

The following 3 articles are from my good friend **Willem Burgers, PhD** the Bayer Chair Professor of Strategy and Marketing, Professor of Marketing and Strategy, CEIBS -The China Europe International Business School in China and also teaches executive programs @ Columbia University in NYC.

<http://www.ceibs.edu/faculty/cv/1071.shtml>

Willem Burgers is also author of two excellent books on marketing and these can be found by simply going to Amazon.com and searching his name or

click on this link http://www.amazon.com/s/ref=nb_ss?url=search-alias%3Dstripbooks&field-keywords=Willem+burgers

You can't firewall your DNA by *Willem Burgers, PhD*

In my book "Marketing Revealed," published in early 2008, (in Chinese with the name: published by) I wrote at some length about how banks in the US and Europe had started robbing their customers. I wrote: "The banking industry now has reached the stage where customer robbery appears to be last and best way to obey the tyranny of having to post above average sales and profit increases every year. New fees and bigger fees [and better hidden fees, for paying a day late, for having a bank balance of less than US\$100, for using an ATM, for receiving mail from the bank, and so on] have become a major source of additional profits. The industry has become addicted to what Fred Reichheld calls "bad profits", the kind of sneaky revenue enhancers that make customers hate you.

I offered the example of my son who checked his near-zero bank balance before using his bank card to buy gas. Unbeknownst to him there was a \$1.50 charge for checking his balance. As a result he went fifty cents negative. This resulted in a \$39.- overdraft charge. Maintaining a negative balance cost him a further seven dollars per day. Imagine his unhappy surprise when he opened his bank statement some ten days later to find a negative balance of more than one hundred dollars.

My son's story was just a small story. Scandals involving various tricks to trap car buyers and home buyers, and so on, into paying outrageously high interest rates, and the subsequent home foreclosures, are by now well known.

In my book I predicted: "The financial industry is on a treadmill of finding ever more ingenious ways to trap and trick customers. But it's a suicidal treadmill. It is easy to see that a new bank would not have much trouble luring customers away from the industry today. It is also easy to see

that public pressure will cause new government regulations rules to protect consumers.”

My prediction was wrong. The treadmill was suicidal, but not in the way that I thought it would be. I had sold my stock in banks because I thought a healthy business could not be built on customer robbery. I'm glad I sold, but the good reason to sell was different. I had forgotten to apply what I call the principle of non-compartmentalizeability (I am looking for a better word, but haven't found one yet)

Financial analysts and investors excitedly cheered on banks' rising profits, not worrying about how the profits were being produced. They did not see the same thing that I did not see: *If we reward bank managers to come up with ever more ingenious and innovative ways to rob customers, why wouldn't they come up with equally ingenious and innovative ways to rob investors?* They did indeed, as the whole world now knows. Bank managers discovered that making loans that would never be paid back is very easy, and profitable for managers by generating big bonuses for making so many loans so quickly. Managers effectively turned banks into big pyramid schemes.

We should feel sorry for the world, perhaps, but not for the investors. If you pay someone to go out and steal things for you, should you let that person live in your house and let them handle your bank account too?

Business ethics and corporate social responsibility is much talked about these days. Often it is assumed that business ethics is a luxury. There is however a very good business reason to treat customers, and business partners generally, honestly and ethically: the concept of non-compartmentalizeability. You can't ask your employees to cheat in the morning but not in the afternoon. A thief and liar gets up as a thief and liar in the morning and that is how he goes to bed at night. When you ask your employees to cheat customers, soon they will cheat you too. In fact, a business that is cynically dedicated to cheating customers, will attract and promote the kind of cynical employees who enjoy cheating. Should you entrust your company and money to such employees?

The above is one application of the concept of non-compartmentalizeability. Another example is the business philosophy of Southwest Airlines, the world's most successful airline for several decades. According to Herb Keller, the founder and longtime CEO, he does not worry about investors at all, he doesn't worry much about customers either; he worries first and foremost about employee happiness. He asserts that only

happy employees can create happy customers, and only happy customers can create happy investors. Investors in Southwest airlines have been happy indeed.

A different example is Microsoft. It is inherent in Microsoft's business model to keep the customer unsatisfied and frustrated enough so he will continue upgrading to the next generation of software. As has been pointed out for example in Fortune magazine, innovations often seem designed to increase frustration. For example, early versions of Microsoft would crash and you would have to close the program and start over. But now before you restore the program you must first close a little window asking whether you want to send a report to Microsoft. Additional frustration.

