

Random Thoughts

from William Blinn Communications

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Marketing Hits (and Misses)

Perception is important to marketing. If you're perceived as a winner, you're a winner. This month I thought I'd bring you up to date on some of the perceived winners and losers that I've encountered recently.

I'm often amazed by how important a single small effort can be and this brings to mind the words of a radio program director who once told me *the least important thing can be the most important thing.*

When I looked puzzled, he continued. *In any given market, he said, most of the top stations do most of the big and important things right. So it's the small things that differentiate stations in ways that make a big difference in the ratings.* So it is in other businesses, too.

Netflix Continues to Sail

Much of the economy remains in the tank, but Netflix is doing OK. Growth is down, but at a time when stability is considered to be growth, real growth is unusual.

When the economy tanks, people stop going to restaurants as much and grocery store sales rise. They stop going to movies as much, so operations such as Netflix see an increase. But when rival Blockbuster is closing stores, Netflix is expanding.

The company does a lot of things right. It's increasingly common (maybe because of the oddball selections I make) for Netflix not to have what I want in Columbus, so it has to be shipped from Seattle or San Jose or some other distant city. Netflix e-mails a message telling me the movie is on the way and, in the meantime, they'll send me the next item on my list at no extra charge. There are times that I end up with 4 Netflix DVDs in the house.

It's a small touch that doesn't cost Netflix a lot to provide, but it's meaningful to subscribers.

As well positioned as Netflix is now, the company will have to keep an eye on the future because DVDs are becoming old technology. The future is video on demand via the Internet. Pricing may be a challenge, though. If you rent a DVD, you can watch it as many times as you want. What happens with video on demand? If someone else in the family wants to watch the program tomorrow, do they pay, too? What if you want to watch it again next week? How about next year?

Maybe you buy a subscription for \$X per month that allows you to watch up to Y hours of video or maybe it's a flat fee for as much as you want to watch. I suspect that the folks at Netflix are thinking about these things today and preparing for tomorrow. **B**

Apple Tweaks the Palm Pre

Apple is a really always goes out of its way to help the people who use its products, right? Not even the die-hard Apple fans believe that any more.

Apple recently updated iTunes so that the music manager turns a deaf ear to the Palm Pre. Palm designers, apparently thinking that people who owned one of their devices might want to download some of their iTunes music to the device, designed the Pre to work with iTunes. Apple didn't like that.

Until iTunes 8.2.1, Pre owners could use the device just like an iPod or an iPhone. So Apple addressed an "issue with verification of Apple devices" that just happens to render the Palm Pre invisible to iTunes. What a nice, helpful, forward-thinking company Apple is!

Workarounds exist, at least on Windows machines. But the point is that workaround shouldn't be necessary. Apple should put its customers first because without customers there would be no Apple. **B**

Microsoft Bets on Windows 7

Back in the days when I thought about investing in stock, Microsoft seemed like a good bet. Microsoft owned the desktop. Microsoft would always be there. Microsoft would always be profitable.

Many thought the same of Penn Central, National Cash Register, and Eastern Airlines.

Microsoft's stock is down and the prospects are none too bright. They bet the company on Vista, which was not exactly the best received operating system Microsoft has ever released. (*Millennium Edition* and *Microsoft Bob* were worse, but Vista is often mentioned in series with Bob and Me.) Will Windows 7 restore the luster?

Microsoft has handed Windows 7 and the companion server version of the OS over to computer manufacturers and it has released the code to the companies that will make the installation DVDs. This is called "release to

manufacturing" (RTM) and it means that Microsoft is serious about making Windows 7 available in October.

Some observers think that Microsoft is trying to recapture the excitement that surrounded the release of Windows 95. People stood in line to get copies of Windows 95 on the day it was released. At midnight, Windows 95 was truly revolutionary, though. It moved Windows from 16-bit platforms to 32-bit platforms. Companies such as Corel released new versions on the same day.

