



New Strategy for Enterprise Competitiveness

**Christopher S. Rollyson and Associates**

Strategy | Marketing | Innovation | Knowledge | Technology

# **Web 2.0 Means Marketing 2.0: Golden Opportunity for CMOs**

## **The Marketing Executives Networking Group**

### **5 February 2008**

# Agenda

- Background and perspective
- The context for Marketing 2.0
  - The digitization of word of mouth drives marketing transformation
  - The double value proposition
- The voice of the customer: case studies and diverse benefits
- Opportunities and threats for marketing executives
  - How to add value in an “IT light” situation
- Marketing 2.0 roadmap
  - 2008 action steps
  - Career enhancement tips



## Background: Chris Rollyson, 20 Years of Experience with Enterprise Transformation

- Human capital transformation
  - Coached executives and specialists on thriving on economic changes
  - Built pioneering office for one of the largest human capital firms in the U.S.
- Technology transformation: the Internet and enterprise software
  - Leading role in launching Java as an enterprise solution
  - Launched one of the Midwest's first corporate Internet businesses
  - Standards-based technology, distributed computing
- Business process transformation: e-business and knowledge
  - Corporate change agent at Big Four consultancy
    - Built websites, intranets and extranets to change business processes
  - Principal and subject matter expert at (another) Big Four consultancy
    - Led strategy engagements to advise automakers, oil, consumer products, financial services and others on creating the “real-time enterprise”
    - Business strategy for start-ups: transform industries with innovation
- Marketing & relationship transformation: consumer empowerment
  - Customer-led communications revolution: what creates value and how
  - Globalization of colleagues and customers: P2P technology, relationships
  - What will stay the same, what will change

# The Context for Marketing 2.0: Definitions and Drivers

- Web 2.0
  - Blogs, wikis, social tagging, RSS, mashups, pod/videocasts
  - Social networking: creating/maintaining relationships digitally
- Marketing 2.0
  - Applying Web 2.0 to marketing and customer relationships
  - Adapting tools that were developed in the consumer context
- The choice for CMOs
  - Proactive: be a hero by serving as the champion for process, headset and culture changes
  - Reactive: respond to disruptive requests that will increase over the next 1-3 years
- Why you should care: Marketing 2.0's double value proposition
  - Costs: sharply reduces communication and administration cost
  - Revenue: increases innovation, customer stickiness, brand

# The Context for Marketing 2.0: How Customer Content is Changing Relationships

- Individuals produce and distribute written, audio and video content globally, using free Web 2.0 technologies
  - Blogs, wikis, podcasts, vlogs and social software
- Intermediaries like Technorati, LinkedIn, Wikipedia, YouTube, MySpace and iTunes provide globally accessible spaces
  - People create, edit, rate and package knowledge on any subject
- Individuals are creating collective voices
  - They can rival the reach of enterprises and government
  - Large organizations are losing control over information about their reputations, offerings and performances
- Organizations must develop new sensibilities and processes
  - Interact with people about a far wider range of topics than ever
- Individuals have a growing impact on buying decisions
  - This will also mean voting decisions

# The Context for Marketing 2.0: Surveys Reflect Double Value Proposition

- Economist, January 2007
  - Participants: 406 executives, 41% from the C-suite or the board
    - Average size US\$2.5bn revenue from financial and professional services, life sciences, IT/telecoms and media
    - 40% in North America, 24% each in Europe and Asia/Pacific
  - Key findings
    - 38% anticipated that Web 2.0 would help them to win new customers
    - 25% projected that Web 2.0 would drive product innovation
    - 30% expected cost reductions in client service and support
- McKinsey, January 2007
  - Participants: 2,847 executives worldwide, 44% from C-suite
  - Key findings:
    - Almost two-thirds: Web 2.0 important for providing a competitive edge or to match the competition and address customer demand
    - About one-fifth using blogs to improve customer service
    - Participants adapting consumer-focused Web 2.0 to the enterprise and can already see some impact on the business.