It is no wonder that Microsoft has been singularly unsuccessful in the business of searching the internet. The company can not can not make it ever more labor intensive to simply search for a file on your computer, and at the same time be a world leader in making it ever less problematic to find something on the internet. Google now is used by people even to search their own computer.

Companies are like people. They have DNA. They have philosophies, habits, attitudes that are deeply ingrained, that are subconscious, that are like part of their gene pool so to say. Companies at times wonder why they can not do what other companies do, even at the expense of great amounts of money and effort. The answer is: It's just not in your DNA. So what is in your company's DNA?

The new science of marketing *by Willem Burgers, PhD*

Marketing today is performed mostly as art rather than science. That explains why you need to study, successfully, accounting or engineering or finance or law to work in those fields. But many successful marketers have no educational background in marketing. Like so many successful actors, writers, musicians, and so on, many of our most successful marketers, advertisers, salespeople, and so on, never got a diploma for what they are doing so successfully.

But even as marketing is no science, marketing can use scientific methods to improve its performance. This is more true today than ever before because of the data revolution. Because of digitization, both data and the tools to analyze data are available as they never were before. Science needs data in order to propose and test hypotheses. In physics or chemistry or biology,

the data are all around us. Accounting, finance, law, are built on data. But music, books, paintings, movies and marketing traditionally are not data driven.

Or at least they used to not be data driven. But today we analyze movie scripts and estimate the probability of success of the movie. Book titles and sales are analyzed and we know that the length of the book title makes no difference, but a geographic place name enhances sales. Due to the digital revolution we can analyze huge quantities of data and come up with all sorts of insights that were impossible before. Today's most successful marketers use data to drive strategy.

Certainly it is not a tradition in marketing to use data. I met a bank manager about fifteen years ago who explained how a very creative and interesting mailing had been put together to sell a new financial product. But only that one mailing had been put together. I don't think he could keep his job today.

Today's marketer send out different mailings to generate the data allowing analysis of the key success factors in a mailing. For example, an invitation to sign up for a bank's credit card will get a higher response rate when you offer a low interest rate of say 6% rather than 11%. Experiments also show however that a cheaper way to get the same higher response rate, at least from men, is to attach a picture of a beautiful woman to the letter. Today's data analysis capabilities allow marketer to experiment and discover the best appeals for the best segments of the market as never before.

The most sophisticated marketers go even further, however, and use the new data analysis not only to find better ways to get better customers, but also to find new ways to better manage and keep customers.

The recent book "Supercrunchers" gives an interesting example of how data analysis drives new marketing strategies. When you gamble in a casino you might have a really bad night. But then you find an employee of the casino tapping your shoulder to inform you that you just won a free prize, say a free dinner, and you need to go now to claim your prize. The casino stops you from losing more. Why? Gamblers receive digital ID cards they insert into the slot machine they play; this way they can win prizes and loyalty

points and the casino collects data on gambling behavior. The casino discovered that gamblers who lose too much money in one session will not return to the casino. The casino wants you to lose money of course, but not so much money that you don't come back to lose more. So the casino sets its computers to flash a warning when a gambler reaches what the industry calls 'the painpoint' and sends an employee to try to stop the gambler from losing more.

Data analysis also raises the art of sales to a new level of science. First there is the question of whom to hire. The traditional way is to look at the resume, talk to the candidate, and if he looks like a successful salesperson we will hire and hope for the best. In France and some other European countries the candidate might also be requested to give a sample of his handwriting and an analyst will look at the handwriting to help make the hiring decision. But I have not heard of research showing a relationship between handwriting and sales success. It's all art and magic, but it is not science.

Research in car sales, however, shows that a simple IQ test, more than anything, predicts very how many cars a potential new salesperson will sell. One leading car sales company in the United States analyzed any additional variable they could think of to see if there might be a relationship with sales success. The company started hiring sales people on the basis of test data rather than sales manager judgment. The owner of the company reports that traditionally the company matched the industry average where they try three salespeople in order to find one successful salesperson; after the company implemented and perfected the new data driven approach more than two out of three new hires prove successful.

But the new hiring is only the beginning. The truly new approach is to analyze the sales talk too. In what ways are more successful salespeople different from less successful salespeople? The most advanced companies tape sales talks and analyze the differences. For example, how often does your salesperson use the word 'you' and how often the word 'I' or 'we'? Research in advertising already has shown that you must never use the word 'I' or 'We' in a headline. The word 'promise' is also a bad word. The word 'commitment' works much better. What words in Chinese work for you

or against you? The new marketer tries to find out. The new marketer focuses on marketing R&D as a key part of his job responsibility.

