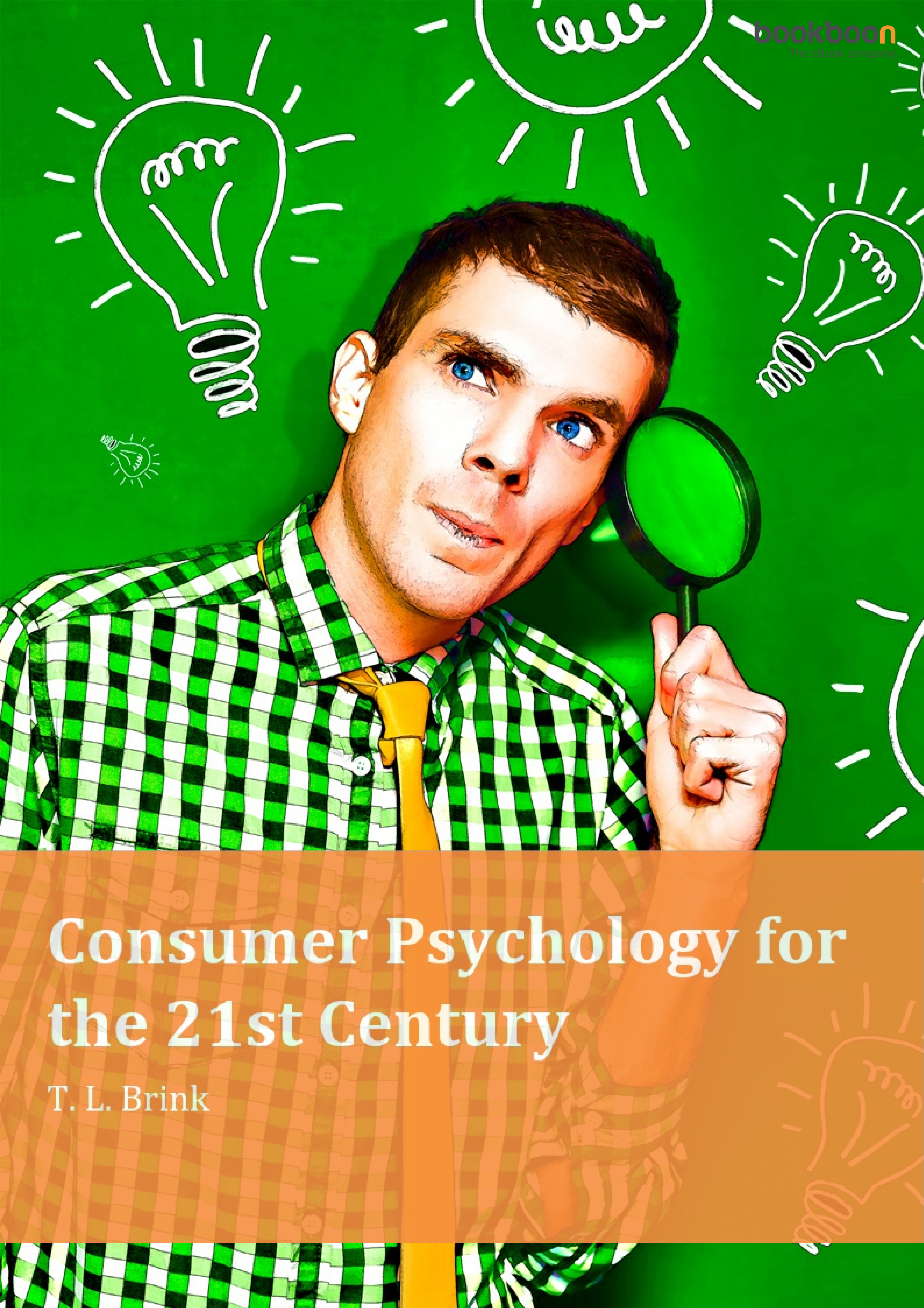

Consumer Psychology for the 21st Century

T. L. Brink

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1 Face Your Ultimate Competitor

There are many great hints in this book. Memorize them and apply them, and you will accomplish much. But, get beyond them and you will accomplish so much more.

INSIGHT #1: The customer is the ultimate competitor.

OVERCOME #1: Make the customer a collaborator.

When you came up with that first idea, the ur-product, and beat a path to the marketplace, alas there was someone who had gotten there first. He is the first customer. Before you even thought to meet his needs with a product or service, he was thinking about meeting his own needs.

- Before there was a restaurant, he fixed his own meals.
- Before there was a cannery, he preserved his own food.
- Before there was a dry cleaner, he ironed his own pants.
- Before Bekins bought its first van, people were moving themselves.
- Before anyone attempted to make a living painting other people's homes, people painted their own.
- Before there was Twitter and Facebook, he sent an email to his friends and attached some pictures.
- Before there was a truck bedliner or a cargo net, he positioned blankets and tarps around the loads in the back of his pickup truck, and then tied them down with rope.
- Before there was TV guide, he wrote down the programs in order, hoping that next week would have a similar sequence.

This is not just a story about times past. This basic competitor is always there, now more so than ever in the cyber age. Once upon a time I had a travel agent. He was friendly, knowledgeable, efficient and dedicated, everything one would want a travel agent to be. It was always a pleasure to enter his office across from the Redlands YMCA. He and his wife put in long hours, thinking that they were building a future business that, perhaps, they could hand down to the next generation. On so many occasions, his efforts paid off for me: a cheaper flight, a more convenient schedule, an extra perk here and there.

But then I discovered how to use the internet for myself. First it was just the Southwest Airlines site: so much more convenient and empowering than talking to a reservations agent on the other end of the line, so much better than…a trip to the office of my own travel agent. Then I found those sites, like Priceline, that enabled me to take the lead in the price negotiation. My flirt with them did not last long, but it was an important step in my independence from the travel agent.

That great guy and his wife, my personal travel agents, went out of business a few years ago. Where their office used to be there is now one of those comedic driving schools (where people pass an evening or a Saturday afternoon in order to avoid having a traffic ticket on their driving records). I miss him. He was a pleasant fellow, and oh so competent and dedicated. At times, I wonder what he is doing. He could beat the competition of all the other travel agents, but he just could not beat me serving myself.

Yahoo figured out how to walk me through searching by fare and then nailing down the date. Yahoo empowered me to do it my way, not the airline way of "tell us a date and we will give you a hard and fast price." Yahoo has my business now, until someone else figures out how to better empower me.

Indeed, the best way to innovate is to still observe what people are trying to do for themselves: just make it better, faster, cheaper and more convenient. Because it is the customer who is the real competition, product and promotion must dance to the consumer's tune.

Helping the customer do his own thing better is an art. There are many rules of etiquette, but the course to success is largely un-chartered and strewn with the wrecks of overly ambitious firms. More sales are lost through obnoxious sales techniques than are won through the most energetic sales techniques.

A poor sales technique is to try to make the customer feel inferior about attempting to take care of his own needs with his own creative efforts. Showing the customer that his techniques are ineffective is an insult. Somehow, you assume that he should be so grateful for such insults that he will want to pay you for the privilege of giving up on his efforts. In fact, buying is antithetical to what most people want to do. They may experience uneasiness explaining their purchasing decision to other people, even to themselves. Give people a reason to buy and an excuse for buying.

"People don't like to be sold, but they love to buy."
– Jeffrey Gitomer

Selling must never be manipulating, selling must appear to be harmonizing. Chris DeNove and James D. Power in their book *Satisfaction: how every great company listens to the voice of the customer*, gave the example of car dealerships. The under-performing ones were using high pressure tactics and found themselves in a vicious cycle of self-fulfilling prophecy. Their mantra was that if the customer was not sold a car on his first visit, he would walk at that door and go somewhere else. So, salesmen turned up the pressure to make the sale *today*. The customers who did walk away certainly did not come back to that obnoxious dealership, thus making it look like its analysis of the situation had been correct.

Every product and every commodity is really just a service, the service of manufacturing and delivering that product in a way that the customer will find to be

1. of higher quality
2. at a cheaper price, and/or
3. more convenient

than if the customer would have made that same product for himself.

The greatest competitor is always the customer doing it for himself. When the customer looks at the economics of do-it-yourself he is not looking at the cost of your product versus that of another competitor's product. He is measuring the overall experience of you providing the service with the overall experience of doing it himself. He is not deterred by the time factor, unless he perceives the provision of do-it-yourself time as excruciating, or he perceives a more pleasant and prosperous use of alternative time.

For example, my wife spends hours working in her garden, planting flowers, watering and pulling weeds. At times, she does complain about the long hours and physical strain. We could sell that big house on the big lot and get a smaller condominium so she would have less yard work, but that is not what she wants. We could hire someone to do the planting, weeding, and watering, but the truth is, that is her major source of recreation. As it turns out, we have a gardener who comes once a week. He mows the lawn and trims the bushes (things that my wife has no interest in doing). His gardening service meets our needs because it permits us to have a large house with a garden, and makes my wife's time in the garden more pleasant.

Winning the marketing battle does not begin with creating a comeback customer who returns from the temptation of the competition. Winning begins with luring the customer who does it himself.

Marketing is all about a relationship with that self-serving customer. The essence of having a customer is the relationship, a relationship in which when the customer has a need, a question, or a concern, the customer comes to your company, instead of starting from the beginning of an information search. A good relationship also means that the customer will look at information from you even when he does not have a question or perceive a need.

Every aspect of business is an interpersonal relationship involving delegation of tasks. The customer delegates to the producer a task, either a direct service or the extraction of a commodity or the production of a manufactured good. (So, in this sense, every producer's greatest competition is the customer who does the task himself; e.g., moving, painting, gardening).

The employer delegates to the employee a task, which the employer could either do himself, or invest in a machine to do it. (So, in this sense, a job for someone else is only created when the producer decides to become an employer and get someone else to do part of the work of his company.)

All of these transactions require cooperation, and are economically just if all parties have free choice and are properly informed of the implications of their decisions.

At its core, all business is cooperation rather than competition. The only competition between companies is to see which one will do the best job of cooperating with the customer. The only competition between workers is to see which one will cooperate with the employer the most (and unions try to short circuit this competition by agreeing that no worker will cooperate with the employer unless the other workers agree).

The only way to succeed in business is to get and keep these do-it-yourself customers. As soon as the customer realizes that you are there to sell him instead of help him do it himself, he no longer welcomes you as a friend, but ignores you as an annoyance.

Marcus Buckingham of the Gallup Organization wrote about basic personality strengths: *The One Thing You Need to Know*. It is essential for counseling people about their vocations, and business owners about what product or service their business should become involved with. Buckingham's advice can be summed up in one sentence: "Discover what you don't like doing and stop doing it."

But that is the also the key to understanding the consumer, and a company's role with the consumer. Each consumer is trying to figure out what he does not want to do, like my wife who loves watering and weeding, but not some other aspects of garden maintenance. Victor saw her in the yard one day fighting with the trimmers and they struck a deal and as long as he does well what she does not want to do, he has a customer. The purpose of a business is to make the customer's life better by removing an unpleasant task. Do it consistently and you keep your customer. Do it well, and you will generate some buzz: he tells his family, friends, and neighbors how they can improve their lives by trying this new business. If the customer cannot figure out how your sales message is relevant to improving his life, you are zapped.

I am not your customer for so many things. You don't cook my food, operate my computer or drive my car or walk my dog. As long as I regard these as pleasures for myself to enjoy, or as so complicated and essential that I trust no one else to do them, I will not be your customer.

To get my business, you have to give me what I want, and your product does not have a clue.

"You can get whatever you want, if you help enough people get what they want."
– Zig Ziglar

So, who is a good salesman? Someone who encourages me to what I want, and takes over that which I do not want to do. I don't want someone to pressure me to give up my money. I want a consultant, an expert with my interests at heart, who will help me decide when it is in my own best interest to delegate some of the more obnoxious tasks. (Martha Stewart and Bob Villa, that's why we love you). At the point when I want to make a purchase, I want an efficient order taker, not someone who is trying to convince me to spend more (especially on an extended warranty).

"Help me buy – don't sell me. I hate being sold, but I love to buy."
– Jeffrey Gitomer (1994)

If you are asking the question: "How hard is it to get a new customer?" you are asking the wrong question. Ask "How easy is it for a potential customer to avoid you?"

Do not ask "How hard is it to keep a customer," but ask

"How easy it is for a potential customer to lose you, intentionally or unintentionally"?

The customer is not the enemy to be deterred or a mark to be conned. The customer is someone whose needs are to be understood and whose efforts are to be supported.

Don't sell your firm to the customer. When he is ready for the relationship to take the turn of you providing something that he has been providing for himself, it is his turn to sell himself to you as a customer. Compare Stanford University's Graduate School of Business to that of University of Phoenix. Which has more prestige? Which commands the higher tuition? Phoenix is so desperate for students (customers) even to the point of having to come up with obnoxious banner ads. Stanford wisely requires that students prove themselves worthy of the Stanford label.