# The Context for Marketing 2.0: The Digitization of Word of Mouth Is Transforming Marketing

**Marketing 1.0:  
Inform and Sell  
1900-1994**

- The Industrial Economy created unprecedented wealth
- In the latter 20th Century, production outgrew demand
- The Industrial Economy marketing approach
- Customer communications limited
- Legendary, consistent product launch failures

**Focus: Product**

**Marketing 2.0:  
Engage and Sell  
1994-2010**

- Customer/demand the focus of power
- “We are customer-focused: what’s the big deal?”
- P2P culture: individual, trust, authenticity
- P2P unlocks the voice of the customer: no more secrets
- Experience, not products or services

**Focus: Experience**

**Marketing 3.0:  
Collaborate  
2011-2100**

- Emergent tribes viable partners
- Self-organizing groups + online tools = digital knowledge
- A new ability to understand experience
- Innovation the core competency
- Empowered customers boost competitiveness

**Focus: Relationship**



# Marketing 2.0 Examples: Wells Fargo

The Wells Fargo logo, consisting of the words "WELLS" and "FARGO" in a bold, yellow, sans-serif font, stacked vertically on a red rectangular background.

## Marketing 2.0 highlights

- A long-time online banking pioneer, Wells Fargo has been blazing the trail by assigning Web 2.0 to the front lines, customer-facing processes
- The bank's "hundreds of blogs" have become the most-read nonbanking pages on wells Fargo.com
- 2007 website redesign incorporates Web 2.0 features and content
- First bank with a business banking blog
- First bank with a Second Life presence and first bank on MySpace

## Key insights

- All bloggers are team members who have other full time jobs
- They add blogging - writing, posting, reading, replying - on top of those jobs
- Bloggers are not communications people

*"The updated Wells Fargo website takes a customer focused approach to ease access to most wanted features (and the bank has seen a 50% increase in online applications."*

– Paul Penrose, finextra



# Marketing 2.0 Examples: Delta Air Lines



## Marketing 2.0 highlights

- Marketing 2.0 is having a major impact on remaking Delta, post-bankruptcy
- Blogs have customer comments
- Answered by Delta employees
- It took months to convince senior management
- The resource impact need not be huge
  - Delta has done it with one product manager, one moderator and an outside firm for after hours

## Key insights

- When you launch blogs with customer input, prepare to be overwhelmed because you will be
- Make the time to participate and respond
- There is a big generation gap
  - It is hard to explain to older managers
  - Don't give up; keep showing them the importance of being a part of it
  - Motivate them to blog, so they can understand from their own experience

*“Participating in customer conversations can be an excellent driver to foster corporate change; it is helping us to be more transparent, human and caring. It's bottom-up.”*

– Laura R. Hunnicutt,  
General Manager,  
Customer Experience

# Marketing 2.0 Examples: Dell



## Marketing 2.0 highlights

- External: Direct2Dell is currently a major driver in repositioning Dell in its customers' eyes
- Internal: blogs, wikis, RSS and Twitter enable motivated, passionate groups to emerge
  - People can find and energize each other
- People are Dell's secret sauce

## Key insights

- Dell is very ROI-driven, but it's off the table
  - Marketing 2.0 is supported by Michael Dell
  - Dell is leveraging it to win confidence back
- Most marketers aren't ready
  - D2D had 1.3 million members and many negative comments; Mehta was almost fired
  - Direct2Dell will be key in Dell's turnaround
- You must allow innovation to fail; if you're not taking risks, you're not innovating

*"Negative comments about Dell are falling significantly: even though we can't put a price on that, we know it's valuable. It was the right thing to do, and it's working."*

— Manish Mehta, Vice President, Global e-Commerce, Dell

# Marketing 2.0 Examples: Procter & Gamble



## Marketing 2.0 highlights

- Innovation is a core strategy at P&G
  - How consumers use products in their lives
  - Marketing adds value to products
- P&G sources 50% of innovation from outside;
  - Crowdsourcing (chemical) engineering
  - Intend to do it with marketing
- Marketing 2.0 key to innovation
  - Gen Y works this way; they are key to demand
  - It is contagious; P&G's blogs began on an old \$1,500 server; now they have 200 very active

## Key insights

- P&G is very data and ROI driven; however:
  - ROI is very appropriate for stable processes
  - Innovation is a different kind of process, so don't measure it like a manufacturing process
- Make innovation investments in small chunks
- People are making negative comments anyway; you might as well be in contact with it

*"The worst mistake is not letting go of control; you have to let people learn, and innovation is a different learning process. You can approach it this way if you chuck investments small."*

