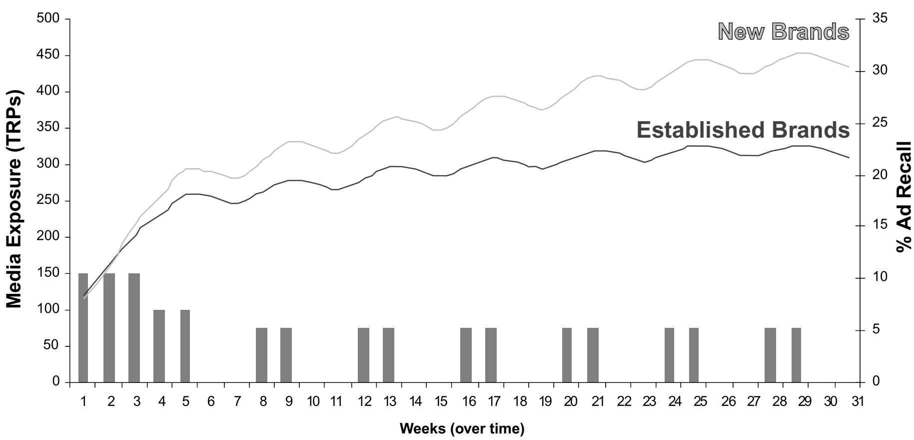


**Fig. 1.1** Ad Recall with New versus Established Brands
*Source:* Ipsos-ASI Ad*Graph Media Model.

To sum up, our genetic evolution leads us to desensitize to familiar stimuli. Old brands that are stagnant and changeless are likely to be taken for granted with little thought. They are disadvantaged compared with newer, dynamic, more engaging brands.

## COPYCAT PRODUCTS AND A PROLIFERATION OF CHOICE

The second problem with stagnant brands appears in the form of copycat or me-too products. As brands become successful, they attract competitors who offer similar products to cash in on the success. Often the copycat products mirror the appearance and the features of the leading brands. Due to our global economy, free trade agreements, and our technologically equipped world, it appears easier and quicker than ever for competitors to copy brand leaders.

In the past 50 years, in many developed countries, there has been an explosion of brand proliferation and consumer choice. It was not so long ago that consumers only had a few brand choices per category in the stores they visited. Today, we have choices among retailers and manufacturers from all corners of the globe, among global brands and local brands, and for the retailers' own private-label brands. So, just as established brands mature, there is a proliferation of brand choice, with many copycat products. The differentiation between products is less and less obvious, and we have (too) many products to consider.

## SUBSTITUTABILITY

It is becoming easy to switch between brands. At Ipsos, we have a proprietary research tool, Equity*Builder, that assesses and quantifies the brand equity and brand health of a brand as perceived by consumers. This is a consumer research tool based on standardized measures, which asks consumers nine questions about how they perceive brands they could buy. To date, in Ipsos databases, we have over four million individual brand assessments, using this same standard set of questions. From this unique robust database we observe a clear indication of the importance of substitutability between brands. Among the nine standard questions in Equity*Builder, one question specifically asks "Is there another brand similar in image or attributes to brand X?" (the brand we are assessing in the survey). Respondents can answer either yes or no. The higher the level of "yes," the greater the challenge to the brand. That is, beyond the specific brand, if there is another competitive brand similar in features or in imagery, then brand loyalty for both brands will be reduced. Consumers can switch between the two or three equally good brands (perhaps choosing the one with the better price). Brand substitutability is a problem for many established brands.

## COMMODITIZATION

As an outcome of these trends, brand marketing seems to be slipping away, and we are observing the increasing commoditization of products and categories. We observe in our Equity*Builder database that in categories where the lower-priced brands are good enough, the relevance of the leading national brands is reduced. In turn, the national independent brands become less competitive and tend to lose their loyal buyers. This loss of advantage is what I refer to as the *commoditization of the category.*

Consider where you shop, and consider how much meaningful difference you feel exists between the top brand choices of bottled water, household batteries, dish detergent, toilet paper, cooking oil, paper towels, plastic food wrap, sugar, flour, window cleaner, bed sheets, light bulbs, garbage bags, and so on, and so on. These products are becoming commodities, with many low-price brands competing well with the leaders.

As leading national brands are squeezed by cheaper copycat products, they feel a need to cut prices to remain competitive. This reduction in prices reduces the gross profit of these national brands and reduces the affordability of their advertising budgets. With less advertising support for brand equity, the appeal of the national brand weakens, particularly for the next generation of shoppers who have no prior brand equity for the brands. The death spiral begins; with less advertising to support the brand, consumers have fewer reasons to buy the brand. The advertiser has to further reduce its higher-price brands to match the low-cost choices. Eventually, the brand has little or no remaining brand equity and is competing mostly on price and distribution.