"Marketers with authenticity succeed."
– Seth Godin

Of course, the real landscape of self-help techniques is always changing, due to technology and changing culture. The edges of self-help are always shifting, and as those edges shift, so do expectations and realities for self help. You have be at those edges, able to understand shifting and confounding expectations, and in this way, address the overlooked markets. What you said yesterday perhaps needs to be said in a different way, or at least in a different voice. The cutting edge changes as it cuts.

How could that travel agent have kept me as a customer? Instead of hoping that I never found Priceline or Yahoo Travel, he could have built a more convenient website, or he could have searched all the travel sites and kept me informed via Twitter when the best prices and schedules emerged for my frequent destinations. He had to help me better than I could help myself.

This is not the worst of times to start a new business, but the best of times. There were over a billion computers worldwide by 2005, with a quarter of them in the U.S. Over three quarters of American households have cellphones, and those proportions are higher in many other countries (even in China and Mexico!). The computer, hand held personal assistants like the Blackberry and the cellphone are devices for more comprehensive, immediate, and convenient communication that will allow customers to attempt things that they have never before considered.

Over a half a century ago, President Eisenhower chided long distance gentlemen ranchers "Farming looks mighty easy when your plow is a pencil and you're a thousand miles from the cornfield." Now, I know agribusiness firms that are headquartered in California, with farms and factories spread around several Central Valley Cities as well as Mexico, Chile and Turkey, and the executives get to spend a great deal of time in Hawaii and Costa Rica. All of this is possible thanks to modern communication, and this has opened up several business opportunities to help farmers do what they want, where they want.

Barbara Bund, author of *The Outside-In Corporation: how to build a customer-centric organization for breakthrough results, re*commends "Begin with customers' perceptions of their needs." As technology changes, and the demographics change, those perceived needs change. When my parents were starting out as young homeowners, they could build a big house on the outskirts of San Jose, but could not afford the furniture to fill it. Now, Silicon Valley homes are expensive and tiny, while furniture is relatively cheap.

One great suburban phenomenon in California, and in most of the rest of the nation, is the garage sale. We have a corner lot and on spring and summer Saturdays the telephone pole is covered with signs. Ever notice how household stuff expands to fill the space allotted to it? One of the main motives for buying a bigger house or constructing another addition must be more storage space for all the stuff. But I have discovered that when you get a bigger house, that just seems to attract more junk. What has this phenomenon done to the furniture industry?

Here is another great example of people doing something for themselves (and another great opportunity for someone to create a business to help homeowners do it better). Another business stemming from this has been the rental of storage space, but still junk accumulates faster, and hence, the need for garage sales. Someone could make a great business coordinating garage sales, putting all the stuff out, sitting in the hot sun all day long, and carting off what could not be sold. (Oh wait, that's E-Bay!)

Barry Feig, in his book, *Marketing Straight to the Heart* identified the consumer's desire for control as the number one hot button. Companies that provide a product or service that maximizes this, will win because they are using the customer as collaborator, and remove him as their arch competitor.

Companies that can allow homeowners to better manage their junk, but still maintain some degree of control, will prosper in this field.

2 How Consumers Make Decisions

INSIGHT #2: Potential customers think in a thoroughly rejecting way: they look for a reason to reject your product.

OVERCOME #2: Only by assuming that mind-frame can you develop the insights and innovations necessary to come up with the right innovation. Only by intensifying the consumer's rejection thinking can you get him to take a fresh perspective on your product or service.

Everyday, you and millions of other potential consumers make thousands of decisions. You are not consciously aware of most of the decisions you make, but you make most of them the same way, by reflecting on the drawbacks involved, and then picking that course of action with the fewest drawbacks (or the least painful ones). Herbert Simon, a Nobel Prize winning economist, referred to this as "satisficing." Instead of optimizing satisfaction, and choosing an outstanding product in terms of its aspects in one particular area, we compromise on the best so that we do not get the worst in some other aspect. We don't settle for the best in one area, but the least bad in all areas.

The only way to understand how consumers make decisions is that they do not accentuate the "positive," but the "negative." The process of making a decision is not about including more options and facets, but about exclusion. The analogy is one of a funnel with a lot of screens and filters inside: a lot may be poured in at the top, but only a small amount makes it all the way through to the end point (the decision by the consumer to purchase the product).

When I go from my home on Acapulco's Westside to downtown, I must make a quick decision about how to get there. Usually, there is at least one car in my driveway, but I hate fighting the traffic (concern #1) and looking for a parking place (concern #2). Private taxis are expensive (concern #3), but the collective taxis here in Acapulco pack you in Nissan sardine tins (concern #4). So, I usually take the bus because it has the fewest undesirable features. But some days I want to get downtown more quickly, so the slowness of the bus becomes a more salient concern, or I know that I will have to carry something back, and the idea of juggling packages while standing as the bus goes around those curves looks like a more serious problem. While the bus usually wins, it only wins until its undesirables outweigh those of the other modes of transportation.

I have long wondered why any tourist anywhere (but especially an American tourist in Mexico) would opt for something called the all-inclusive. It works something like this. You pay one price, everything up front. That includes the transportation from the airport to the resort (usually outside of town), hotel room for a week, three meals a day, onsite night life for entertainment, sometimes even all you can drink. In most places, you don't have to carry money, just wear this little plastic identification band on your wrist, and you eat and drink all day long. The AI resorts are good, but not the best, and certainly not worth what they charge for them. The food is healthy, decent, but not the finest that the destination city offers. The "nightlife" is usually a house band that plays unobjectionable music, but keep in mind that the house band was not good enough to get a booking at one of the destination nightclubs. I have long wracked my brain: why would anyone pay so much to spend a boring vacation in one of these all inclusives? Even if the music and the food were first rate, wouldn't you get tired of it after five nights?

In Acapulco, for example, there are so many restaurants and nightclubs downtown, why would anyone pay so much for boring, mediocre fare? And then the obvious decision factors hit me. People who choose an all-inclusive are not trying to get the best. The attraction of the AI is not what it has, but what it avoids: the need to get into a taxi and find a restaurant, then find a nightclub, then come back to the hotel. "Just good enough" satisfices and is the preferred option if it allows us to avoid the unfavorable factors.

How did you vote in the last Congressional election? Did you really think the candidate who got your vote was the best possible person to represent you on national and international affairs? the best that your party could offer? Did you wish someone else had been running? Most voters do not think of themselves as voting "for" either candidate, but as voting "against" the other, choosing the lesser of two evils. Indeed, campaign research indicates that the most effective ads tend to be the hit pieces that attack an opponent. How did the Republicans end up selecting Mitt Romney in 2012? Probably the best reasons were that he seemed to be the lesser evil among his field of candidates. He spent heavily on negative ads in the primaries, but got beat in November when the Democrats spent more on negative ads against him. Remember Newt Gingrich, Rick Santorum, Rick Perry? Mitt Romney did not look more forceful or clear on the issues, he just looked less objectionable (and possibly, therefore, more electable, than any of the Republican also-rans).

When you moved to a new city, how did you select your church? You probably had a list of criteria (maybe this was unconsciously operative) and every time a given church fell short on any one criterion, you scratched it off the list. Say you were a Baptist in the old city. You look around your new neighborhood. Down the block you notice there is a Catholic Church, a Synogogue, a Mosque and a Buddhist Temple: wrong doctrines. Next block there are Episcopalians, Lutherans, Methodists and Presbyterians: they don't baptize the right way. Then there is a Spanish Language Baptist Church: wrong language. There is a Pentecostal Church close by: too loud, you think. You tried the First Baptist Church (no youth group), and the Second Baptist Church (too ethnic), then the Third Baptist Church (but the wife says too many old ladies who gossip), and the Fourth Baptist Church (boring preacher), and the Fifth Baptist (services too late in the day). Eventually you settled for the Sixth Baptist Church (or Calvary Chapel). It was not the perfect church, but it managed to avoid most of the unfavorables. If they change pastors and a new unfavorable emerges, you might move again to another congregation.

Where did you go to College? University of California Riverside? Don't tell me that there was something so attractive about the city that drew you there inexorably. Your decision was a process of elimination. You first thought of UCLA, but the commute would be too tough. University of Redlands was too hard to get into. Cal Baptist was too expensive and not forthcoming on that scholarship. University of Phoenix was all over southern California, but you had some standards. Cal State San Bernardino was affordable and close, but you heard that it was hard to get the courses you needed to graduate on time. So, you went to University of California Riverside even though it was not the best school in your particular field, the closest or the cheapest. You chose UCR simply because you had good reasons for not going elsewhere, and UCR survived the process of elimination. Its unfavorables were more tolerable.

Too many marketers think like street vendors. Their pitch involves a brief focus on one attractive point about their product. Take a walk with me some Sunday afternoon, around the Toluca Portales. So many happy couples and families; so many opportunities for street vendors. The balloon vendor attracts a crowd by making a sound of a strange bird. The popcorn vendor makes the sound of a steam whistle. The churro vendor sells not so much on sight, as by the smell of the donutty mixture hitting the hot oil. And then there is the vendor of the little wind up toys. The child sees one and wants it. All of these vendors hope that their potential customers will think just like four year olds, overly impressed with the first impression attractive aspect of the product, making a purchase decision before the unfavorables come into their minds.

The adult decision maker can't keep the unfavorables from jumping into his mind and dominating his decision. The adult decision maker sees the cute helium balloon and thinks, we are going to mass in ten minutes, and do I want this balloon of a red devil soaring above me at church?

The adult decision maker sees the popcorn, churro or snowcone vendor and thinks: will the kid be done eating in ten minutes? Probably not, so don't buy it now. Of course, when the family gets out of church is not a better time, because then they have to go to Aunt Maria's for Sunday dinner.

Then the adult decision maker contemplates that wind up toy. His child's initial fascination is more than matched by these sober calculations: is it a safety risk? will it break before he loses interest (in which case junior will start to cry)? or will he lose interest before he breaks it? (in which case it was not a very good investment either), will junior be making noise with this toy all during mass? The adult does not have to come up with ten good reasons for not buying the toy: one is sufficient to veto the purchase.

This rejection mind-frame dominates the vast majority of product decisions that adults make. To make a sale, you have to get beyond the (all too often unannounced) concerns, each standing as a sufficient obstacle.

Here are some businesses and the concerns involved.

AIRLINES: I fly a lot, I have to if I want to live in one country and show up for work in another. Each time I fly, I think how much I would like to avoid it. Most of these reasons are just reasons to avoid flying in general, but some reasons translate into avoiding specific airlines.

1. Those baggage limits bother me. Sometimes I want to bring more weight, more bags, an oddly shaped bag, or a live animal. Several times I have driven two thousand miles just so that I could bring something with me that I knew the airlines would bother me about. (Opportunity talking: if an airline just relaxed those baggage limits, they could get my business, at least on certain occasions.)
2. Losing Luggage. The only thing worse than not being able to bring luggage is to bring it, check it, only to have it lost. One airline (United) in particular has lost so much of my luggage I shall not give them another chance, even if the flight were free.
3. Getting to the airport is a hassle. I hate those shuttles. They arrive early, or late, and the drivers go like crazy to make the next pickup.
4. Parking at the airport is a worse hassle (which is the only reason I even consider the shuttles).
5. I have to revisit the whole transportation hassle when I arrive at my destination. I would prefer to drive 300 miles to Phoenix from Redlands just so that I have my own car there when I arrive.
6. The food on the planes (and in the airport) is so bad that I started packing my own food even before some airlines stopped providing meal service.

AIRPORTS: I hate using airports, but as with airlines, I have to, in order to avoid the alternatives. Nevertheless, there are hundreds of airports that I have never used, and probably never will. It would be more precise to say that there are only a handful of airports on my list of potentials. All the other airports have at least one rejection factor that meant that I scratched them off my list.

1. Wrong city. Topeka may have a great airport, but I never had a reason to go to Topeka or the surrounding area, and doubt that I ever will.
2. Wrong route. Maybe the airport is close to my destination city, but my departure city is not on the other end of a route that it services.
3. Wrong airline. Some airports are limited to a few airlines. If they are the airlines that I refuse to fly (because of their unfavorables), then I have no reason to use the airport.
4. Too far. They are building a new airport for the Mexico City area, and putting it east of the city in Texcoco. Since I live west of the city, that makes the new airport too far. They can build it, and I hope it draws some crowds away from the airports I do use, but I won't use it.
5. Too large. I hate LAX and a few other mega-airports that are just too big to be efficient or convenient. I just don't want to go there. I will drive a hundred miles to San Diego just to avoid LAX.