– Stan Joosta, Innovation Manager, P&G



# Marketing 2.0 Examples: Playboy Enterprises



## Marketing 2.0 highlights

- Playboy on Second Life
  - Projecting the brand, a key strategy for Playboy
  - Understanding how virtual worlds will affect entertainment as a whole
- PlayboyU social networking site
  - Members must have ".edu" email addresses
  - Member content for Playboy Radio and TV
  - Embrace consumer content and integrate it

## Key insights

- Think holistically and break down silos
  - Some silos no longer serve customers
- Don't assume you know what customers want
  - PlayboyU is evolving based on customer input
  - Customers get mobilized when they know you listen
- Get in touch with your customers as people
  - Look beyond the product and the technology

*“Human impulses remain the same. Technology enables people to act on them differently. The technology may change, but the impulse is a constant.”*

– Christie Hefner, CEO

# Marketing 2.0 Examples: Morgan Stanley

Morgan Stanley

## Marketing 2.0 highlights

- 75 Web 2.0 projects underway as of Fall 2007
- Social networking, online communication, expertise location, Q&A services
- Online client-facing social communities
- Automated process for converting email groups to online forums
- RSS and wiki pilots

## Key insights

- More than 50% of Morgan Stanley's 55,000 employees are 35 years old or less; they have grown up online and have different work styles
- The new generation of workers produce more value while collaborating online; that's competitive advantage
- Marketing 2.0 solutions are different; they're so easy to use that minimal training is required
- Key barriers: organizational/cultural resistance

*“Morgan Stanley faces a choice: force the younger generation to learn the old way of doing business or adapt to new models of work and organization.”*

– Adam Carson, Marketing 2.0 Solutions

# Marketing 2.0 Examples: Dresdner Kleinwort



## Marketing 2.0 highlights

- Several years experience with wikis, in 3 main areas:
  - Managing meetings
  - Team-created presentations
  - Team brainstorming
- Results: wikis have put everyone on the same page:
  - Reduced cost of running meetings
  - Lower barriers between teams across silos
  - Improved product specifications and documentation

## Key insights

- Wikis improve administrative and communication processes, inherent in all project team-based work
- However, these costs have rarely been measured, so quantitative results are difficult to measure
- Employees get excited and word spreads rapidly:
  - “I've found that the wiki allows you to focus on the content, rather than all the technicalities of a heavyweight document management system like Documentum.”
  - “The wiki allowed us to pull all the various pieces that we needed to work on together without distributing it via email to everybody and then losing change control over it: who's merging what into where, or who's got the latest version. It's a much more effective way of working.”

*“We had to put together a set of slides collating information from the management team.*

*Within 3 or 4 hours, a presentation evolved that would have taken days had it been through email and PowerPoint attachments.”*