## THE POWERFUL RETAILERS

Coincidental with the stagnation of many mature brands, and the evolution to commoditization, we observe in almost every continent a growth in the control, dominance, and power of a few retailers (think Wal-Mart as one example). The balance of power is switching away from brand manufacturers, toward the retailers and distribution channels. In turn, these retailers have greater control about where, how, and when the products on their shelves will be merchandised.

Most major retailers have now introduced their own private labels (store brands) to compete with national brands from established, known manufacturers. Several retailers have two levels of store brands: one to be similar (or even better) in quality to the leading national brand, but at a better price, and a second label to be lowest priced. Since the retailers often earn greater profit margins on their own private brands than selling national brands, they will feature their own products over the national brands. These retailers control the shelves, the prices, and the promotional flyers. The retail trade is becoming ever more important to the success or failure of national independent brands. As an example, according to an A. C. Nielsen web site, private-label products account for over 50 percent of packaged grocery expenditures in the United Kingdom.

## DISLOYAL CONSUMERS

With all of these challenges facing marketers and their brands, we find that consumers are also becoming less loyal in most regions of the world. Consumers are gaining confidence as shoppers. We are becoming ever more confident in making our own choices. We are losing our guilt toward buying no-name products or about switching brand loyalties. Even beyond brand loyalty, we are feeling less guilty about channel surfing and skipping TV adds. This guilt-free feeling is found beyond marketing as well. In the last 25 years, we have seen a real increase in divorce rates. We have seen a move away from organized religion in many regions. Workers are more frequently changing jobs, companies, and careers, and we have observed a move toward democracy and capitalism in many previously undemocratic countries. All to say, consumers (and society as a whole) appear to be evolving toward freedom of (guilt free) choice. Perhaps this has been facilitated, encouraged, and even flamed by the Internet and globalization. As well, perhaps this movement toward disloyalty is a natural consequence of the evolution of our developed societies.

When Darwin was writing his books in the mid- to late 1800s, it was risky and perhaps theologically unacceptable to apply the theory of evolution to humans, but more recently, some modern social-Darwinian scientists now argue that this evolution from social group behavior to individualism is genetic. Richard Dawkins, in his book *The Selfish Gene,* discusses the concept of stable environments and how selfish people will take advantage of social groups for their own personal benefit. In turn, social groups that work to the common good of all will be destabilized by selfish individuals, causing an evolution toward individual selfish desires. This appears to be at play worldwide, as communism evolves toward more capitalistic and democratic societies in places such as China and the old Soviet bloc of Eastern Europe. Pure communism is in conflict with our genetic evolution as humans. We are predetermined to be somewhat greedy and to be loyal mostly to our individual self. There is a genetic basis for having greedy, selfish tendencies (this is the basis of survival of the fittest).

## INTERNET SHOPPING

Almost as a paradox to the growing power of a few retailers, the Internet is enabling consumers to stay at home to shop online and find the lowest-cost provider for the products they want. Shopping within the travel industry is being made easy by web sites such as Expedia and Travelocity. Bidding on eBay is an easy way to get the price you want for almost any and every product or brand. The other day, my son wanted to buy a pair of Diesel brand shoes. While downtown (among real brick-and-mortar stores), he visited a store retailing Diesel shoes. He tried on a few pairs to determine the size he needed and found a few of the styles he liked, but he did not buy them. That evening, from the comfort of his home and far from the influence of the retail environment, he went online to buy the new pair of Diesel shoes he wanted, in the size he knew he needed, at a price much lower than at the retailer downtown. The purchase process also works in reverse when consumers first surf the Internet to find what they want and then visit the retail outlet to fill their purchase at the best price. All of this must be a blow to the retail industry. The Internet is a powerful new enabler, and it appears to have escalated the importance of price in the purchase decision.

## MEDIA FRAGMENTATION, ZAPPING, AND ZIPPING

To complicate matters further, the capability of manufacturers and service providers to reach target consumers with meaningful, quality advertising is declining. The traditional advertising media are not working as well as they used to, largely due to emerging digital and entertainment technologies (cable television, personal video recorders, video on demand, the Internet, computer gaming, text messaging, and so on). As one example, an American advertiser in the 1970s used to be able to reach three-quarters of all American adults by placing ads on the three main U.S. television networks. Now, it requires the placement of ads on about 10 times more television channels to reach the same three-quarters of the population. These viewers are more likely than ever to be zipping and zapping right past most of these ad exposures. This ad avoidance is not just restricted to television. We can now purchase advertisement-free satellite radio, and many Internet surfers use software applications to block pop-up ads.