6. Too small. Some airports are just too small to have a critical mass of essential services. I'll wait until they grow a little.
7. Parking. At some places (e.g., LAX) the parking is just too confusing. At other places (e.g., Tijuana) there just are not enough long term spots.
8. Public transportation. LAX strikes out again. There's no way I can just catch a public bus that takes me close to home.
9. Too far between connections. This is not just a function of size. Some relatively small airports put way too much distance between connections.
10. Too confusing. LAX strikes out again. Why a "Bradley terminal" instead of numbers or letters? Why some airlines depart from one terminal and arrive at another? Airline passengers are trying to assemble logical cognitive maps, and there is no excuse for making that process so difficult.

ATMs: Now a trip to the ATM is part of my daily ritual, but fifteen years ago I was a cautious adopter. There were many barriers which were eventually removed, but some financial institution could have sped up the process and got a new customer by removing these more quickly.

1. Complicated. At least initially, it was confusing going through the different screens. I could have overcome this in five minutes if some bank had set up an ATM inside the branch and had an attendant walk me through the steps.
2. Fear of getting mugged. There are still some locations I will not go to even in the day. One brilliant move was putting ATMs in side of public places (like malls and police stations).
3. Fear of bank errors. My wife had a bad experience with a debit card, so I cancelled that card, and just have the regular ATM with no Visa logo. I once went to a new bank to open an account, spending over a half hour with the paper work, and then the deal breaker emerged. This bank only had debit cards, no plain ATM. I cancelled the new account.

4. Tellers are easier. For the first ten years of the ATM, many customers concluded that tellers were still less fearful and less risky. One bank (Bank of America) actually decided to pull tellers off the line in order to encourage its customers to use the ATM. (Of course, the long lines also encouraged many of its customers to check out the other banks as well.)

BANKS: I have accounts at a dozen different banks, and I am a former customer with as many. There are some banks I will never be a customer of (and some I will never be a customer again). Here are the rejection factors determining my selection of banks.

1. Location. This is a deal breaker. I will never be a customer of the First Bank of Tulsa because I have never been there and will probably never live or conduct business there. Even a southern California bank, with too few locations, would not become one of my banks.
2. Bad teller service. As I conduct more of my banking online, by mail, or by ATM, I need fewer and fewer teller contacts, but when I need to see a teller, I want prompt and effective service. One bad experience of service is usually sufficient for me to cancel the account.

BATTERIES: I hate batteries, the kind you have to put in flashlights and small appliances. I love my solar powered radio because it does not use batteries. Consider the unfavorables of batteries.

1. Shelf life. You never know how long they will last. More specifically: too often when you take them out of the package and put them in the device, they no longer work.
2. Wrong size. I don’t understand the need for all the different sizes. All I know is, when I need some batteries, that’s the size I don’t have, while I have all these stocks of dead batteries which have not been used because they are the wrong size.
3. Expensive. Enough said.

BOATS (and yachts, and jet skis). I don't own a boat bigger than an inflatable Sevylor. The temptation is great, because in Long Beach I live right by the yacht harbor. The favorables are all there, but so are the compelling unfavorables (which might explain why they say that the two happiest days in the life of a boat owner are the day he buys his boat, and the day he sells it).

1. Cost. Yes, all of these water toys are expensive to purchase.
2. Maintenance. All of these require regular maintenance and/or repairs, everything from refinishing the deck to changing the oil in the motor. The greatest motivation for maintenance is that without it, when you arrive at your water destination with your boat, it does not work. (Of course, sometimes that happens even when you kept up with the maintenance.)
3. Training. As they get more complicated to operate and maintain, they require more training. The only reason people get the training is that when they try to do without the training, the level of frustration is much higher (and people avoid the unfavorables).

4. Storage. Everything has to be somewhere, and when the boat is not in the middle of the water with you at the helm, it has to be somewhere else, perhaps a berth, perhaps in your garage or backyard. That is a cost of money and/or space.
5. Transportation. If the boat is not stored in the water, it must be stored somewhere else and brought to the water. You will need a trailer and an apparatus of getting the boat into and out of the water.
6. Dangerous. Regardless of the amount of training and maintenance, boats are accidents waiting to happen, accidents in an environment which humans are unlikely to survive.
7. A better alternative. Renting a boat when you get there seems to avoid problems 1,2,4, and 5 and maybe the guy renting it to you will give you an impromtu version of the essentials of #3 training, and hopefully, he carries insurance for #6.

CABLE: For a long time I didn't have cable TV service at my Redlands house, and still do not have it at Acapulco or Long Beach.

1. No time to watch TV. The first thing that popped into my mind when I see an ad for cable is: "I don't have the time to watch all of those channels." My situation changed when my aged father moved in with me and spent most of his waking hours in front of the television.
2. Installation. I knew it is too complicated to do myself, and I heard that it is a problem coordinating the right time with the cable company. Verizon's easy installation convinced me.
3. Pricing. I have heard that they start you off with low rates and then jack them up after you have become accustomed to the service. Verizon finally gave me a great deal.
4. Alternatives. There was broadcast TV, until it went digital and I had to deal with the unfavorable of those conversion boxes. Also Fox kept putting on those "reality" shows and amateur talent shows, so those unfavorables got too high.
5. Disreputable companies. I had heard too many stories about poor service. Finally, I found a company (Verzion) that gave me good phone and FIOS internet service, so I decided to try them for TV.

CELL PHONE: When they came out, I tried one for a couple of months, but got rid of it.

1. Too complicated. Forget all the bells and whistles. Just give me an on/off switch, a dial tone, and big buttons. That might make me a late adopter psychographic that is on the wane.
2. Carrying. Maybe the young generation likes to wear these on their belts as a fashion statement, but I still don't have a place for it.
3. Charging. We are back to the battery thing again. Why can't it just get charged by the sunlight or by the natural movement of my body?
4. Sound quality. I couldn't hear the voice on the other end half of the time. The newer phones are better.
5. Risk of loss, theft. I never really had it lost or stolen, but I was always misplacing it (once again, it never had a convenient place for carrying or even storage.)

Phone companies kept missing the target by coming up with new attractive features: how thin! how colorful! what interesting ringtones! Sorry, it was not until I found how Trumpet Mobile took care of the unfavorables that I bought another cell phone. But then the battery went out, and I couldn't get it replaced. Hello, smartphone.

E-BOOK READER: Many publishers have tried to convince my students that instead of buying traditional textbooks, a better alternative would be to purchase an e-book reader and then "cartridges" for the specific textbooks (at about half price) needed that semester. The way the salesmen calculate, the average student could save hundreds of dollars over a four year education. Most students have balked at this sales pitch, and I think they are demonstrating caution based upon perceived unfavorables.

1. Complicated. Any new technology is complicated, and the student fears not being able to use it. Until a critical mass of students start using it, and then showing each other how to use it, the salesmen may have to demo the use of e-books.

2. Lack of compatible cartridges. It is not sufficient to say that some or even most textbooks will be available on cartridges. If one professor requires one textbook without a cartridge, the student has to go back to purchasing the old style textbook.
3. Resale value. Students see their textbooks as an investment as well as a cost. Unless a new edition is coming out, students know that they can resell their textbooks at the end of the semester, and get up to half their money back.
4. Alternative: used textbooks. What the salespeople fail to understand is that the e-books are not just competing against the new hundred dollar textbooks, but in most cases, against the fifty dollar used textbooks.

FLASHLIGHT: I hate flashlights. Here is a great opportunity for someone to come up with an innovation that overcomes a lot of negatives.

1. shelf life. This goes back to the problem of batteries. When you finally need the flashlight, it is no longer working.

2. Breaks easily. There is something about those bulbs and the on/off mechanism that makes them just too vulnerable.
3. Positioning. I don't have three hands. Usually, I need the light so that I can perform some task with my hands. I want a flashlight I can position, or at least set down without rolling away.

FLOWERS: I no longer buy flowers to send to my wife or mother. Flowers have too many problems.

1. They die. I guess that's part of them being fresh and perishable.
2. Delivery. On those few occasions when I used to purchase flowers, delivery time was the key: on Valentine's Day, not the 15th of February; on my anniversary, not the day after.
3. Flower shops were all concerned about their attractive features: "look how festive this arrangement is" and never about my concerns. Sorry, flowers are not worth it for me.

MORTGAGES: I think I have seen more mortgage refinance ads than any other kind over the last decade. I have mentally zapped every one for the same reason: I don't have any more mortgages. Only when I started to think, "I could borrow money on the Redlands home and buy another for cash in a great down market" did I start listening to the ads.

HOTELS: We select hotels by a process of elimination.

1. Location. I don't need a hotel in Lawrence, Kansas: I'm not going there.
2. Ease of finding. I rarely make reservations anymore, especially on driving trips into Mexico. Too many hotels are simply too hard to find. So, I prefer to keep driving until I find a hotel that looks acceptable.
3. Getting there. When I am flying into a city, one thing I have to worry about is getting to the hotel. I have even stayed at boring airport hotels, simply because they were easier to get to. Hint: having a free shuttle to the airport overcomes this unfavorable and is a major deal maker.

4. Wait staff hassles. I don't want to have to summon a bell hop to show me how to work the air conditioning or give me a glass of water. I want all the conveniences in my room and available from the outset.

DIAL UP INTERNET: We all started this way, but most of us did not stay because of the problems.

1. Too slow. As we perceived the need to do more (e.g., download music) we needed more bandwidth.
2. Telephone line. Remember your Aunt Ethyl trying to call up and she kept getting the business signal because you were online? Juno solved that problem by allowing you to download your email and work with it offline, so Juno had my email business for many years.

JEWELRY: I hate it and never buy it or wear it.

1. No need. The first thing that crosses my mind about jewelry is that I don't need it.
2. Risk. Here is something small and valuable, too vulnerable to loss and theft, which means I have to find a safe space to store it, and then insure it.
3. Inheritance. If the jewelry is so valuable that it becomes a family heirloom, that I have to worry about who will inherit it, and what I tell my other heirs?

JUICER, FOOD PROCESSOR: We see their attractive features demonstrated on the infomercials, but I never think past the unfavorables.

1. It won't work, at least not as demonstrated.
2. What a mess to clean up. I'd rather just buy the juice and throw the carton away.

KNICK KNACKS: If my wife is in the car with me, and I pass a garage sale, I will not stop if there are knickknacks.

1. They will take up space.
2. The novelty will wear off, sometimes by the time we get home.
3. They break easily.

LAS VEGAS: Although they heavily advertise their attractive features throughout southern California, I try to avoid this desert resort. I don't gamble and don't fear getting sucked into to gambling, so that is not the reason.

1. Crowded. I have never seen the place with a manageable number of people.
2. Unfriendly. Especially when it becomes apparent that I am not there to gamble or see the shows, the level of service I get deteriorates rapidly. I just don't feel comfortable being there.

LUGGAGE: It has taken me over fifty years of traveling to find a piece of luggage that I actually like. Most pieces of luggage have one or more of the following problems.

1. Too small (at least for what I want to carry).
2. Too large (at least for where I have to put it).
3. Not durable (at least according to what airline travel requires).
4. Does not protect the contents. Too often I have to place my things inside of hard boxes or cans inside of the luggage.
5. Not flexible in size. What I need to pack does not match the dimensions of the luggage.
6. Hard to carry. Why did it take so many years to invent wheels and handles?
7. Hard to find things inside. I know it is in this bag, but where?

MOVIE THEATER: It is a rare occasion that I visit a U.S. theater to watch a movie. As much as I love movies, there are too many unfavorables, and it only takes one of these to keep me away.

1. Theater is too far.
2. Theater is showing the wrong movie.
3. Ticket prices are too high.
4. Popcorn is too salty.
5. Popcorn is too pricey.
6. Parking is too difficult.
7. Audiences are too obnoxious.

The alternative just gets rid of so many unfavorables: I'll wait a few months and rent it on Netflix.

MILK: I have just about ended purchasing milk in the U.S.

1. Shelf life. I am only going to be there for a few days, and it hardly seems worth it. I won't be able to finish it.
2. Complicated types. Is the blue carton the 1% or the 2% or the lactose intolerant? This decision is not worth two minutes of label reading with the refrigerator door open, so forget it.

MUSICAL INSTRUMENT: I don't have one and probably won't purchase one for a child.

1. Where to store it? My mother's organ was a main feature of her living room for many years. My daughter plays, but how do we move that thing into her smaller home?
2. Lessons are expensive and inconvenient. I remember when my daughter was learning, we had to readjust our schedules to accommodate for the music lessons. Never again!

PET FOOD: I love cats, but I don't have one now. One factor deterring me from ever having one again would be the hassles of pet food.

