



Marketing in an Age Where CPM is Meaningless

SOME ADVERTISERS STILL THINK CPM (COST PER THOUSAND IMPRESSIONS) IS EVERYTHING. THE TROUBLE IS THAT THIS APPROACH NEVER WORKED VERY WELL AND NOW IT DOESN'T WORK AT ALL.

CPM is what it costs to place a message in front of 1000 sets of eyeballs. If the CPM is \$10, then every "impression" costs you a penny. But what is an "impression"? It's a potential sale that might derive from someone's seeing your ad. A television station with 100,000 viewers may offer you 700,000 impressions for a six-week series of advertisements at \$3000. Is that a good deal or a bad deal?

The real cost must take into account the people who actually see the ad, not just those who had the television on when the ad ran.

Other considerations are more important than CPM: Which time slots did the ad run in? How many people watch the program it appeared in? Of those who watch the program, how many actually noticed the ad? Of those who noticed the ad, how many watched it? Of those who watched the ad, how many responded to the call for action? **And of those who responded, how many purchased what you were selling?**

Each successive group will be smaller than the previous one.

The answer to the last question is the key. It's called cost per sale (CPS). If you spend \$3000 and make 2 sales, the cost per sale is \$1500. That may be acceptable if you're selling a \$90,000 automobile but unacceptable if you're selling a \$500 two-day cruise.

However, paying \$1500 for a \$500 sale that initiates a relationship with a client who will have a lifetime value of \$150,000 might make the cost acceptable.

As a friend who's also a certified public accountant sometimes tells me, **Run the numbers!**



Cheap or Inexpensive?

THE BEST POSSIBLE CPS IS \$0 AND, ALTHOUGH THAT'S NOT ACHIEVABLE, IT'S POSSIBLE TO PUSH CPS LOWER RATHER THAN HIGHER.

The internet has affected nearly every business; good for some and not so good for others. In the pre-internet era, public relations was referred to as the best advertising you don't have to pay for because the PR team managed to place information about a company or a product in the editorial section of magazines and newspapers or the news components of radio and television.

The internet changes that equation with review sites, neighborhood groups, and other specialized operations – often hosted on Facebook – that can generate "word of mouse" (WOM) advertising. My neighborhood, which consists of perhaps 200 homes, has a Facebook presence. The city I live in (population 13,000 in a metro area a bit over 2 million) uses its

Facebook presence to highlight city functions, but not individual businesses.

Local Facebook Groups

FACEBOOK IS A GIGANTIC WORLDWIDE OPERATION, BUT AIMING FOR WORLDWIDE COVERAGE MIGHT NOT BE THE RIGHT CHOICE. IN SOME CASES, TRYING TO GO GLOBAL IS EXACTLY WRONG.

I grew up in a rural northwestern Ohio town with a population of about 12,000 in a county with a population under 50,000. The population hasn't changed much in the 50 years since I moved away and the town went through some difficult economic times.

Recent building renovations and an influx of new businesses have generated some excitement and a new Facebook "Downtown" group has nearly 4000 followers.

There are daily posts from the group that highlight – usually with a photograph – an activity, a new product or service at a store, or just a feel good photo. It's doubtful that

a group such as this would work in a large city such as Columbus, Pittsburgh, or Indianapolis, but it would be inexpensive to try. It might even work in places like Manhattan where, despite the size of the city, neighborhoods are compact.

It does seem to be working in my hometown, though, in part because the photographs are created by a professional photographer. Photos of events show restaurants and bars with lots of patrons and there was a sense of progress when I was in town a few weeks ago. Would an idea like this work where you are?

The neighborhood site where I live often has questions from nearby residents:

- *Where can I find a good electrician?*
- *Who does a good job with trees?*
- *What company do you use for house cleaning?*
- *Who should I call to replace my furnace?*

If you get a recommendation in a group like this, you're many steps ahead of competitors.

Free and Invaluable

YOU CAN'T BUY WORD-OF-MOUTH ADVERTISING, BUT ENCOURAGING IT PAYS ENORMOUS DIVIDENDS.

Research by Double Click says that nearly 60% of consumers it surveyed considered recommendations from friends to be "most worthwhile" when they want to buy something. Magazine, TV, and newspaper ads all came in around 30%.

Roper Research says that word-of-mouth (or mouse) recommendations have a believability index of 81%. That compares to 56% for editorial content and 55% for regular advertising.

Even so, this valuable advertising is rarely pursued aggressively because it's difficult to analyze, understand, organize, and control. It also lacks sizzle, which is what most advertising agencies sell. Leveraging WOM is hard work, but it's far more effective than traditional advertising.

WOM has a downside, too. Angry customers are the first to post their complaints and tell others and the internet amplifies the voices of all customers, happy or unhappy.

Your challenge is to please customers and then to inspire them to spread the good news.



THEY ARRIVED EARLY, WITH KNOWLEDGEABLE AND CAREFUL WORKERS WHO KNEW HOW TO OPERATE THE COMPLEX EQUIPMENT. THEY FINISHED ON TIME, LEFT THE YARD CLEANER THAN IT WAS WHEN THEY ARRIVED, AND CONFIRMED THAT WE WERE SATISFIED WITH THE WORK. IN OTHER WORDS, THEY DID WHAT THEY SAID THEY WOULD DO.

The Importance of Follow Through

LAST MONTH I MENTIONED A COMPANY THAT I HAD CONTACTED FOR INFORMATION ABOUT REMOVING A LARGE BUT DYING ELM TREE IN OUR BACK YARD. THE INITIAL CONTACT WENT WELL AND WE HIRED THE COMPANY. THIS IS THE REST OF THE STORY.

The company seemed to be highly responsive, so it was the one we selected after reviewing other proposals. The work would be scheduled, we were told, in three to four weeks. Barely a week later the company's office manager called because a crew with the equipment needed for our job would be in the neighborhood on a job that would take less than half a day. Would we be willing to have the work done a few weeks early?

That is the first time I have ever received a call from someone asking if I would object to having work done early. Yes, that would be fine. We were told to expect the crew around noon on Wednesday.

The crew didn't arrive at noon. Instead, three huge trucks showed up about 10:30 and by noon they were nearing completion of our job. The team leader said that he expected the job to take about two hours and that's about what it took.

The project was off to a good start: The work crew had arrived early and with the right equipment.

The set-up process started with precautions to ensure that neither the lawn nor the

driveway would be damaged. Power lines to our house went through the tree, so the crew had to work around wires that were live.

After taking the tree down and loading it into a truck, they carefully cleaned up the sticks and twigs created by the tree demolition, asked if we were satisfied with their work, and continued to another job.

This kind of experience almost makes me wish that we had another tree that needed to come down. From start to finish, everything was done well.

Or as marketing guru Ray Jutkins used to say, "Do what you say you're going to do."

Ray did presentations around the world. I met him in New York City sometime in the 1980s when he conducted a two-day presentation for the US Postal Service.

Later I found myself in sessions he led for the Direct Marketing Association. We talked and he hired me to develop his website. Besides being a client until his death in 2005, Ray was also a friend and the author of books such as *Magic Marketing Minutes* and *Power Direct Marketing*.

Used copies of *Power Direct Marketing* are available on-line, including from Amazon. Spending a few hours with the book would be time well invested. **Ω**