Marketing in a **post-TiVo** world

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A changing media landscape is
reshaping the way advertisers interact with consumers.

The biggest bogeyman on Madison Avenue goes by a four-letter name: TiVo. The technology, which TV viewers can use both to record programs and to take the commercials out of them, is a couch potato's delight—and a marketing executive's nightmare.

Although TiVo is catching on more slowly than many observers had predicted, it is a hit with its half million or so users. If, as some research suggests, 50 percent of all US households will be using this or similar products to delete advertisements in five years' time, what then? The spread of interactive television, when it arrives, and other forms of entertainment based on the World Wide Web will contribute to the same effect: fewer people watching commercials.

No wonder advertisers lie awake at night. But they needn't. TV commercials are only one (and not the most efficient) way of interacting with a target audience. If marketers want their relationships with consumers to stimulate sales—and which of them doesn't?—they should stop relying so much on TV ads and take up the very technologies they fear.

The upside

What does that approach mean in practice? Simply this: companies must find a way to use interactive media—TiVo-like technology, the long-awaited interactive

TV, and the Web—to rethink their on- and off-line interactions with consumers and thereby to devise more effective ways of reaching target audiences.

There are two reasons for focusing on interactions. Consumers are the first. Now that they are gaining greater control over the media they use, marketers must give them more interesting fare in exchange for getting them to pay attention to any form of screen-based advertising. Since this new value exchange makes such interactions more expensive, the second reason for focusing on interactions is economic. In the United States alone, taking into account spending on advertising and other forms of mass media, channel management, and customer service, sellers spend about $1 trillion a year interacting with potential buyers. Marketers badly need new ways to reduce that spending and to get more for it in return.

Is it **really effective** to use 30-second commercials to remind shoppers to buy spaghetti sauce?

Too many marketers still try to achieve most of their goals—building awareness, loyalty, or experiences—through the same method used in the 1950s: the 30-second television spot. Is it really effective to use 30-second commercials to remind shoppers that they should buy spaghetti sauce on their next trip to the supermarket? Wouldn't a banner ad served up at the office at the end of the working day fulfill that goal more effectively and cheaply? Different goals should be pursued with different interaction tools and at different costs: using each tool only for the purpose it serves best reduces redundancies and inefficiencies. These tools include interactive platforms like the Web and, eventually, interactive TV. But the role of such platforms has been badly misunderstood; their real value lies in helping marketers to identify and remove economic inefficiencies in interactions with buyers.

Interactive platforms make the marketers' contacts with buyers more efficient for two main reasons. First, these platforms are often cheaper and faster than TV, direct mail, and retail stores—which is why companies are rapidly moving customer service operations, for example, from call centers to self-service pages on the Web. Such platforms are also, obviously, the only medium for interactions such as on-line support groups and interactive TV spots that would enable a marketer to direct ads for, say, a child-friendly cough syrup exclusively to households with children. Second, on-line interactions can yield previously unavailable information that helps marketers make better-informed decisions about their spending for off-line media, customer relationship marketing, and customer service. In this way, spending on interactions through traditional mass media falls and marketers get more for their money.
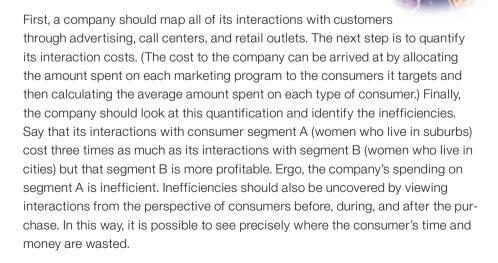
Consider the experience of FatBusters, a (disguised) brand of diet food products sold in grocery stores. Like most food enterprises, the company—which was

spending tens of millions of dollars, mostly through TV ads, on mass market-ing—knew neither its customers nor the size or profitability of its casual- or committed-user segments. Then a new chief marketing officer discovered that its Web-based service had, almost by chance, collected a hoard of information about the company's most profitable users. The FatBusters Web site pairs up like-minded dieters who volunteer details about themselves so that FatBusters can make the best match. These pairs exchange e-mails encouraging each other to stick to diets based on FatBusters products. This is a hugely popular service, and in creating it the company developed a Web-based tool that attracts and retains the brand's most profitable customers.

At the same time, the company is gathering previously unavailable data to reshape all of its advertising expenditures, on- and off-line. Having learned the names of its most profitable users, it asked them why they had started eating its products. The answers were quite different from those that average customers gave in anonymous one-off surveys. With this deeper understanding, FatBusters could redirect its mass-marketing budget by refining its target segments, chang-ing its messages, and using different media. The pro forma result was double-digit growth—representing tens of millions of dollars in extra value for shareholders—in the revenue produced by each advertising dollar.

Putting interactivity into practice

How can other companies turn today's interactive platforms to their advertising advantage?

First, a company should map all of its interactions with customers through advertising, call centers, and retail outlets. The next step is to quantify its interaction costs. (The cost to the company can be arrived at by allocating the amount spent on each marketing program to the consumers it targets and then calculating the average amount spent on each type of consumer.) Finally, the company should look at this quantification and identify the inefficiencies. Say that its interactions with consumer segment A (women who live in suburbs) cost three times as much as its interactions with segment B (women who live in cities) but that segment B is more profitable. Ergo, the company's spending on segment A is inefficient. Inefficiencies should also be uncovered by viewing interactions from the perspective of consumers before, during, and after the pur-chase. In this way, it is possible to see precisely where the consumer's time and money are wasted.

This process generates opportunities to move selected interactions to inter-active platforms and to engineer completely new interactions, such as the FatBusters matching program. The new interactions will in turn yield insights that enable executives to allocate resources to more efficient media programs,

new and old. Take the purchase of cars. Dealers and manufacturers rely heavily on TV advertising to influence consumers' choices and thus duplicate one another's efforts. What would really save buyers time and money at this stage would be detailed information about models and a chance to try them out. Manufacturers could use the Web to identify "considerers" and to offer them information and special deals, such as immediate test drives. Similarly, if owners of cars decided to sell them but found that their resale value was adversely affected by a failure to keep maintenance documents in order, automakers could help by supplying those documents through "on-line garage" pages containing the records.

Finally, marketers must maximize the productivity of their overall spending, rather than its individual components, by making sure that the incentives of internal functional departments and external marketing services and media partners are aligned.

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By taking the consumer's perspective, challenging common wisdom, and intro-ducing a new metric across all consumer interactions, marketers can eliminate many of the inefficiencies of today's practices and form a coherent whole that is better attuned to the reality of the new media landscape. Innovations in con-sumer interaction models will probably fuel most of the next phase of growth in the productivity of marketing investments for consumer goods and services. These innovations must be built around finding the right tool for the right interac-tion with the right customer at the right time. Only then can marketers be sure that their budgets reflect today's reality, not yesterday's. And only then will they be able to stop lying awake at night worrying about TiVo. *Q*

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