1. Expensive. At some times, I think it cost more to feed the cat than to feed me.
2. Cat won't eat it. She was finicky, and we never knew if she would eat what we had bought.
3. Smells bad.
4. Hard to clean. Those special dishes were cute, but difficult to clean.
5. Hard to open, more difficult than containers of people food. Was this designed to keep the cats out? Well, it kept the people out, so I changed at least one brand because of this.
6. Containers too big. Hint: how about a meal sized container so that I don't have to refrigerate the remainder? (which she wouldn't eat anyway because it is dry, cold, and hard).
7. Containers hard to dispose of.

PLANTS: When the wife dies, I'll get rid of the last potted plant. I hate the responsibility for watering them.

PUBLIC TRANSIT: As much as I hate driving, when I am in southern California, I drive almost everywhere. The reason is simple: the downsides of public transportation outweigh the downsides of driving.

1. Routing. I want to go to the library or shopping, but the routes are all geared for someone going to the county hospital or the welfare office.

2. Schedule. The only people who find the schedules convenient are those who can plan their whole day around a bus trip.
3. Multiple short trips. I have about five different places to go to. Do I have to wait for five busses?
4. Place to carry and store things. With my car I can put stuff in the trunk, and then drive to the next spot, then bring everything home.
5. Proximity to undesirable people. Most of the people I meet on a bus I would not invite into my home.
6. Stations, platforms and stops are unappealing, places I don’t want to be.
7. Drivers who won’t stop, make change, or give information. What a difference from Mexican bus drivers! There the driver rents the bus and gets to keep the fare. The driver stops anywhere for a passenger and is motivated to treat the passenger nicely.

RADIO STATION: In the U.S., I spend most of my waking hours listening to an AM or FM radio station. Yet, most stations I have never listened to, and will never listen to. I make my decisions on the basis of the unfavorables: eliminating those stations that do not meet my criteria.

1. Wrong location. There might be some great North Dakota stations, but I never get close enough to pick them up.
2. Poor reception. There are some great stations that just do not come in clear enough; sorry KNX 1070, you don't serve the Inland Empire.
3. Wrong programming. If you're playing rap, I'm not listening.
4. Too many commercials. If it sounds like a long block, I'm switching to another channel.
5. Obnoxious commercials. Sometimes one commercial is enough to get me to flip away if it is obnoxious enough. Sorry, KFI.
6. Boring announcers. Sorry, KFI, after Bill Handel you have about fourteen hours of "more boring talk radio."

RECREATIONAL VEHICLES: I don't have a motor home, and never expect to purchase one.

1. Storage. I am not going to be driving it most of the time. It looks too big for my driveway or garage, so does it take up most of my backyard?
2. Gas mileage. Just how much does it cost to drive a hundred miles?
3. It looks hard to steer.
4. Overnight hook up fees at trailer park. Now its starts to compare unfavorably with its main alternative: the hotel.

RENTAL CARS: It has been many years since I have rented a car at my travel destination. The unfavorables are simply too great.

1. Cost. The basic cost of per day or per mile would be tolerable, but there are those add ons: taxes, insurance, gas refilling. You never know what you are going to have to pay.
2. Hard to get to pick up site or home from drop off site. The whole point is that I am starting off and ending up without a car. This is usually a deal breaker.

3. Wait for a car. One firm permanently lost my business because I had to wait for half an hour to have a car ready. (I had made a reservation and arrived on time.) The excuse I got was "the car is being vacuumed"). That sounded like "the check is in the mail" and why didn't they ask me my preference: dirty car now or clean car later. Time was my key concern, and waiting for it was an intolerable factor.
4. Downtown parking. After I have the car, where do I put it when I am not driving?
5. Alternatives. The more I used rental cars, the better the alternatives looked: taxi, public transportation, local friends. I have even driven out of state instead of flying simply because I would rather have my own car at the destination rather than relying upon a rental car.

RESTAURANT: I don't eat in restaurants that often, but when I do, I select solely on the avoidance of unfavorables.

1. Location. The restaurant has to be in a location convenient to where I am or where I can get to. Few restaurants have such compelling features that I am going to drive there and look for them.
2. Type of food. Ninety percent of restaurants offer food that I prefer to avoid. I scratch them off my list. Other customers scratch restaurants off their lists because of food aversions, religious objections, etc.
3. Wait staff. Some are too slow, some are too surly or too aggressive. The buffet alternative looks better and better to me, especially because I also get to see the food.
4. Price. In addition to being too expensive, some places will not accept credit cards.
5. Fear of fraud. Especially with foreign restaurants, there is a growing fear that some employee will take the credit card number and use it fraudulently.

SOUVENIRS: Around Acapulco I see these intricately made models of pirate ships and these great terra cotta sculptures. Truly, these are works of art and bargains, but… how do you get them back home on the airplane? Once the potential customer thinks of that problem, the deal is off.

SPORTS: I no longer go to professional sporting events. The attractives are strong, but…

1. Cost of tickets
2. Traffic to and from the game
3. Parking cost and hassles
4. Bathroom availability and delays
5. Cost of food, drinks, souvenirs

SATELLITE DISH: I have thought of this as an alternative to cable several times, but I figure that it has many of the same problems as cable, plus

1. May not work well in certain locations
2) May not work well in certain kinds of weather

SHOES: Although my closet is full of shoes, each year I buy a few pair, but when I do, I always use the approach of outlining the rejection factors.

1. Wrong size. Most pairs of shoes in the store would not fit me, so I immediately eliminate them from consideration.
2. Wrong style. I am less fad conscious today than I was several decades ago, but there are some styles that just don't suit me: scratch them off the list.
3. Uncomfortable. Perhaps when I was younger I would have put up with an uncomfortable shoe for style's sake, but not anymore.
4. Unsafe. If the sole is slippery or the toe gets stubbed, I don't want it.
5. High maintenance. My shoe polishing days are over.
6. Not water resistant. It rains often enough for me to worry about this.

STORES: Whenever I need to purchase something retail, be it groceries or household items, I consider which stores are on my list of possibles. There are more stores that don't make the list than do. Notice that some have more than one problem, but really, all it takes is one to get off the list.

1. Location. Some stores are too far away, and just not worth the drive, even for an expected savings on price. (Sorry, Safeway, you're not close enough).
2. Too expensive. Some stores have earned a reputation of charging too much on too many items. I just don't go to those places anymore. (Sorry, Albertsons, Ralphs, Vons.)
3. Waiting in line. Some stores are associated with long lines (Sorry, Stater Brothers).
4. Cannot find what I need, get in and get out quickly. (Sorry, again Stater Brothers, but since you remodeled, I cannot find anything.)
5. Limited selection. (Sorry, Trader Joe's, I'm not coming for one clever thing at a great price.)
6. Won't take credit cards.
7. Demand a special club card. That makes it more trouble than it's worth.
8. Parking hassles.
9. Obnoxious other customers. (Sorry, again, Stater Brothers, the fussy kid capital).

SUV: I have about a dozen vehicles, and none of them is an SUV, and I probably won't purchase one in the foreseeable future. Here are the rejection factors I perceive.

1. Risk of roll over. They might start making them safer.
2. The alternative is still affordable. I don't have one car that will do everything an SUV will do, but I can still afford other cars: a sports car, a truck, a luxury sedan, that can do everything an SUV can do, only better. When the problems with maintaining so many cars becomes too great, then an SUV might look better.

TIME SHARE: I have been to a couple of their obnoxious presentations and that was enough to convince me that they were not a good investment.

1. Most firms in the business seem disreputable. If the deal is so good for the customer, why do they want to force you to sign now? Maybe because the more you think about it, the more obvious are the unfavorables.
2. The alternatives look better. Hotels turn out to be a lot cheaper and give more flexibility. Buying a vacation home is a better investment. Owning a time share gives you the financial responsibilities of a home, with the time limited private space of a hotel room.

VIDEO RENTALS: I used to rent two or three videos a week. I have not for several years. It was not the high price or the limited selection. There was one other problem that killed the deal: the hassle of making a special trip to return the rented video. Netflix solved that problem and had me until they became too confusing.

WRIST WATCH: I do need to tell time, but I have a Rolex at home I never wear (and wish I had never purchased it).

1. Fear of breaking it.
2. Fear of losing it.
3. Fear of getting it stolen. I am even afraid that the Rolex will attract a robber who would otherwise have left me alone.

4. Fear of getting it wet.
5. Wrong style for my clothes.
6. Can't see the time. The hands and numbers are hard to see.
7. Doesn't have the features I want (alarm, etc.).

So, it stays home in a safe place, and I am not going to purchase another.

Decision making is not an event, with a beginning and a conclusion, but an ongoing process. It never really ends. It achieves some working points that serve as the foundation for action, but it is never really over. According to Payne, Bettman, and Johnson, authors of *The Adaptive Decision Maker*, people are constantly modifying their criteria in light of past decisions and present realities.

The process continues not just because new facts and alternatives present themselves, but because the priorities of consumers keep shifting. Remember that Mazda Miata you bought when you were 18? Now you are buying a minivan. The facts about the Miata and the Minivan have not changed, but after two kids, your priorities sure have, and that means that your perceptions of problems have changed. The Mazda two seater may be big enough for thy wife and thee, but baby makes three.

If you have a business and wonder why your product "lost" the competition, well, it never really lost, it was just eliminated from the contest because of the rejection factors. It got disqualified by the potential customers' rules. The good news is that there is usually another contest tomorrow, perhaps with the same customer and his revised unfavorables list, or with a new generation of customers with different priorities. Apple Computer lost out in the home computer segment, but came back with new products (e.g., pod, phone, pad). Its computers started looking better when they started using Intel Chips that could run Windows. Even Bank of America, and America Online, rejected by millions of former customers, have not completely lost. Some of their former customers may comeback and give the redefined company another look (but of course some stalwarts of bad customer service will probably go broke before enough of the former customers come back.)

Perhaps you think that consumers are foolish for being guided by the unfavorables, even to the point of becoming excessively fearful or risk averse. Your task in developing a product is not to criticize consumer thinking, but to understand it and use it.

The rejection mindset of consumers has been attributed to various factors. Psychologist Julie K. Norem in *The Positive Power of Negative Thinking* looked at pessimism, obsessive worry, lowered expectations, even the prevalence of the Murphy's Law delusion as psychological defense mechanisms.

Clearly, people are risk averse, and many risks are given exaggerated importance. People are concerned about the dangers of airline crashes, yet per passenger mile it remains one of the safest modes of transportation around. Indeed, most people have a greater risk of fatal accident driving to and from the airport than they do flying to their destination. It has even been estimated that when the terrorists frightened potential travelers in the wake of 9-11, another three thousand people died on the nation's highways trying to avoid the "risky" skies.

Millions of people have made other kinds of life changing decisions based upon perceived terrorist threats, even though those risks are fairly confined geographically: just two percent of the nation's zip codes face more than 90% of the risk from terrorist attacks.

Dramatic risks are exaggerated, as in the case of parents who fear that children will find guns and start playing with them. More children are killed each year when left unattended with swimming pools than with guns.

Overall, however, using perceptions of the unfavorables to satisfice is quite consistent with mental health. Barry Schwartz in *The Paradox of Choice: why more is less* noted that the alternative to satisficing is to constantly attempt to maximize, and be unsatisfied with any product or service that is not perfect on all accounts. This leads to dissatisfaction. "The drawbacks of maximizing are so profound, and the benefits so tenuous that we may well ask why anyone would pursue such a strategy." To be less depressed, embrace satisficing.

Another distorted perception on present choices would be the past. Those things carrying the most weight are not part experiences, but previous decisions. It is the latter, more so than the former, that frame the present decisions with excess baggage. People do not want to admit that they were wrong in the past, and therefore tend to perpetuate previous decisions, wise or not. People might follow a losing stock until the company is bankrupt because they don't want to admit that they were wrong not to sell previously (or admit that they were wrong to buy it in the first place).

The process of decision making never ends, but people do get tired of the process and want to call a temporary halt. When the customer says that he needs to think it over, he just needs some time to stop thinking. He has pretty much excluded your product, or at least finds that its further consideration is bothersome. You could ask him just what is it that he needs to think over, but that would presume that he is going to use the near future to gather relevant information (which he is not). In certain contexts "I'll wait" or "Let me think about it" or "I'll be back" is but a social courtesy, a euphemism for "No, and I don't want to stay here and argue about it." In other contexts, the customer leaves with a sincere intention to give the product further consideration, but a failure of memory or other unforeseen future factors prevent the purchase.

Successful selling is leading the customers to where they want to go, to the solution of problems, not manipulating them out of their hard-earned money. The best sales "pitch" should be a series of pain avoiding steps.

