

## Hitting the Right Target

The holy grail of marketing, or so it was claimed, was finding the right target. If you sold gardening supplies, you tried to avoid sending your 500-page gardening supplies catalog to people who lived on the 73rd floor of a Manhattan apartment building or to people who detested gardening. Cigar companies tried to avoid mailing to non-smokers. Those who sold parts to turn your car into a hot rod sought out people who wanted to turn their cars into hot rods.

Now we can hit targets with more accuracy than ever, but some marketers seem to have abandoned the idea.

For example:

- The auto dealer that sent the owner of a 20-year-old Ford Taurus a letter saying that he owned a “desirable” car that used car buyers would pay top dollar for.
- The extended-warranty company that keeps sending warranty pitches to the owner of an equally old Chevy.
- The auto insurance company that sends letters to a man who has been dead for nearly 10 years despite efforts by his daughter to have them stop.

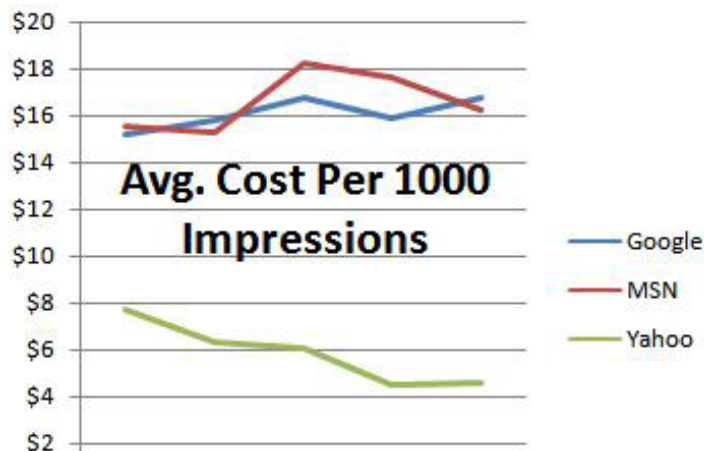
Does anyone really believe that the owner of a car made two decades ago will believe that the vehicle is “desirable”? Or that any legitimate company would sell extended warranty coverage for a car made in 1988? Or that dead men buy insurance?

### The Myth of CPM

The 3 instances I mentioned are all real. All have been recounted to me within the past month by the people who experienced them first-hand. These aren't stories about something that happened to the friend of a friend of a friend who knows somebody who said that it happened. These are people I know.

But these stories are also not typical. Auto dealers, extended warranty companies, and insurance companies try to spend their money to place advertising in the hands of people who might reasonably be in the market for the product or service they provide.

If I seem to be picking on the automotive industry here, it's because I've been involved with the industry in one way or another since about 1983 and I understand a bit



about how it works. The average auto dealer still lives and dies by CPM (cost per thousand impressions). The trouble with this approach is that the average auto dealer is dying by that method today.

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. A newspaper with a subscriber base of 500,000 readers may offer you a CPM of \$10 for a \$5000 2-page spread. Is that a good deal or a bad deal?

The real cost must take into account the people who actually saw the ad, not just those who had the newspaper dropped on their doorstep.

- Which section of the paper was the ad in?
- How many of the half million potential readers actually opened that section of the paper?
- Of those who opened that section, how many noticed the ad?
- Of those who read that section of the paper and who noticed the ad, how many read it? Each succeeding group is smaller than the one before.
- Of those who read the ad, how many contacted the dealership and how many of those people was the dealer able to convert?

The important figure isn't CPM; it's CPS—cost per sale. The CPS for that \$5000 ad might be \$200. So your true CPM, if you want to think about it in terms of sales, is now something like \$20,000 instead of \$10.

Ouch!

## Changing Times

Most (the percentage estimates vary, but all are in excess of 50%) of the people who are considering the purchase of a new or used vehicle start their search on the Internet. They visit PriceQuotes, Edmunds, UsedCars, NADAGuides, KellyBlueBook, a dealership's website (which may be funded entirely or in part by the manufacturer), or any of several other websites. Do they look at the dealer's ads in the newspaper? In general, no.

That's one of the reasons that progressive dealers, the ones who see and understand the future, are increasingly moving their advertising budgets to Internet-based media. This is bad news for newspapers, but newspapers are rarely the most cost-effective medium for reaching car buyers.

The dealer must be in the newspaper because some people do use newspapers to shop for cars. And on television. Maybe on the radio. But they really need to be on WOM—word of mouth. I know many people who will tell me that their Toyota was a great buy. But does anyone say that about a Chevy? Not that I've heard.

Market research suggests that, unlike in the 1980s, US auto makers are producing cars that compete with European and Asian cars in terms of quality and reliability. Sexiness is another question. "Detroit doesn't make anything that interests me" is a common refrain, but I saw a Buick the other day that caught my eye. I don't know what model it was, but when I saw the emblem, I thought "That's a Buick!? Wow!"

The trouble is that people haven't caught up with reality. Ad agencies are continuing to put forth the same kinds of ads that haven't been working. What they're missing is the world's most powerful marketing tool: Satisfied customers who gladly become advocates for companies they like.

Do you know somebody who owns a Prius? You probably do and you've probably heard a lot from them about the car. Innovators and early adopters are the people that other people look to for information and recommendations.

## Word of Mouth

The most valuable advertising you'll never pay for is word-of-mouth. Nothing else even comes close. 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, newspaper and magazine ads all came in around 30%.

WOM is seldom aggressively pursued because ad agencies don't understand it and public relations agencies can't control it. Besides that, it lacks sizzle. Leveraging WOM is hard work, but it's twice as effective as traditional advertising.

Roper Research says that WOM has a believability index of 81%. That compares to 56% for editorial content and 55% for regular advertising. That's the highest number I've ever seen for the believability of advertisements; usually it's in the 20% to 30% range.

But agencies and their customers continue to push big ads, glossy mailers, and heavily produced TV and radio ads. They're more fun. And they're "measurable".

A word-of-mouth campaign demands looking at the product or service from the customer's perspective and considering the user's opinions in a non-defensive manner. It requires a cold, hard analysis of what was said—or not said—and delicate handling of the feedback to the people who nurtured the product from concept to introduction.

## This Sword Cuts Both Ways

Ticked off customers are the first to post their complaints and tell others. A decade ago, this wasn't a big deal because an unhappy customer could complain to 10 or 15 people. Today, the Internet amplifies the voices of all customers, happy or unhappy. Now an angry customer can tell 10 million people how unhappy they are.

So the challenge is to please customers and then to inspire them to help spread the good news. That's inspire, not trick or buy. A car dealer once offered me a full tank of gas if I filled out the post-sale survey with high ratings. I never returned to the dealership.

Approach WOM wrong and people will get the idea you're trying to con them, turn them into shills. Do it right and your brand will excel. Millions of passionate, empowered consumers will gladly spread the word about your product or service if you've given them a reason to do so.

Consumers are looking for advice and assistance on the Internet. They find resources to be credible when the reader shares something common with the reviewer and when the reviewer talks in terms the reader can identify with.

## Reach Out

Reaching these key "influencers" is key to your success. According to Emarketer, about 26.8 million influencers in the US today. They include columnists, writers, and journalists, of course, but they also include a lot of average folks who are sufficiently interested in a topic that they set up a website, a blog, or an online discussion group.

These are the people you want to reach because collectively they influence where the market will go. Geeky, weird, and passionate they may be, but these influentials do a far better job of grabbing more customers and keeping their attention than the TV or newspaper ad.

Listen to the whisperer. **B**