Windows 7 is seen by many in the industry as nothing more than Vista done right. For all of its positive look-and-feel components, Vista was a flop because it was slow, bloated, and sold in a way that allowed manufacturers to claim "Vista compatibility" for machines that had no business running Vista. So Microsoft and the manufacturers deserved what they got from the Vista belly-flop.

Windows 7 is different, though. I've been running the release candidate version for the past couple of months and it couples the beauty of Vista with the speed of XP.

According to Forrester Research, Windows XP remains on 86 percent of corporate PCs. It's unlikely that corporate buyers will rush out to buy Windows 7, but there's a good chance that they will at least accept it when it comes with new machines. **B**

Intel's "Human Rights" Violated?

Law in the US allows a corporation to be a "person". That may be nonsense, but it's the law. And now Intel says that the European Commission has violated its "human rights".

Intel was fined \$1.45 billion (the largest fine ever levied by the European Commission) for anti-competitive trade practices that effectively shut competitors out of the market.

Advanced Micro Devices (AMD) had been complaining about the practices for years, but never managed to get any traction in US courts. And it's not just AMD. Japanese and South Korean officials say Intel is using anti-competitive practices. So does the New York attorney general and the U.S. Federal Trade Commission.

Even so, Intel has filed a 300-page appeal that claims it was the victim. Insiders suggest that this is more about saving face and less about saving money. **B**

The RIAA: Still Dead

In January 2007, I wrote "The big record labels and the RIAA are dead. They just don't know it yet. Independent artists and small labels are using the Internet to go around the big labels that used to control music. The RIAA continues to fight, but the cause is already lost. Groups such as Chumbawamba openly thumb their collective noses at the old system and new artists such as Vienna Teng (a former Cisco Systems programmer) use the Web to spread the word about their CDs."

Since then the Recording Industry Association of America has lost some suits and won others. Suits notwithstanding, the trend continues.

What artists such as Katie Melua, John Prine, Vienna Teng, Chumbawamba, and Chris Stamey understand and

the RIAA doesn't is that music sharing, whether by radio or Internet, builds awareness and develops a following—the people who are in the audiences at live performances. For income, the RIAA depends on the sale of physical discs. Artists, on the other hand, make more money from live performances. It's even better if they can produce their own CDs, which is now possible for a relatively small investment.

The RIAA wants to keep recorded music under wraps and continue to be paid for every disc sold. Artists, at least the smart ones, understand that music distribution is the key to convincing the public to pay money to put their butts in seats at concerts.

What's most ironic about the RIAA's current position is that it used to understand the concept of publicity.

Members of the organization paid a lot of money (later termed "payola") to convince disk jockeys to play music on the air. Somewhere along the line, the trade group forgot about publicity as a way to entice fans to show up at concerts.

If you recall Aesop's fables, you may recognize some elements of the goose that laid the golden egg. The couple that owned the goose thought that they could get richer faster if they killed the goose because that would allow them to obtain the entire store of precious metal in the goose.

Instead, they found that the goose's innards were essentially like those of any other goose. And the dead goose produced no more golden eggs.

The RIAA continues to hack at the goose. Meanwhile, some of today's progressive artists have decided that they can get a better deal without the RIAA.

These artists have gone to the Internet, where they can provide their music to fans without charge, and where they can interact with fans. "What venues should we schedule for our next tour?" the artists ask. Fans answer.

When they cut the RIAA out of the picture, they can produce and sell CDs to their fans without having to give most of the money to the record label and the RIAA.

Artists differ on the question of whether music should be free, but many realize that allowing more people hear their music will lead to more people showing up at their concerts.

One Chumbawamba selection begins with "Send this song to 20 people!" and this is followed by the question, "But isn't it stealing?" The track includes other spoken snippets such as "Why does the consumer want to download music for free?" and "No matter how much legal action you put behind this, people are going to do what they want to do."

The track ends with the ironic "We don't mind when our fans pay money to wear our promotional T-shirts. And it's fine when they pay \$40 to come to one of our concerts. But when our fans think that they can listen to our music for free, they've just crossed the line."

Some artists get it. The RIAA doesn't. **B**