Consumers can and do make their choices freely, even if sales people are not happy with those choices. Some salespeople even deny the philosophical concept of free will, and proceed (or prefer to proceed) as if determinism ruled the day. Determinism is the assumption that people don't (because they can't) make up their minds. People have no more "choice" in their selections and decisions than billiard balls that bounce away from the forces that strike them. Man is internally programmed by his DNA (according to the sociobiologists) or maybe it's his unconscious (according to the psychoanalysts) or maybe it's just the externals of stimulus and response (according to the behaviorists). According to these determinists, people cannot resist the power of these influencers. Once we know a person's DNA or the cumulative weight of the stimuli acting upon him, we can predict the responses in his life: which woman he will propose to, which product he will purchase.

I reject determinism and advocate a doctrine of free will, and wise marketers will do the same. I accept the conclusion of N. Alden Stevens "Will is making a choice." Perhaps there is no way to know for certain that the process of making a choice is a reality, but here is what we know for sure, people are convinced that they are participating in the process, and we stand a better chance of influencing that process if we share the conviction (albeit a delusion) that the process is free and indeterminate. As Stevens goes on to say "Making a choice is active, which means that will consumes energy." People don't come to a final conclusion allowing the process to cease; they sometimes run out of energy and the process slows down, and the attention gets diverted to something else.

One way that the process slows or narrows is the rejection of certain alternatives. How many points does a potential consumer need to reject an alternative? Just one: the fatal flaw, the weakest link, the Achilles heel.

"There are no cattle without a dung heap."
– Chuana Proverb

Once that fatal flaw is visualized, the mind goes on to something else. These fatal flaws are the deal breakers. Once they are perceived, the alternative is rejected, according to Stephen A. Giglio, author of *Beating the Deal Killers: overcoming Murphy's law (and other sales nightmares).*

The way to conceptualize every alternative chosen by a consumer is to view it as an attempt to avoid something else that had higher unfavorables.

Why do people pay so much to rent a tuxedo for a wedding? (because buying a new one would have been more expensive, and then it would be hanging in the closet for all those years). Why do people shell out a hundred dollars to stay in a local hotel? (because staying in the paneled den at Uncle Bill's and Aunt Sue's is even less tolerable).

To sell your product, convince the consumer that the unfavorables of the competition (including those of doing it himself) are greater than the unfavorables of your product.

A related aspect of "satisficing" concerns when people stop their search. Consumers stop their search for an acceptable product or service, not when they find the perfect one (or they would still be looking), but when they are tired enough to settle for an acceptable one.

Consider a couple traveling by car on their way from Texas to California. They are just getting into Tucson on the I-10. They might pass the first couple of motels they see after nightfall: too early yet, that one is not close to a restaurant, that one is probably too expensive. Indeed, they will never find the perfect motel, but as they get more tired, the bases for rejection become less compelling. Eventually, they will stop and select one, with full knowledge that they can go a little further down the road and find one that is at least as good, perhaps a little better. The point is, they are simply tired of the search, and this alternative they have before them now is "good enough." The selection is merely satisfactory, not optimal, but that is where the process stops for now.

This is how most people select a job. They spend several weeks looking at the want ads, and hopefully get a few interviews. Maybe these highly confident job applicants turned down a few offers, citing the obvious unfavorables: this one had a bad commute, that one had few fringe benefits, that one had no prospects for future advancement. There is a name for people who persist in this type of job search: unemployed. Eventually, most people tire of the search (rather than find a perfect job) and end up satisficing with a less than perfect job that is "good enough for now."

Satisficing is how much people find their first home to purchase. They spend weeks or months looking at the real estate ads, going to open houses, touring sites with a real estate agent. The savvy agent understands how people think by rejection, and the first few properties she shows her clients may be designed to bring out the hidden concerns. "Oh, so you rejected this house because it was on a corner lot? Memo to self: don't show this couple any more corner lots." Eventually the couple is convinced that it is not possible to get their dream home right now, but they are willing to purchase a starter home. It is a little further away than they had hoped, a little smaller, and a lot more expensive than what they were planning on, but at least they can afford it. There is a special name for people who are so picky in their starter home that they continue the search indefinitely: they are called renters.

Satisficing is how people select a spouse. Think of all the rejection factors to narrow down the field. “I wouldn’t date him: too old, too young, too fat, too bald, too big a nose, too short, no ambition, no education, no money, ugly car, too much of a jerk, kids from previous relationship, doesn’t like kids, doesn’t like dogs.” Each woman sorts out dozens (perhaps thousands) of potential mates, managing to reject most of them on one or more grounds. Eventually, she hears the ticking of her biological clock, and gets a little less picky. We have a name for women who remain very picky: single. Of course, some women are insufficiently picky, and quickly marry a handsome jerk with a gambling or drinking problem, and we have a name for them as well: soon divorced.

In all of these examples, the tendency toward satisficing is inversely related to the perceived costs (of money, effort, delay, and mere attention) of continuing the search. The search ends only when the problems of continuing the search are seen as more daunting than those of a particular, available alternative.

But decision making is never really over, because life never ceases to present us with decisions to be made. The same woman who is trying to decide about a mate, is also making decisions about which apartment to rent, which job to take, which car to buy, which vet for her cat, where to spend next Easter. Maybe she is just plain tired of trying to make five big decisions at once.

People who find it difficult or unpleasant to multi-task are more likely to satisfice so that they can declare in their own minds that at least one decision has been resolved, and they can then move on to the next one.

The satisficer may have a genuine socio-psychological profile, according to Barry Schwartz. Let us understand the decision maker in terms of a nexus of different social roles. Many social roles are like roads and guide us to consider certain alternatives or emphasize certain priorities. Other social roles are more like fences, and prevent us from considering certain products.

In trying to outline the sequence of consumer consideration of a given product, over a quarter of a century ago, James Bettman wrote *An Information Processing Theory of Consumer Choice*. He envisioned a woman shopping for a dress, and outlined a series of yes/no questions (with just one wrong answer leading to the rejection of a given dress).

- Do I need this type of item?
- Do I already have one like it?
- Is it comfortable?
- Is it easy to care for?
- Could I make it myself?
- Is it well made?
- Could I wear it many times?
- Is my size available?

- Is it affordable?
- Does it fit me at my…?
- Do I like the fabric?
- Is it too risque?
- Is it too dowdy?
- Do I like this color?
- Do I like the way it looks?
- Do I like the brand?
- Do I like it better than other dresses I could buy heretoday?
- Would I prefer to buy it here rather than some other store?
- Would I prefer to wait and buy it later?
- Should I buy it here today in the store or order from a catalogue, phone, or online?
- Will they take my credit card or check?

In terms of modifying the product to do better in the marketplace, too many firms try to add a new feature, and irrelevant bell or whistle or glitzy new packaging. Most firms would be better off getting rid of an old problem rather than adding a new feature. This would remove many barriers to old customers who tried and left the product and also to potential customers who previously rejected the product before they even tried it.

The time allotted to consumers' decision making is not infinite. Human decision makers are rarely like the fictional donkey, Buridan's ass (the hungry donkey placed between two equally attractive buckets of oats, starved because he could not make up his mind which to eat first). People (and animals) get bored with the decision making process and start eating from whichever (or both piles). Satisficing hunger is more important and more immediate than selecting the better of the two piles.

One big factor for most products is where to put it after it has been purchased. Sellers rarely address this concern, but difficulty of storage is a major criterion in any realistic, adult purchase decision. On any Saturday, drive around most suburban areas and what do you see: garage sales. The things being sold there are rarely without favorable attributes. The knickknacks are cute. The sports equipment still works. These sales are not motivated primarily by hopes of riches. Products are traded for pennies on the dollar. The biggest offense of the merchandise to be sold is that it was taking up space. Indeed, some of these suburbanites bought a home, and then bought a larger home, primarily to have the space to put their accumulation of junk. Household junk expands to fill the space allotted to it. Buy a bigger house, and the junk will come, and stay. Just listen to the conversations of the customers who have stopped to look. The wife says "How cute for the kitchen" but then her husband says "But where will you put it?" He says "I always wanted to get this type of equipment" but then his wife says "Is there room in the garage"? and he puts it back.

One way to conceptualize this type of thinking would be the quest for the fatal flaw, the weakest link.

"The weakest link, not the strongest, determines how much security you have."
– Howard Strauss

Another reason for rejecting a specific product may be the lack of the availability of complementary products. Imagine going to the store to get products of a picnic. You notice that the store is sold out of hot dog buns, so you forget about buying hotdogs and mustard. You cannot find little plastic cups, so you don't get soda in two liter bottles, but opt for the smaller cans.

One selling strategy is to directly confront the unfavorables. This works best when the objections are 1. few; 2. identifiable; 3. easy to pre-empt.

For decades, Bank of America has offered the worst customer service in the industry. Why does anyone still bank there? For some bank customers, the biggest concern is ATM availability. The unfavorable that these customers wish to avoid are having to drive out of their way to find an ATM machine (or pay extra for the service of getting cash). These customers satisfice and put up with poor customer service and fees in order to avoid those problems, so they stay with B of A.

For the first decade of the internet, American OnLine (AOL) provided horrible customer service. Indeed, most of us early cybernauts started out on the internet as AOL customers, and then grew frustrated with high bills and poor service, and found another local provider of dial up (or eventually a broad band connection). AOL was not the first great dial up provider, Prodigy had that honor. Indeed, Prodigy worked a lot harder to provide the backbone for a more reliable connection. What allowed AOL membership to surge was that it solved the biggest problem that new users faced "How do I get started?" AOL sent out these simple disks: insert and follow the directions. AOL recognized that critical problem, met it, and grew. As the key factors changed to reliability, speed, and price, AOL lost.

Of course the amazing thing with AOL is how they kept so many customers for so long. I have asked several of my colleagues and students why such sophisticated people are with such a poor quality provider. One answer I consistently have received is that the hassle of conversion (especially of getting a new email address) is perceived as the deal breaker with a new provider (and therefore the life preserver for AOL).

Another example of a high priced, low quality marketing success would be the Apollo Corporation, which does business as the University of Phoenix. Why would anyone spend money and time for a degree recognized as not much better than a diploma mill? One factor is that the greatest stumbling block (i.e., tuition costs) can be shifted onto a third party (e.g., the federal government, employee reimbursement). Another factor is that, from the potential students' perspective, the greatest cost to an education is not money, but time, and Phoenix makes that seem easy: one night a week or online.

One of the most successful used car dealers in the San Francisco Bay region was Joe Putnam of Putnam Buick in Burlingame. His location was OK, but not the best. His cars were not the most popular make. His prices were OK, but not the lowest. What made Joe Putnam's sales force so successful is that they had figured out the pattern of rejections, the specific objections that potential customers would raise. Over the years, Putnam saw hundreds of deals lost when customers who had shown some initial interest in the car said, "I cannot make a deal today, because I shall have to trade in my old car as part of the deal, and I did not bring my pink slip." Other paralyzing excuses concerned the lack of a checkbook or a spouse's permission. In his radio ads, Putnam preempted these factors when he said, "Bring your wife, your pink slip, and your checkbook." Then salesmen would routinely ask for these things before they went out on a test drive, and found that they were less likely to invest their valuable time with buyers who were unprepared to consummate the deal.

When selling a large household item, such as a mattress, a garage door, or major piece of furniture or appliance, a savvy potential customer is thinking of two great excuses for not buying a new one: delivery costs and how do we get rid of the old one? Build into your advertisement: free delivery and removal of your old model and most customers will yell "deal" before they have begun to calculate the costs of doing things themselves. They are tired of the search for the mattress, and don't want to go on a new search for the cheapest delivery and the cheapest removal of the old mattress.

Too many marketers are their own worst enemy, introducing yet another factor serving as a deal breaker (or at least some stipulation that will be perceived as such).

Why did I stop buying my tortillas at the corner stand? Quality and value wise, I could not see the difference between them and the other stand a half block further. But one morning, when it was just me around the house, and I didn't want a kilo or even half kilo, I just wanted three pesos worth of tortillas, the order taker said "No orders smaller than five pesos." I didn't want that many. I couldn't eat that many all by myself, and I hate to put them in the refrigerator. The other stand saw no problem, and I think that they even put a few extra on my three peso stack that morning. Now, I always go to the other place, even when I have a large party and need two kilos.

Another good example about how some colleges and universities (especially non-profit and public) deter customers is by making the process of registration so difficult. Some community colleges require prospective students to come on campus, during the day, stand in lines, and discover that the desired courses were closed, when all the student wanted was evening or online courses. If there is one thing that University of Phoenix does right, it makes it very easy for students to get registered and pay for their classes.

Overcoming the rejection factors begins with advertising that pre-empts these unfavorables. Consider the (unconscious) mental justification that the potential consumer is using to tune out your message.

PERCEPTION: I don't have the time or energy to absorb your ad, so I am going to zap it: tune it out, flip past it, punch the button, channel surf, delete, filter out, turn down the volume, or go to the bathroom.

