



New Strategy for Enterprise Competitiveness

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Strategy | Marketing | Innovation | Knowledge | Technology

Changing the Game with Web 2.0: Golden Opportunity for Marketers

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Agenda

What to understand

- The context for Marketing 2.0
 - The digitization of word of mouth drives marketing transformation
 - The double value proposition
 - Marketing 2.0 examples: the voice of the customer

What to do

- 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
- Why you should care: Marketing 2.0's double value proposition
 - Costs: sharply reduces communication and administration cost
 - Revenue: increases innovation, customer stickiness, brand

Marketers' choice

Proactive

Be a hero:
champion process,
headset and
culture changes

vs.

Reactive

Respond to
disruptive requests
that will increase in
next 1-3 years

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

- User-generated content/distribution
 - Individuals' collective voices now rival enterprises and governments
 - 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 gaining impact on buying decisions
 - This will also mean voting decisions



The Context for Marketing 2.0: 2007 Surveys Reflect Double Value Proposition

- The Economist
 - 406 executives, 41% C-suite
 - Average US\$2.5bn revenue, all theatres, industries
 - 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
 - 2,847 global executives, 44% 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
Economist

McKinsey&Company

Marketing 2.0 Examples: Wells Fargo



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 wellsfargo.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: 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;
 - Crowdsource (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

2008 Action Steps: Marketing 2.0 Adoption Roadmap



- Security/legal diligence
- Study user experience
- Learn from employees/external thought leaders
- Push wikis/blogs on customer-facing projects
- Create Marketing 2.0 interest groups
- Engage customers
- Manage expectations
- Launch customer-centric ventures
 - Threadless
- Fit with other processes
- Visible partnerships with external customer-led businesses
- Customers involved in innovation
 - Develop new offerings
 - Service offerings
- Sponsor customer-led business ventures
- Customers lead innovation
 - Develop new businesses, offerings

Customer-informed

Customer-involved

Customer-led

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

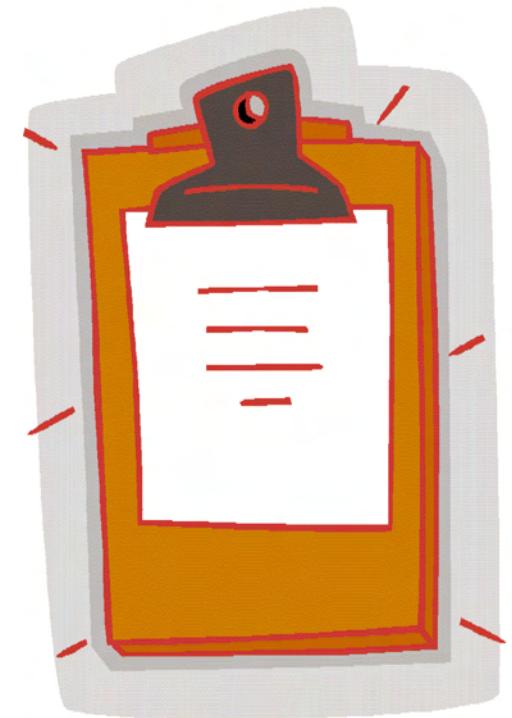
- Observe
 - Study customer behavior for select offerings in terms of experience
 - Locate emerging forums in which customers share their experiences
 - Product management may understand "customer experience" as usage contexts around products, but..
 - Customers use products and services as means to 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

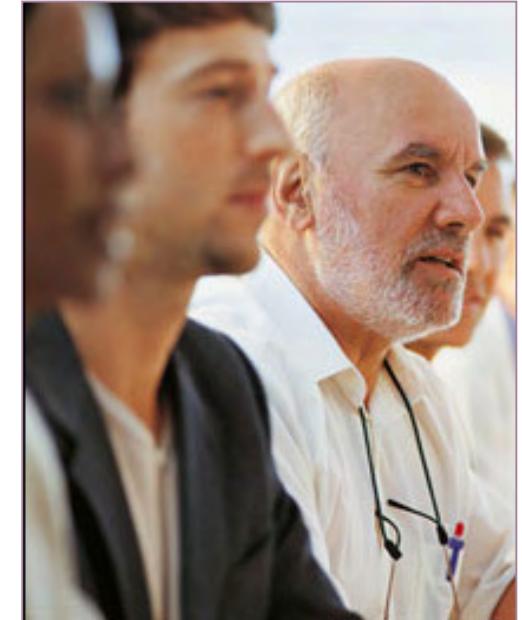


Focus on enabling customer to customer discussion

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 Marketers: Conclusions *

- Of all corporate functions, marketing is most focused on customers
 - Marketers 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
 - They jettison the Industrial Economy “us and them” thinking
 - They 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 its ecosystem)
- The Impact of Mobility on B2B and B2C
- Rebooting Kraft: The Innovation Imperative
- Charting a New Course: Communicating in a Digital Age
- Enterprise 2.0: Game-changer for Investment Banks
- Web 2.0's Impact on the 2008 Presidential Election

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