So how scientific is your company's marketing effort? Are you all art or all science? Are your marketing managers artists or scientists? Best of all, are they scientific artists? You need the artist to come up with the new creative idea. You need the scientist to find out if the new creative idea is actually a good idea. Today's data generation and analysis potential is turning marketing into a scientific art.

Three Brand Strategy Lessons from Obama *by Willem Burgers, PhD*

Given the financial crisis and the unpopularity of President Bush and his war in Iraq, Obama's victory over John McCain is not surprising. But Obama's initial win over a much better financed, nationally well connected, widely supported Hillary is truly an amazing accomplishment. That victory also offers some key brand strategy lessons. Here is what we can learn or relearn from the success of the Obama brand:

Don't just talk to yourself:

Hillary had her secretive private club of long-time old friends who were running her life and her campaign: educated, liberal women in their fifties and sixties, fiercely loyal to Hillary, enjoying a weekly yoga class together at campaign headquarters. Hillary's team came together two decades ago. Obama's team came together just two years ago. Would Obama have won if he had relied on an inner advisory circle of a dozen forty-something years old black males he had known for twenty or more years, playing weekly basketball together at campaign headquarters? Probably not.

Obama had a great variety of close advisers, rich and poor, educated and not so educated, in business, politics, and education, understanding boardrooms and universities, and stock markets and internet chat rooms, as well as prisons and homeless life on the streets. Hillary's circle of advisers was a set of variations of herself. But you can't learn about other people by looking in the mirror.

By adding variation you not only discover additional perspectives on your company and on the merits of your decisions, you also add additional skills

and additional focus. Hillary's friends had no clue about the power of the internet, Facebook, SMS, and so on. But the internet was the original source of Obama's insurgency. Obama raised more than 200 million US dollars from internet donations, more money than John McCain spent on his entire general election campaign.

Put different ages, genders, races, educational backgrounds on your board of directors, on your marketing strategy panel, on your advertising team, and definitely put some people on there that you haven't known already for twenty years.

Consistency is the foundation of trust:

On any given day you can score some advantage by changing your message to fit changed circumstances. The market changes its priorities and preferences as political, economic, and cultural conditions change. Hillary adapted to the drastic changes in the public's mood over the past eight years. She embraced Bush's policies when Bush was very popular; but she could not get away from him, she could not deny her earlier support, as Bush's popularity melted away.

If she had been against Bush throughout, as perhaps she truly was in her heart all along, she would have been the undisputed champion for her party. Because she lost their trust, however, the most activist members of her party started looking for a new champion. They found Obama and much to the surprise of Hillary and everybody else she lost the nomination she thought was already hers. McCain too, by the way, kept trying to adapt his message as he fell further behind, making ever more erratic and desperate jumps, falling ever further behind by that very effort.

In sharp contrast, Obama became famous for his constancy, his quiet sameness, even as first Hillary and then McCain became more variable, louder, and excited. Whether he was up or down in the polls, Obama never changed anything in his message or his strategy. As the economy descended into chaos and turmoil, the steady Obama brand became unbeatable.

On a recent visit to a Chinese company I was shown a series of six different logos the company has used in the past five years. The company is very

successful, but I promise you it is not because of the many changes in its logo. Research has shown that many companies outside China change their logos and advertising slogans every time they get a new CEO or new marketing or advertising director. Learn from Obama. Here is a bad habit Chinese companies definitely should try to avoid.

Be your brand, be loyal to who you are:

A strong brand has integrity; it does not try to be someone else. Obama's key message throughout was "Change". Change after the Bush years was an easy sell. But Hillary and later McCain had no chance trying to compete with Obama on the issue of change: When first Hillary and then McCain started changing their message to "Change" they merely dug a deeper hole for themselves. Why? Because Obama embodies change. He is the first non-white president for the USA, he represents a new generation, plus he is fairly new to Washington.

Either McCain or Hillary could have claimed that experience is the most important thing. Obama could hardly claim that he had more experience or, alternatively, that experience is not important. But by trying to adopt "Change" as their message, both Hillary and McCain tried to be something they were not.

Often, Chinese brands try to adopt a foreign look, similar to some American brands (for example Haagen Dasz ice cream or Lowenbrau beer) trying to adopt a European look. Generally, such a strategy fails or is only moderately successful. The strongest brands never hide where they come from. Marlboro can only come from America, both Volkswagen and Mercedes Benz could only be German, Zhonghua can get its crazy high prices only because it is proudly and adamantly Chinese.