SOLUTION: Radio and TV stations in particular need to avoid long commercial blocks, and do not put the most boring or objectionable first, because it hurts all those coming afterward.

PERCEPTION: I don't need it.

SOLUTION: Focus on risk, health, comfort, convenience, fun, status, financial gain, altruism and guilt.

PERCEPTION: It's just too complicated.

SOLUTION: Focus on ease of use, timid old ladies and little children using the product without difficulty.

PERCEPTION: I could not afford it.

SOLUTION: Focus on financing or compared to some alternative.

PERCEPTION: The upkeep is a hassle: storing, cleaning, maintenance, carrying, recharging, etc.

SOLUTION: Demonstrate ease.

PERCEPTION: It will be hard to get rid of.

SOLUTION: Demonstrate ease of disposal.

PERCEPTION: It probably doesn't work. This is the general assumption with products ranging from diets, to body builders, x-ray spectacles, dent remover, fuel additives, miracle mop, decongestants, and flash lights.

SOLUTION: Explain why your product is different, give testimonials.

PERCEPTION: It will be obsolete soon, there is a better technology on the horizon. (Remember your uncle's car with the 8 track tape player?)

SOLUTION: Offer a free upgrade.

PERCEPTION: It's too risky, too vulnerable to breakage, loss, or theft.

SOLUTION: Demonstrate durability and security; offer free replacement.

PERCEPTION: The company is disreputable. This could apply to a "fly by night" company with a P.O. Box or a big name like Nike or WalMart accused of treating its workers badly. A hard earned good reputation does not guarantee a sale, but a bad reputation kills a deal.

SOLUTION: Partner with an established, reputable company.

PERCEPTION: I don't know how to get one. (This is one of the fatal flaws of radio ads that give out an 800 number or webaddress that people cannot copy down when driving.)

SOLUTION: Use broadcast ads to build interest, but supply contact information in print or mail ads.

PERCEPTION: I know of a better alternative.

SOLUTION: Directly attack the competition and show how your product is superior.

PERCEPTION: I don't need one of those.

SOLUTION: Start by emphasizing a present problem or overlooked danger.

PERCEPTION: I don't have time to…

SOLUTION: Demonstrate convenience and time savings.

Customers buy benefits, not attributes. The biggest benefit they want is a time saving (or to phrase it appropriately as an unfavorable: they want to avoid any unfun thing that takes time).

"Time is the coin of your life. It is the only coin you have, and only you can determine how it will be spent. Be careful lest you let other people spend it for you."
– Carl Sandburg

"Consumers are now willing to pay handsomely to save time."
– Seth Godin

An aspect related to time is ease of use. A product that is too complicated (or even perceived to be too complicated) to use will not see its technical features brought to bear on any of the consumer's problems.

In the middle of the 19th century, the French had a great machine gun developed prior to the Franco-Prussian war of 1970. This weapon was such a technological advance, and would be so decisive in combat that their greatest fear was that information about it would fall into German hands, so they kept the prototypes locked up. When the war broke out and the machine guns were sent to the front, the French soldiers were so unfamiliar with it that they were not able to use it properly.

The conjunctive process of multiple criteria is set in motion by the conscious recognition of a need and implementation of an active search strategy. Sometimes there is no active search by the recognition of a need, but merely the presentation of an attractive alternative, which awakens a need that has heretofore not been acknowledged (e.g., religious conversion, love at first sight).

Consumers rarely use precise algorithms, only vague heuristics. "Just say no" is the basic strategy, and it works well. Remember, you are not guiding a customer decision getting to "yes," but preventing a "no."

Great salesmanship can overcome some of the objections, but not all. Consider this shoe salesman.

"But the shoes are not in stock."

"I know, they are so popular, they sell out quickly. So, buy a pair today before all the pairs are spoken for."

"But they are too expensive."

"We have a credit plan."

"But the color is wrong."

"We can dye them."

"But the style is wrong."

"We can modify them."

"But the size is wrong."

"You can grow into them."

"But I have no feet."

"You can put them outside the front door and create the impression that someone else is living here."

Unfortunately, by the end of the dialog, it is apparent to the customer that the salesman just wants to sell shoes, not meet the customer's needs.

This is not to say that all customers make wise choices. Indeed, we all start out as children in an adult world. Remember the street vendors at the Toluca Portales. They are pitching their wares to the child (or perhaps the inner child within us). Each of those vendors hopes that the child will convince his parents to part with a few pesos to purchase something unwise and inconvenient. The children grow up and they will remember: how the balloon sailed away in the breeze, how the ice cream scoop fell off the cone onto their pants, how the wind up toy broke a few minutes later.

Consumers make a lot of bad choices: purchasing mistakes from which they learn. The question is whether your firm will try to capitalize on those mistakes in the short term, or whether you will work with the consumer over the long term to him avoid mistakes. You can be like the Toluca Portales vendors and hope to dupe another generation with low priced trinkets and churros, or you can focus on the more high ticket items of the sophisticated adult decision makers.

	Product is GOOD	*Product is BAD*
Purchase it	Wise decision	Waste of time & money
Don't purchase	Missing out	Wise decision

Every consumer confronts a contingency table of trade offs: the costs of purchasing a product that is not worth it, versus the costs of missing out on a product that was a good deal. The child is more afraid of the latter, of missing that tasty churro or dazzling toy in front of him right now. The older we get, the more we focus on the other quadrant of that table: what if we spend money for something that disappoints? We get more and more satisfaction by avoiding those pains than by denying those pleasures. That is the formula for adult wisdom.

The contingency table of trade offs between unnecessary costs and unseen risks is confronted by every potential customer. Because the number of advertisements and products is so great, and his time and money so relatively scarce, he has learned to error on the side of accepting the risk of missing something new and potentially helpful in order to avoid the costs of giving too much attention to the relevant.

Too many marketers emphasize the attractive attributes (instead of the absence of the key unfavorables). Many marketers think that products are sold by having a number of attractive attributes whose cumulative weight pushes the consumer over the edge to the purchase decision ("But wait, there's more.") No, we don't want the consumer to wait! We want the consumer to purchase now before he figures out another reason not to buy it.

Most products are selected because they can do one thing well (e.g., dress shoes), and the fact that they are also good shoes for hiking is largely irrelevant. Most consumers have one pair of shows for hiking and another pair for dress occasions.

Those automobile executives who designed the SUV fell into this trap, trying to make it one car that will be stylish, carry athletic equipment and a lot of people. The urban SUV is due less to style faddishness, than to parking limitations. Many individuals and families who would want multiple cars, and could afford to own several cars, do not have the space for several automobiles. Therefore, instead of having a luxury car, a sports car, and a station wagon, they have to look for one model of vehicle which can perform all of these functions, hence the urban SUV, not because the SUV is necessitated by an urban environment, but because the alternative (i.e., several more specialized vehicles) is precluded. Again, consumer choice is by avoiding the unfavorables, not the attractive attributes of the SUV.

Sophisticated customers are good at bringing out the hidden costs.

"When the bait is worth more than the fish, it is time to stop fishing."
– African American Proverb

It is not just that taxes and insurance are so high. Contemporary Americans have hidden expenses that were not around fifty years ago, and these have become necessities: cell phones, computers, online services, cable Customers have been conditioned to ignore advertisements, and doubt claims. Marketing is an unwelcome distraction and all that customers need is to find any excuse for ignoring such efforts.

As you overcome some of the barriers to your product adoption, demand may skyrocket. A dozen years ago, many people in Mexico did not have home telephones, relying instead upon public phones down at the corner. For TelMex the weak link used to be getting the phone installed.

"Delay is the deadliest form of denial."
– C. Northcote Parkinson

In the last two decades, that has been rectified, and now a phone can be installed in days, instead of months. Most households purchased one or more lines. However, a new weak link has been discovered in the TelMex customer satisfaction chain. The weak link is now paying the bills by waiting in line. Automatic deduction from bank accounts is problematic because there are so many errors on the billing. This unfavorable has led to a preference for pay-as-you go cellular service.

Overcome the unfavorables, and you have made a sale. Victor Gonzalez is one of Mexico's self-made billionaires, and he did it in the retail pharmaceutical business. He found out that his chain of pharmacies had one great road block to filling a prescription, compared to his great competitor, the pharmacies in the hospitals. In the hospitals, the patients had their prescriptions in hand. Too many times, the clerks at Gonzalez's Farmacias Similares had to tell their customers, "This is what you need, but I can only fill a prescription, so you have to go to your doctor and get the prescription" and when the patients went to their doctors or the national health service to get the prescription, they would immediately get the prescription filled at those on site hospital pharmacies. Victor Gonzalez correctly figured that one of the main reasons people did not buy prescription drugs was that they lacked a prescription written by a physician. This Mexican pharmacy chain solved the problem by putting physicians on site 9 AM to 9 PM and offering consultations with the physician for the equivalent of only two dollars. This not only gave existing customers no reason to go elsewhere, it also generated millions of new customers who came for the cheap doctor visits, and then purchased the medicine prescribed.

The problems of carrying a product home are a major factor deterring many purchases. I purchase 20 liters of drinking water ("garafon de agua") from the grocery store next door for 19 pesos, instead of the place down on the highway for only 8 pesos). The quality and the bottle are the same (indeed, the quality is probably a little better at that other place). I don't want to carry the 45 pounds of water up all those stairs. When there is something unattractive about the competitor, the price a business may charge goes up.

To see multiple screen outs in action, look at the way people sort the Sunday paper, immediately throwing away certain advertisements, and yet selecting others for a further look. Examine the bases for throwing away certain advertisements:

- this store is too expensive
- this store has poor quality
- this store is too far away
- this store has bad service
- this store has no parking

Notice how many flaws it takes for a store to be discarded: only one. Very few stores are so attractive that they become destination sites. As soon as one big problem becomes obvious, that store is to be avoided.

Sometimes the factors precluding customer and product from getting together are not totally the fault either the buyer or the seller. For example, a computer peripheral manufacturer in southern California wanted to go directly to the customer, so it rented a space at the Pomona Fairgrounds. The first event was a smashing success. Customers seemed delighted to speak directly with the company's personnel, and the factory-direct prices were perceived as so good, that some customers decided on the spot to purchase several units of printers or scanners. The next time the company scheduled such an event, attendance was extremely disappointing. Follow up contacts with some of the original customers showed that not only had they not returned, but they had told their friends and family not to go to the Fairgrounds to purchase products: "Look, you have to drive all the way to Pomona, then they charge you $5 for parking and when you get to the gate, it is another $7 just to get in!" The Fairgrounds had been less of a bridge to get buyer and seller together, but more of a tollgate keeping them apart. (The reason why the initial customers had purchased so much is that they knew that they were not coming back again to pay parking and admission.)

One little drawback leads to a zap, but it takes a major attraction (and usually a long string of them) to get a buzz. The real problem is not the electronic zap of a television commercial that something like some DVRs permit; but the real problem is the mental zap. The potential customer simply dismisses the product from the buy decision process.

3 The Hide And Seek Of Advertising

INSIGHT #3: Advertising misses the target.

OVERCOME #3: Help the customer target you.

Most advertising is composed of messages that the companies want to hear (Why we are such a great company), not what the customer wants to know (Why do I want to purchase your product?).

Advertising is built upon too many false premises. One of the greatest is that the consumer is wrong in terms of what he wants, and you have to convince him that what he really wants is what you have (in stock, ready for shipment). This sets up a natural resistance to the sales pitch. The advertiser has become known as the con man, not the guide.

Another faulty assumption in advertising is that there is some kind of intrinsic value to the brand name, and that it has to be exposed and built up at all cost, as a sort of foundation to whatever comes later. This is putting the cart before the horse. The brand name, or trademark, or copyright, or patent only has value because the customer can associate it with something of value. It has to stand for something before it can stand by itself.

In the 1950s the Honda Motor Corporation made motorcycles and its brand name won a reputation for being both economical and reliable in that field, the leading not-Harley brand of motorcycle. In the late 1960s, Honda made the decision to sell cars in the U.S. Marketing consultants begged them not to use the Honda label. Toyota and Datsun (Nissan) had already established their names as automobile labels. Honda, the consultants reasoned, would forever be seen as a motorcycle. The first cars marketed by Honda did not help matters much. They were not much larger or more powerful than motorcycles, and failed miserably in the marketplace. By the mid 1970s Honda was ready to try again, and again the marketing consultants urged them to change the brand name. It took a couple of years, but by 1976 American consumers knew that the Honda Civic was a cheap car, reliably constructed, and oh-so-practical. Today, most American consumers think of Honda as a major player in automobiles, and many are not even aware that Honda also manufactures motorcycles.

Modern advertising works on the premise that if you pay enough money to the right media, they will deliver people's collective attention.