I imagine the same trends are happening in almost all regions of the world (albeit perhaps not at the same fragmented level as found in the United States). In turn, it is becoming harder to reach consumers with advertising messages. So, just as brands need greater love and support, advertising is becoming more challenging for ad agencies.

## ADVERTISING CAMPAIGNS OFTEN FAIL

Another problem directly related to advertising is that it is not easy to create efficient, effective advertising. What do you say that is exciting and fresh for a brand that most consumers have known for 20 or more years? The consumer research databases at Ipsos show that only about one-fifth of advertising campaigns have a significant, observable impact on the brand (in terms of achieving the objectives for advertising). There is debate about the definition of successful advertising, but I am not aware of any studies or

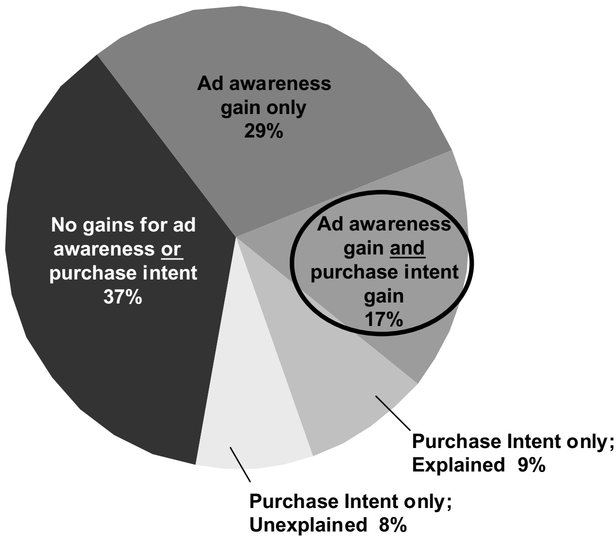


**Fig. 1.2** Recall + Persuasion of TV Advertising
*Source:* Ipsos-ASI Ad*Graph database.

databases that argue that the majority of advertising is working effectively. I am not suggesting that advertising does not work. There are plenty of sources to prove it does. The problem is that much advertising does not work well, and it is hard to be constantly successful at it. In turn, coupled with the previously discussed brand challenges, it is hard to build and maintain healthy brands.

Figure 1.2 comes from the databases of Ad*Graph tracking studies from Ipsos. The Ad*Graph tool is a standard set of questions within Ipsos consumer surveys, used to track the effectiveness of advertising. By using the same module of questions in each ad tracking survey, Ipsos has built a large database of thousands of objectively tracked campaigns. We track and review the consumer research on a week-to-week continuous basis, in-market, as the ad campaigns launch, build, and endure. To this consumer data, we include the media exposure levels (on air and off air) to assess how the media plan combines with the advertising creative to affect consumers and their brand perceptions (and behavior). We analyze the advertising breakthrough (the ad being recalled) by target consumers, as well as the consumers' desire to buy the brand. With all of this in-market survey data, the research consultant goes to work relating the advertising effects on the brand. In an overall analysis, across the database, we see that many campaigns fail to break through and get the consumers' attention, and half of those that do achieve breakthrough fail to motivate consumers in a meaningful away. Thus, only a small portion of campaigns work well (one in five). I appreciate that many ad campaigns may be designed to maintain high brand perceptions and not to increase brand motivation, but this objective is also often hard to achieve.

## MARKETING RESEARCH IS DIFFICULT

To add to the complexities of brand management, you can add the difficulty of marketing research. It is difficult for market researchers to accurately reach and elicit true answers from consumers. There is reluctance and a difficulty on the part of respondents to tell us how they truly make brand decisions. This makes it harder for marketers to really understand how to make better marketing programs.

If you ask a consumer why he or she buys a particular brand, the respondent is most likely to talk about rational features and rational benefits of the product or service. The respondent provides conscious, cognitive responses that are likely guarded, socially acceptable, and safe. Respondents will shy away from discussing true personal (potentially embarrassing) reasons for brand use. The respondent will also likely use cognitive thinking to provide expected answers to try to help the researcher.