*–Stuart Berwick, Director*

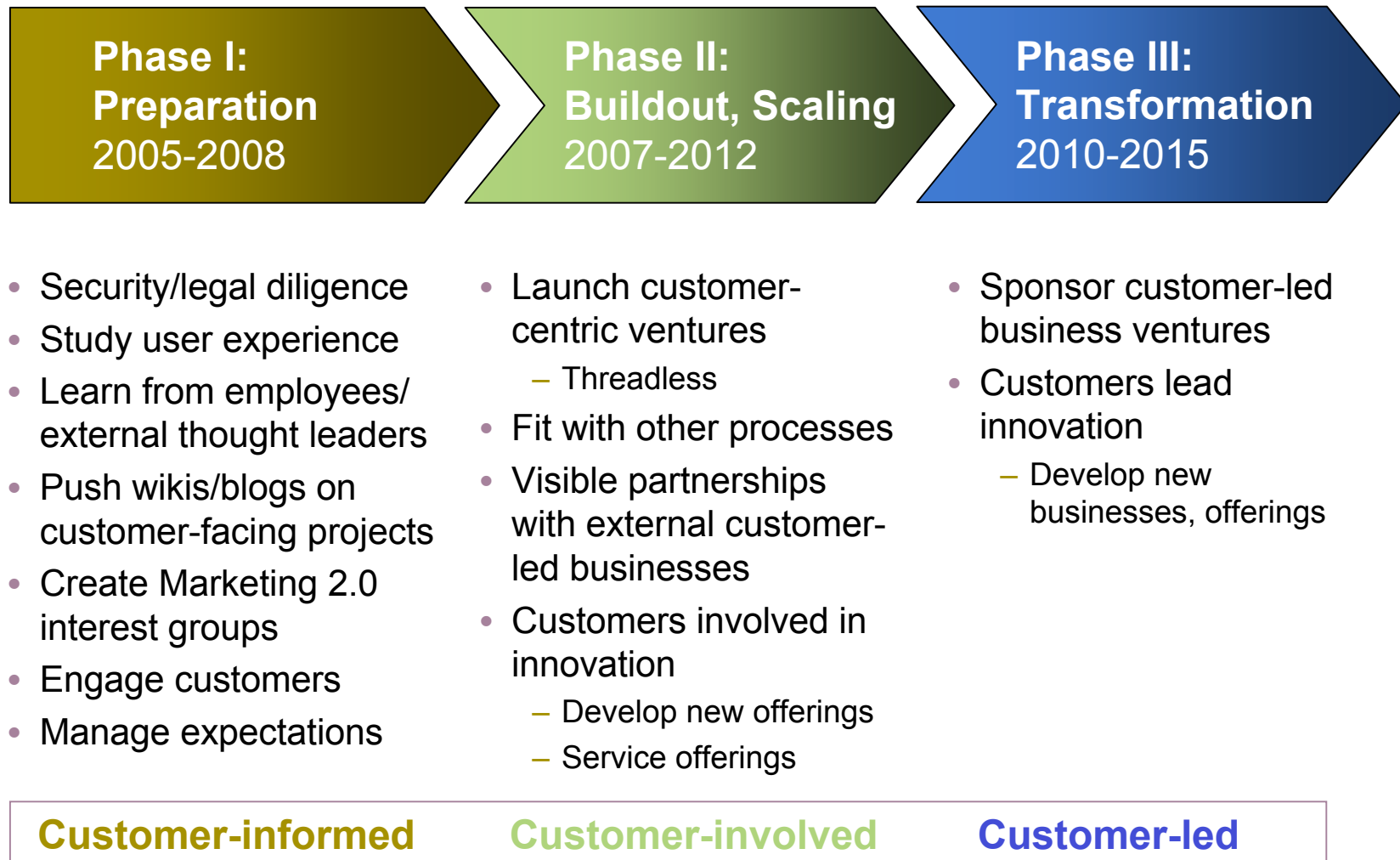


# Marketing 2.0 Examples: Diverse Revenue and Cost Benefits



- Wells Fargo
  - 50% increase in online applications
- Delta & Dell
  - Redefine/win back/win new customer relationships
- Dell & P&G
  - The link to innovation
- Playboy
  - Develop new businesses by collaborating with customers
- Morgan Stanley
  - Engage the emerging workforce
- Dresdner: major efficiencies in communication/administration
  - Managing meetings, group deliverables, cross-boundary

# 2008 Action Steps: Marketing 2.0 Adoption Roadmap



# 2008 Action Steps: Tactics Overview

Phase I:  
Preparation

- Observe
  - Position yourself as an early adopter, and observe what areas of the company are most interested
  - Partner with early adopters to monitor blogs and social websites
  - Conduct an impact study on Marketing 2.0 and your portfolio
- Plan
  - Proactively address key legal ramifications
  - Co-create plans to engage customers in open group interaction
  - Managing expectations is as important as ever; help marketing think through what actions your company is ready to take to address issues
- Act
  - Prepare for the mashup craze
  - Create programs that leverage employees who are active bloggers, vloggers and video contributors
  - Beta forums, blogs and community spaces for customers