Network television is a great example of wrong way communication about products and consumers. In its heyday, around 1978, the big three networks comprised 90% of prime time audience. Today, less than 1 in 4 homes is tuned into one of these networks during prime time. Companies are spending over $60 billion in advertising, and even per-minute cost of TV ads keeps going up, with fewer and fewer people watching, and fewer still being convinced. Indeed, it is estimated that four out of five television viewers skip ads or channel surf during most commercial breaks.

People may tune in to the pseudo-events of celebrity news and reality shows, but are they staying for the commercials? Are they watching the commercials? Are they convinced? Are they purchasing?

The communication of the television commercial (or the one on radio, or the newspaper advertisement) is one way. The advertising speaks and the consumer is expected to listen.

"Successful" ads are supposed to build customer loyalty that will then stand the assault of the competitors' ads. But the customers lured by ads are usually the most disloyal to begin with. It is sort of like the woman who makes a play for a married man, and then wonders why he is not faithful to her either.

"It don't make much difference where the rain come from, just so it hits the ground in the right place."
– African American Proverb

At its best, brand loyalty is relative, not absolute, and translates into a preference for a certain brand, perhaps one factor among many. The bottom line question becomes how much more would I pay for a Ford over a Chevy? a Toyota over a Nissan? This disloyalty can be tempted by price, convenience, free coupons, even if the customer is not lured away by another ad. The conclusion is inescapable: don't waste advertising money trying to build a loyal customer base.

Perhaps the alternative to brand loyalty is a loyalty to a company or salesperson because the customer knows that he has always been treated right in the past. If there is an ongoing relationship of mutual help, that is something tangible, but a brand name is not.

"If you want to make a friend, let someone do you a favor."
– Benjamin Franklin

Too much of advertising substitutes for the analysis of problems, the imposition of labels, as if a problem were solved (at least explained) by the hanging of a label upon the situation. Just get the right label, and the problem is supposed to disappear, like the farmer whose land set astride the boundary between Iowa and Minnesota. After many years, the surveying departments of both states determined that his farm lied within the borders of Iowa. He was so relieved "I just couldn't take those Minnesota winters."

The principle of the rejection screen-out applies to advertising. We hear or see thousands of advertisements a day. We must ignore as many as possible, and as soon as we have any excuse for ignoring an ad, we do so. It only takes one fatal flaw for the ad (just one thing that does not fit) to be zapped mentally. Consumers did not need the invention of a fast forward button to zap the ad; they have been mentally zapping ads for decades.

The old ad strategy is “interruption”. The advertising must directly interrupt the viewer’s television program, or attempt to distract the reader from a magazine article to pay attention to the advertiser’s message. So the initial reaction of the potential customer is that he shall resist. To overcome this resistance, he must be fooled. Make the interrupting advertisement appear to be a picture of his favorite athlete, or an attractive member of the opposite sex, or something at least funny.

I think of this as lying. Every advertisement pretending to be something else starts out as a lie. Stevens defines a lie as

“Lie: a fantasy created to obstruct truth detection in oneself or others.”
– M. Alden Stevens

Notice that most e-mail spam must use such lies to get around spam filters. The deceptive subject line (or even the message body) intentionally misspells m0rtgage or v1agra. Why do they assume that I would be any more interested in the cutesy spelling than in the correct one? Perhaps I set my spam filter to eliminate these words because these are the products I do not need at this point in my life.

Of course there are different kinds of lies. In Mexico we have a saying

"Telling the truth is not a sin, but it causes inconvenience."
– Mexican Proverb

So, workmen do not call to say that they are not showing up today, but would rather have an excuse tomorrow that a relative was ill.

What is worse would be the lie about false causes or false solutions of real problems. These unscientific notions enter our collective wisdom and are recycled for generations.

"One of the most striking differences between a cat and a lie is that a cat has only nine lives."
– Mark Twain

To mentally zap an ad, and derail it from its purpose, it is sufficient to note one fatal flaw. Consumers have built layers of filters for removing ads from the conceptual focus. Every ad then responds by trying to cut through the clutter and get beyond our filters of indifference and intolerance.

Here are just some of the pre-emptive hurdles that an ad must overcome. Each of these can be the stumbling block that stops the ad's progress.

1. **I don't have time to absorb your ad right now.** For many years, I was a Juno customer. On several occasions, I remember seeing a banner ad of potential interest to me, but thinking, I've got to get to that email right away. So, I effectively zapped the ad by clicking on something else. If Juno only had a response something like "Show me this ad later" their ads might have made a few sales.
2. **Your ad looks irrelevant**, so I'm turning down the volume, channel surfing, going to the bathroom, or otherwise zapping it. This becomes extremely probable if I detect that there is going to be a multi-block segment of commercials. I am not waiting to see if the second or third is of potential interest to me.
3. Once the content of an ad begins to register, my next defense is: "**I don't need it**." As soon as I detect "mortgage" or "sleep medicine" or "viagra" or "Las Vegas" I have already figured out that the solution they are peddling does not match my perceived problems.

Surprisingly, some advertisers intentionally shoot themselves in the foot here in hopes of masquerading as something funny. Here are some of my nominations for the worst radio commercials of the last few years. Notice how they drive off their target markets.

"After thirty years, the little man still waited for the dead of the night…" Then there is this detailed description of a jeweler cutting a precious stone. I must have heard the beginning of that ad a few dozen times, and flipped away from it, until I actually heard it through and it registered that it had nothing to do with jewelry (a product in which I have no interest). I think the product was some industrial security firm, but what it had to do with the beginning story, I still have no idea. I probably do have some computer security needs, and too bad the firm was unable to use their ad to explain why their products were relevant to my real needs.

This commercial also aired on radio at that time "Things we don't know: why does hair loss occurs on your head…" well, I'm not worried about creeping baldness, so even if they had an answer as to why, I don't think I would have stick around to listen. By the way, it was an ad for a satellite TV company. Maybe if the ad had been directed to my real needs, it might have won a new customer.

I guess they thought that being funny was more important, though I fail to see in humor in raising a question about a real problem (and then admitting there is no answer for it). Even when a commercial is funny, it does not stay funny. Once you know the punch line, it is not funny the next time, and so you have no reason to listen to it again. But the worst commercials don't even sound funny enough to keep the listeners tuned until they get to the punch line.

The clear champion of recent irrelevant radio commercials goes Geico Insurance. They have a number of ads in this category.

"Your dog pees on the carpet; pet satisfaction level…" I no longer have a pet peeing on the carpet, and if I did, the maid would take care of it. This is not a problem I have to face, so I'm flipping the channel. Eventually, I heard the bottom line, Geico insurance has higher satisfaction (than people have with pets who pee on the carpet?). How is that relevant to my needs? I have a lot of cars in California, and need a good price break on insurance, how about addressing those concerns?

Here's a worse example from Geico. "I'm a woman, I like movies that…" I'm flipping. The commercial ends up with the woman changing her tone and saying that she likes to ride a motorcycle. I think most motorcycle riders, male and female already tuned out long before the ad began to address their needs.

Recently, Geico has been running ads with the flying pig. That's cute, the first time you see it.

Radio ads are not the only ones that get a premature mental zap at the point of relevance detection. A full page ad ran in a local newspaper. There was this picture of a guy with a happy face where his head should be. My immediate perception was that this is a Jack in the Box ad, and since I don't eat there, I immediately turned the page. It turns out the ad said "You should get more of a reward than just "Have a nice day." It was a Citibank ad. In small print it said "Now get rewards for banking." Citibank is one of my banks. If they have a new specific service meeting my needs, I would like to know about it.

4. After I determine that the ad is potentially relevant, I shall still give it the mental zap if I determine that it's just **too complicated**. I am not mentally prepared to expend a lot of energy trying to understand a new concept, at least, not at this moment when I have been distracted from something else more urgent or more pleasant.
5. **I could not afford it.** I have a price detector in my mental zap apparatus. It probably goes off prematurely (i.e., I could probably afford most of the stuff I say I could not afford) but at times I just like a persuasive-sounding excuse to ignore the ad.
   I regard some sleight of hand financing as a mere distraction about true cost, so whenever I hear "Three easy payments of…" I think that the advertiser is trying to hide the true cost, and perhaps the target market is for people who cannot multiply 39.95 times three. I also zap when I hear shipping and handling charges.

6. I bet the **upkeep** would be a problem. I'm lazy when it comes to getting it out, putting it away, cleaning things up, even recharging the batteries. If those are possible drawbacks with the product, you had better pre-empt these problems in your advertisement.
7. **It will be hard to get rid of.** On more than one occasion, I could not even get the Salvation Army truck to cart off some still perfectly useful stuff. Now, I think about the ultimate throw away before I buy anything.
8. **It probably doesn't work.** I don't believe the testimonials. I have seen too many ads to diets, body builders, x-ray spectacles, dent removers, fuel additives, miracle mop, decongestants, cheap flash lights, miracle hearing aids, and TV antennas. Even the money back guarantee won't convince me because I just don't want the hassle of packing it up to send it back. If you want to sell me something like that, I want to see it demonstrated in person.
9. **It will be obsolete soon**, there is a better technology on the horizon. Remember your uncle's car with the 8 track tape player?
10. It's too risky. **It could get broken, lost, stolen**.
11. **The company is disreputable.** A great brand name does not guarantee a sale, but the wrong brand name dooms the sale. I don't care what offer AOL, MCI or Bank of America has for me, no deal.
12. **I know a better alternative** (or at least I think I do).
13. I want the product, but **the ad does not give adequate information on how to purchase the product**. This is most true of radio and TV ads. A few years ago Yahoo had a television ad for Wifi anywhere in the U.S.A., something I desperately need and want. At first I ignored the commercial because it started with someone singing in a coffee house, then after a couple weeks I realized that it was talking about Wifi, but I couldn't read the fine print about how to get it.

Another sad example of a radio ad. A station in San Bernardino advertised a private school whose name sounded like Clear Cherry or Claire Cheery, and people were told to contact the school on the web clarecherry.com (or was it clearcheery.com?). One solution in this case would be a visual image, "think CLEAR like cool, clear water, and think CHERRY, like a delicious red bing cherry." Another more comprehensive solution would be for radio stations(and other broadcast media) to serve as a bridge by linking to a portal. Radio listeners should be able to go to the radio station's website and be able to locate advertisers not just by name, but by category (e.g., schools) or location (e.g., San Bernardino) or date and time of advertisement. That way, if I remember I heard the ad Friday afternoon, I could find its website, and contact that school.

The important thing in marketing is to deliver a ready, willing and able customer. If media are to live up to their names as "middle men" then they must serve as a bridge, not a fence. One-way advertising does not suffice.

Much of advertising uses art, but rarely furthers it. Too much of the art selected by advertising merely soothes us with the light touch from the feather of familiarity, instead of using those works of art that stimulate us with paradigm shattering novelty.

The old approach to advertising no longer works (if it every did). At least in the past, there was some rationale to it: since customers cannot use a mass medium to communicate with product developers, one-way communication (product to customer) at least made some sense. In the digital age, two-way communication is now possible, expected, and essential.

"Computers make it easier to do a lot of things, but most of the things they make it easier to do don't need to be done."
– Andy Rooney

The one thing that computers should be doing is closing that communication loop between product developers and would-be customers. One-way communication must end.

By 2005, the majority of Americans not only had computers and internet access, but broadband internet access (e.g., cable, DSL). The advertiser should no longer be trying to find the consumer. He is too well protected. Instead, let's use computer technology to help the consumer find the advertiser. One basic technology for this is the search engine. Indeed, the search engine is just a technological way to accomplish the goals of all consumers: the quest for relevant information based upon an exclusionary algorithm.

Internet technology is still relatively new and there are still some holdouts, but at this time, no serious company can avoid an internet presence.

In the early 1930s, home broadcast AM radio was relatively new. When Franklin Roosevelt was elected president, only half of American households had a radio. His decision to launch the fireside chats was not based upon universal radio ownership, but may have encouraged it. His move into the new medium developed that medium, and greatly helped his political career. The same is true today for any company attempting to effect more two-way communication on the internet.

Websites must invite a dialog. Amazon.com is one of the first companies to figure this out. Their site is easy to find. Once on their site, products are easy to find. Best of all, consumers can leave information as well as get it. They can become part of the information process.

Of course, not every consumer is yet willing to shop on the internet. There are still some barriers to be overcome, such as confusion and security issues. However, even if customers still prefer to walk into a brick and mortar store and handover cash, the role of the internet as information gathering engine is what transforms marketing.

There has arisen what Wind, Mahajan and Gunther call the Centaur consumer (a mythical hybrid of man and beast, or in this case, of click-sorter and brick-mortar). In their book *Convergence Marketing: strategies for reaching the new hybrid consumer*, these authors champion the convenience of getting information about the product online, but seeking a live display, handshake, and exchange of money in person in the four walls of a store.