What the respondents will likely not do so well is describe their personal driving motivations, their emotions associated with the brand context, their unconscious feelings, their personal values, and their aspirations. Often, respondents are not aware of all their emotions and struggle to describe them voluntarily. Additionally, some emotions are personal and perhaps embarrassing to admit aloud. Respondents might not care to mention all of their feelings, since some of these emotions may not be directly related to brand characteristics (but which can indirectly affect brand choice). We have also noticed that many respondents do not know how to answer when we ask them to tell us why they bought one brand instead of another.

As a case in point, consider a magazine advertisement we tested for a brand of chewing gum. We showed a sample of Americans a print ad for a

| | % |
|---|---|
| **Turned-on/attraction/sexy** | **21** |
| Trust/confidence | 8 |
| Content/satisfied | 7 |
| Excited | 6 |
| Fresh/refreshed/clean (breath) | 8 |
| Desire/motivated/inspired | 4 |
| Calm/relaxed | 3 |
| Extroverted/outgoing | 3 |
| Pleasure/pleased/happy | 2 |
| Easygoing | 2 |
| Disappointed | 2 |
| Hot | 2 |
| Cool | 2 |
| Bored | 1 |
| Tired | 1 |
| Excluded/lonely | 1 |
| Spontaneous | 1 |
| Popular | 1 |
| Young/youthful | 1 |

**Fig. 1.3** Emotions, Thoughts, and Feelings a Brand User Would Feel Using This Gum
*Source:* Ipsos-ASI R&D data.

leading brand of chewing gum. This ad shows two good-looking models, one male and one female. They are both looking toward her right breast, and the headline reads, "We know what you are thinking. Here is what you should be chewing." This ad is not about rational product features (for intense taste, or for long-lasting flavor, or for dental benefits of chewing). So this must be designed to affect brand imagery and emotions. Thus we asked consumers to tell us what "thoughts, feelings, and associations they would have chewing this brand of gum." This is an open-ended question to allow respondents to share whatever feelings come to mind.

The ad is obviously geared to sex, and the two models have been chosen for their sexy good looks. This is hard to miss, and I am sure each of us would immediately form some thoughts or emotional reactions related to the attractiveness of the two models in the advertising ("How did she get into those pants? What brand of jeans is he wearing? Why is he sitting like that? I wonder what she is like in person?"). Many of our thoughts are personal and unsafe to share in public. Figure 1.3 indicates what consumers told us about their thoughts, feelings, and associations.

Just 21 percent mentioned sexy and turned on! Is this right? What is the other 79 percent thinking? I can imagine that many more people felt some sense of turn-on, sexiness, or at least thought something about the attractiveness of the models—but respondents didn't feel comfortable saying so. The issue here is likely a combination of not wanting to publicly state their personal thoughts, not knowing how to answer, not knowing what is expected by our survey, and the consumer not completely identifying each of the feelings and emotional reactions he or she is having. In short, consumers are not good at surrendering to us their honest internal, personal, thoughts and feelings. For marketing research, this makes it hard for testing and evaluating effective advertising efforts. This is no small issue, because as we will soon see, much of our behavioral motivation is influenced by our emotional evaluation of stimuli and by our own personal gimmes. Thus, often what we say and rationalize is a cover or disguise for our more important inner personal feelings, aspirations, self-perceptions, and motivators. How many Mercedes-Benz drivers will admit aloud that they bought the car, in part, because they wanted to feel important or because they wanted to be perceived as being successful?

In summary, the pressure is on. Marketing managers can't afford to sit back. Successful managers are eager to seize the appropriate learning to find a competitive advantage.

## CHAPTER 1 TAKE-AWAY: PROBLEMS IN (MARKETING) PARADISE

Brand management is under attack.

- Old and familiar brands are stagnating.
- Humans desensitize to familiar stimuli. This works against old, familiar brands.

- Copycat brands are entering most product categories. There is growing proliferation of choice, with less differentiation among products.
- Substitutability among leading brands allows consumers to switch among a set of brands.
- Many product categories are becoming commodities, void of unique, well-supported branded choices.
- Retailers (grocery stores, drug stores, department stores, Wal-Mart, Costco) are gaining power, which influences how leading branded products are priced and sold.
- Consumers are becoming disloyal in their lifestyles overall and in their shopping traits.
- Internet shopping is enabling consumers to find lower prices.
- Advertising media are fragmenting; consumers are zapping and zipping through television, bypassing commercials,and they are ignoring Internet banner ads.
- It is difficult to constantly achieve advertising success. Many campaigns fail.
- To add to the complexity of brand management, marketing research is difficult and struggles sometimes to find the true drivers of brand motivation.

Marketing managers can't afford to sit back. The successful managers will take the initiative in learning to find the competitive advantage.