# 2008 Action Steps: Study Customer Experience

Phase I:  
Preparation

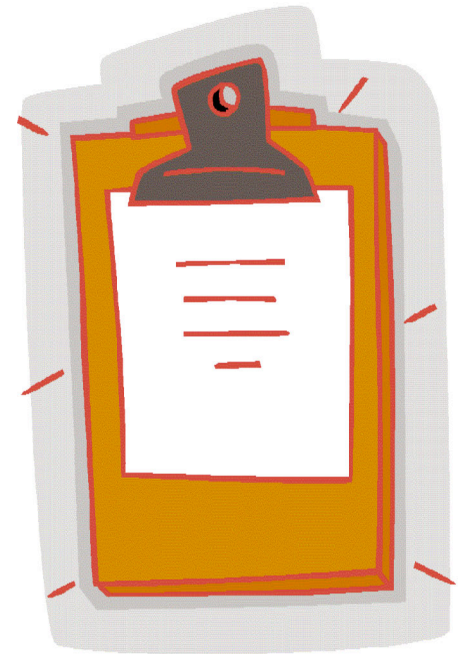
- Observe
  - Study customer behavior for select offerings in terms of experience
  - Locate emerging forums in which customers share their experiences
    - Product management may understand "customer experience" as usage contexts around products, but..
    - Customers use products and services as means to having experiences, especially when other customers mirror them
  - Having experience reflected by other customers boosts awareness.
    - It can change expectations of the group quickly and profoundly



# 2008 Action Steps: Survey Communications Processes

Phase I:  
Preparation

- Observe
  - Examine existing processes by which your company communicates with customers
  - What communities does your company host?
  - In which communities do you participate?
  - Regularly monitor blogs and social websites
    - Study their demographics
    - Rating sites are exploding
  - Prepare to have select employees contribute to social networking sites and blogs



# 2008 Action Steps: Address Legal Ramifications

Phase I:  
Preparation

- Plan
  - Proactively explore key legal ramifications of communicating more often and openly
    - Study relevant legislation
    - Create policies
  - Open customer communication and collaboration will be a core competency that business will need to remain competitive
    - Your company must strike a balance between opening up enough to develop the competency while mitigating risk.
    - This is new ground for attorneys as well
    - You will not get it right the first time
  - For many businesses, the price of waiting too long will be very high





# 2008 Action Steps: Engaging Customers

Phase I:  
Preparation

- Plan
  - Create plans for engaging customers
    - Communicate with customers in direct, open group conversations
    - Pilot customer communities
  - For many companies, beginning in a third party environment is beneficial
    - Associations
    - Partners
  - Often, the best way to increase your "customer quotient" is direct contact and joint problem solving
    - Participate in blogs and forums

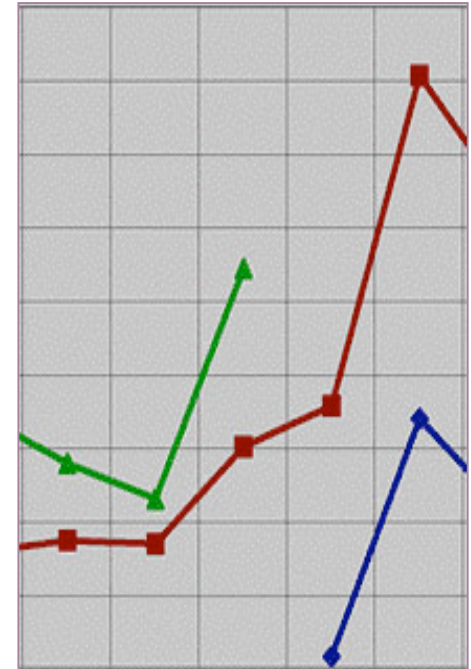


**Focus on enabling customer to customer discussion**

# 2008 Action Steps: Manage Expectations

Phase I:  
Preparation

- Plan
  - Managing expectations is critical
  - Think through what actions your company is ready to take
  - Plan how you will address issues
    - Prepare before getting involved in group customer conversations
  - Make clear what you are able to do
    - Customers will usually understand when you communicate openly
  - Customers often have little patience for excuses
    - They have heard them for years



**Focus on enabling customer to customer discussion**

# 2008 Action Steps: Learn from Employees and Thought Leaders

Phase I:  
Preparation

- Act
  - Depending on your industry and culture, you will have a portion of your employees who are
    - Active bloggers
    - Musicians and bandleaders
    - Photographers
    - Vloggers and video contributors
    - Leaders in social networks
  - Create a mentoring program to share and extend knowledge
  - Create measurable competencies
  - Beta forums, blogs and community spaces



**Focus on enabling customer to customer discussion**

# 2008 Action Steps: Career Enhancement Tips

Phase I:  
Preparation

- Consider P2P in your career planning
  - How will these trends change what you do?
  - Create a career plan independent of any firm
  - Mobility is far higher during disruptive change
- Pursue customer-focused initiatives and projects to build your skills
  - Inside work
  - Outside of work
- Invest serious effort in LinkedIn, Facebook
  - Build your own professional network
  - Reach out to people and actively help them
  - Project your knowledge with LinkedIn Answers
- Build your individual online presence
  - Participate in online forums
  - Engage with bloggers with similar interests, and start a blog





## Rare Opportunity for CMOs: Conclusions



- Of all corporate functions, marketing is most focused on customers
  - CMOs will get first crack at responding to changing expectations
  - However, they must confront legacy thinking about customer and company roles in communication
- Customers prefer to learn from each other in many cases
  - Study after study shows that they often trust a group of strangers in a social network more than company representatives and experts
- Web 2.0 completely changes the context of marketing
  - It digitizes and actualizes word of mouth marketing for the first time
  - Marketers that understand the dynamics will produce unprecedented value
  - Marketing as traditionally practiced will create decreasing value
- Marketing will succeed more and add more value when marketers jettison the Industrial Economy “us and them” thinking and openly collaborate with customers

## Thought Leadership: Selected Papers and Reports

- 2007 Analysis and Breaking Opportunity for CMOs
- State of Social Networks and Web 2.0: Forrester Wrap
- Case Study: Delta Air Lines' Use of Web 2.0
- Case Study: P&G and Dell, New Model for Innovation
- Consumer Empowerment: A Rare Innovation Opportunity
- The Transformation of Advertising (and the agency ecosystem)
- The Impact of Mobility on B2B and B2C
- Rebooting Kraft: The Innovation Imperative, Starring Consumers
- Charting a New Course: Communicating in a Digital Age
- Enterprise 2.0: Game-changer for Investment Banks
- Success Breeds Disappearance in Outsourcing

### Super Tuesday Bonus

- Web 2.0's Impact on the 2008 Presidential Election

## Thought Leadership: Select Contact Information

- Christopher S. Rollyson, Managing Director CSRA
  - Personal: <http://rollyson.net>
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New Strategy for Enterprise Competitiveness

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# **Appendix:**

# **Golden Opportunity for CMOs**

## **Marketing Transformation**



# Transformation: Marketing 1.0: Marketing Redux

Marketing 1.0:  
Inform and Sell  
1900-1994

- The Industrial Economy has created unprecedented wealth
  - Greatly diminished material scarcity; unlimited demand
  - The company—the means of supply—was the focus of power
- In the latter 20th Century, production outgrew demand
  - The marketing profession developed to increase demand
- The Industrial Economy marketing approach
  - Promote features of products/services
  - Develop message and distribute to consumers (push)
- Customer communications limited
  - Focus groups, statistical models, models of demand
  - “Public” relations
- Legendary, consistent product launch failures
  - Innovation largely driven by internal experts
  - Economically not feasible to engage customers

# Transformation: Marketing 2.0: The New Meaning of “Creating Demand”

Marketing 2.0:  
Engage and Sell  
1994-2010

- The customer—demand—is becoming the focus of power
- “We’ve all been customer-focused: what’s the big deal?”
  - Then: communications were between companies and customers
  - Now: communications are among customers
    - Focused on customer experience, not products/services
- The P2P culture
  - Trust and individual reputation supercede affiliation
  - Recognize the backlash against company-focus and excuses
  - Customers educate and create demand for each other
- P2P unlocks the voice of the customer
  - No more secrets about customer experience: it’s all out there!
  - Customers mirror each other and gain confidence
  - Customers economically addressable; digital communications

# Transformation: Marketing 3.0: Engaging Customers for Innovation

Marketing 3.0:  
Collaborate  
2011-2100

- Emergent tribes can be viable partners for organizations
  - Groups of customers self-organize around every subject
  - Online collaboration tools quickly produce digital knowledge
  - Companies have an unprecedented ability to understand experience
- Innovation is the core competency of the Knowledge Economy
  - In the Knowledge Economy, companies produce value by
    - Creating relationships with customers
    - Focusing on experience itself, not products/services
  - 360 degrees of the customer=passive (CRM) + active (customer-provided)
- Empowered customers make companies more competitive
  - Every offering has fans who like to help and be recognized
    - Customers are often better able to help each other enhance experience
    - Individuals often trust each other more than company employees
  - Run with it! Help customers to help each other
    - Deliver superior experience at a lower cost
    - Companies that crack the code will dominate the economy

# Transformation: The Shift from Technology to Marketing