Now we must reframe every question from the perspective of the potential customer. Do not ask how to get information to the customer. Ask how easy it can be for the customer to get information about you.

Here are some rules on communication from Brian Tracy, in his *The 100 Absolutely Unbreakable Laws of Business Success* successful sales people listen twice as much as they talk. "No one ever listened themselves out of a sale." Listening better beats talking longer, because a good salesman knows about his product, while a great salesman knows about his customer and what the customer is going to ask about the product.

Some customers want a consultant to help them with their problem, while others just want an efficient order taker. The art of selling is to know which role to play.

When the marketers develop the product and then try to sell it, we get the Edsel, the car in search of a market. When the customers speak and the companies create the product, we get the Mustang, what Lee Iacocca called "a market in search of a car."

We are in the age of what Seth Godin calls "permission marketing" in which communication is no longer intrusive advertising, but "anticipated, personal, relevant." So, he concludes "mass media are dead, long live niche media."

Everything must be reframed from mass to niche customized. No more nightly "news" appealing to the lowest common denominators (southern California style) of car chases and celebrity gossip.

The ideal vehicle for searching and digesting the news is the internet which finds those specific items of greatest relevance to you. The customer decides what information to bring and how often (e.g., immediately, hourly, daily).

The company's main role in all of this is the ease of being found and the readiness to respond openly to questions. The most important kind of knowledge about the consumer is how the consumer is where the consumer is going to look (and to be there). For example, a couple of years ago my southern California house needed some sprinkler repairs. I looked the only place I figured I could find someone (the Yellow Pages of the telephone book) under "sprinklers" and there was just this one company. I got very poor service and a high price, but I really needed those repairs and did not know where to get them. Then I was walking to the university one day, only a block from my house, and on the side of a truck I saw "Mark's Irrigation Service" with a local phone number. The back of the truck had sprinkler supplies. I needed a small repair and did not want to call the other guys, so I copied down the number and called that night. Although he was busy on a big project of installation, he said that he did lawn sprinkler repairs. He did a great job at a reasonable price, and now not a month goes by that I do not use him for one thing or another. He has been the perfect sprinkler repairman, except for one thing, when I needed him most, I could not find him. (He was, as it turns out, in the Yellow Pages, but under "irrigation" rather than "sprinkler repairs"). He was not easy to find. He had not figured out how I would be looking for him.

Another key is the willingness to solicit and respond to questions arising during the customers' information gathering.

"It's better to know some of the questions, than all of the answers."
– James Thurber

"No man really becomes a fool until he stops asking questions."
– Charles Steinmetz

"He who asks a question is a fool for a minute; he who does not remains a fool forever."
– Chinese Proverb

"You can tell whether a man is clever by his answers. You can tell whether a man is wise by his questions."
– Naguib Mahfouz

Above all, advertisers must not fall into the trap of merely using their communications to whine about their problems

"Ideal conversation must be an exchange of thought, and not, as many of those who worry most about their shortcomings believe, an eloquent exhibition of wit or oratory."
– Emily Post

or offering up excuses

"I attribute my success to the fact that I never gave or took any excuse."
– Florence Nightingale

"It takes less time to do a thing right, than it does to explain why you did it wrong."
– Henry Wadsworth Longfellow

"Speech is conveniently located midway between thought and action, where it often substitutes for both."
– John Andrew Holmes

or worse yet, arguing with customers.

"Don't argue with a fool. The spectators can't tell the difference."
– Charles Nalin

"The only way to get the best of an argument is to avoid it."
– Dale Carnegie

Indeed, the wordsmiths of advertising must learn the virtues of restrained conversation, error on the side of under-communication rather than over-communication.

"The first virtue is to restrain the tongue; he approaches nearest to the gods who knows how to be silent, even though he is in the right."
– Cato

"Wise men talk because they have something to say; fools talk because they have to say something."
– Plato

"Blessed is the man who, having nothing to say, abstains from giving words in evidence of the fact."
– George Eliot

"In the midst of great joy, do not promise anyone anything. In the midst of great anger, do not answer anyone's letter."
– Chinese proverb

"Speak clearly, if you speak at all; carve every word before you let it fall."
– Oliver Wendell Holmes, Sr.

"When writing an ad, use sentences of no more than twelve words."
– David Ogilvy

Perhaps the most risky, but fruitful path to communication with customers would be to open up the internal lines to external queries. *In Blur: the speed of change in the connected economy*, Stan Davis and Christopher Meyer suggest that we tear down the company's firewalls: Tell everybody everything. An even more systematic approach was suggested in *The Cluetrain Manifesto: the end of business as usual*, where Levine, Locke, Searless and Weingerber redefined the nature of markets as "conversations" (and these conversations are getting smarter). "Companies that speak in the language of the pitch, the dog and pony show are no longer speaking to anyone." Companies that do not belong to a community of discourse will die. That discourse must center around the marketplace, the consumer, who must be invited into the conversation behind the corporate firewall. The time has come to discard hierarchy in favor of hyperlinks.

4 Beyond The Sterile Stereotypes Of Profiling

INSIGHT #4: Consumer profiling leads to uncreative stereotypes.

OVERCOME #4: Help the customer define himself beyond stereotypes.

In science, a frequently misunderstood, and oft maligned, term is that of "theory." A theory is not a substitute for facts, something that can be dispensed with as more information becomes available. A theory is an abstract conception that works with the facts to understand, predict, and control. As more data (facts) come in, they can be used to test the theory. If the data fit what the theory hypothesized, like a glove fits the hand, then we can say that the data confirm the theory, and it is well on its way to becoming established as a scientific law. If the data seem to fly in the face of what the theory predicted, then the theory is to be rejected like the idea of a flat earth or a sun that revolves around the planets. However, in most situations, the data do not lead to either a clear support for, or rejection of, our starting theory, but somewhere in between. What we see is that the theory was on the right track, but will have to be modified to accommodate the peculiarities of the incoming data.

Perhaps a better way to understand the relationship between data and scientific theories is the task of the map maker. The theory is but a model, a map, and it should never be mistaken for the real territory that it represents (the data). A good map is one that corresponds to the data, and as explorers bring in more information not on the map, it is the map that must be redrawn. A good map is the result of generations of successive approximations. It is a great tool for guidance, but if what the map says disagrees with what our own eyes tell us when we are exploring the territory, then it is the map that must be redrawn rather than reject the data.

Economics, sociology, and psychology are sciences so far as they are committed to objective measurement and logical explanation. The kinds of scientific theories most useful in marketing are generalizations in the form of categorizations, typologies, profiles of consumers. To the extent that these theories are scientific, these models are built upon statistical analysis, usually that of correlation. To say that two measured variables are correlated merely means that they move in a similar, predictable path (and should not in itself imply that one is the cause of the other).

For example, I try to spend some of my summer time in the southern California cultural oasis of Redlands. On a given July afternoon as I am driving through downtown, I notice the bank temperature sign on Citrus Boulevard, and it might say 98 degrees. When I get home, I notice that my little thermometer by the swimming pool says 97 degrees. If I am in Redlands on a January morning, I notice that the bank temperature sign might show only 40 degrees, and the thermometer in my backyard might show 42. There is a clear and definite pattern: when one of these measures is high, so is the other; when one of the measures is low, so is the other. (This is known as a direct relationship between the variables.) Because there is never more than a couple of degrees of difference, the relationship between the data points represented by each temperature reading (X coordinate is the bank temperature sign; Y coordinate is the home thermometer), the relationship approximates a straight line (so we say that the correlation is high). The higher the correlation, the easier it is to predict one value from a knowledge of the other. When I see that the bank temperature sign in April reads 73 degrees, I have a pretty good idea of what I am going to find when I get home and look at the thermometer. So, precise data and a strong correlation allow us to predict, but that is about it.

Where people start getting confused is when they assume that a strong correlation gives insight into a causal relationship between the observed variables. Here we have to remember that whenever two variables (we can call them X and Y) are correlated, there are four possible (causal) explanations.

1. X is the cause of Y.
2. Y is the cause of X.
3. Both X and Y are collateral effects of some other variable, Z.
4. Pure chance (or "null" hypothesis as it is known).

Explanation number 4 is quite adequate to explain many examples, especially those relying upon a sample composed of few observations. But in the case of the above example of the thermometer and temperature sign, there are so many data points that luck cannot account for the distinctive linear pattern (so reject explanation #4). Could X cause Y? I don't think that there is any wire hooking up my backyard thermometer to the bank temperature sign. Could Y cause X? No, the people down at the bank don't call me up in the morning and ask "Could you run outside and see what temperature is on your thermometer so that we can set our sign"? Only explanation #3 makes sense: neither the temperature sign nor my thermometer has any causal influence over the other. They are both effects of a third variable, Z, the ambient temperature in Redlands. We call this kind of statistical relationship "spurious" and it is sometimes useful in prediction, but not in figuring out what was the cause of the effect.

The idea of using correlations so that one variable (the predictor) may be used to predict another, more important variable (the criterion) has been in marketing for a long time. Here is the similarity: the correlations we use in marketing often tell us no more about cause and effect than our example of the two thermometers. Here is the big difference: the correlations we use in marketing are not nearly as strong as those seen in our example about the thermometers. Those marketing data cannot be plotted so neatly on a trend line.

When we say that a correlation is strong, we mean that there are few, if any exceptions to the predicted trend. Each exception lowers the strength of the correlation. These exceptions can be either in the form of false positives (saying something will happen when it does not) and false negatives (when something happens that we did not predict). For example, if I predict that there will be an eclipse tomorrow, and it does not happen, my prediction is a false positive. If the eclipse happens and I failed to predict it, that is the false negative. The only way for there to be a strong correlation between my predictions and the eclipses is to avoid both false positives and false negatives: the eclipses occur when I predict them, and only when I predict them.

The kind of predictions made by economists and psychologists are full of false positives and false negatives.

"Wall Street indexes predicted nine out of the last five recessions."
– Paul A. Samuelson

"The only function of economic forecasting is to make astrology look respectable."
– John Kenneth Galbraith

"Forecasting is so difficult, especially when it is about the future."
– Anonymous

The variables in this table show a correlation that is direct and strong (with few exceptions to the trend), but there is no guarantee that the predictor was the cause of the criterion.

		Criterion Variable (Y)		
PREDICTOR (X)		YES	NO	TOTALS
	YES	1	False 2 Positives	3
	NO	False 0 Negatives	27	27
	TOTALS	1	29	30

"Forecasting is so difficult, especially when it is about the future."
– Anonymous

Say that last month, you made a prediction each day about whether or not there was going to be an eclipse the next day. You predicted three eclipses, and only one occurred. The correlation was actually pretty strong, because out of 30 days, you were right 28 times (the 27 days when there was no eclipse, and the one day when there was). You had no false negatives: you predicted each eclipse that happened. The only blemish on your record would be the two false alarms (false positives) when you made the prediction, but nothing happened.

Look at the above track record of a would-be eclipse predictor and compare that to marketing research. The latter is not even close. Suppose you are selling basketballs and you want to target potential customers. The criterion variable would be "is the person interested in purchasing a basketball?" So, now you need a predictor variable, something that will help you predict (identify) who would be a likely customer. You settle on height.

Let's suppose your sample is composed of young males coming out of a hotel right across the street from a basketball court. You are assuming that basketball players are tall, so you approach each tall person and ask if he would like to purchase a basketball. You would be lucky to get the data we find in this table.

		Criterion Variable (Y)		
PREDICTOR (X)		PURCHASE	NOT	TOTALS
	TALL	3	Wasted 7 Effort	10
	SHORT	Missed 2 Opportunity	18	20
	TOTALS	5	25	30

Actually, the prediction was not that bad: you beat chance. Thirty percent of tall guys were interested in the basketballs, compared to only ten percent of the short guys, but are these the results you wanted?

Seven of the tall guys you approached turned out to be a wasted effort: not interested in basketball even though they were tall. Worse yet, you missed two potential customers. You wrote them off just because they were short. Maybe what you should have done was go over to the basketball court with your sack of balls and started playing. Those interested in basketball would have found you.

What makes you so sure that your business model works any better? You are wasting advertising and sales efforts on false positives. You are missing the potential customers of false negatives. What data make you so confident that you are doing it right? If you have nothing more than a theory (e.g., tall people like basketball). You may be using an outdated map, not a real knowledge of the territory.

The basic theory behind consumer behavior is that of segmentation: that consumers divide themselves up into neatly defined categories (like tall people and short) and that only some of these categories (e.g., the tall) are worth going after as an attractive niche of the overall market. (But remember, having your ads target a niche eventually gives you a certain reputation, and that changes the perspective from which all consumers will view your ads, your product, and even your company.)

One demographic theory of segmentation that works for many products and services is geography. Classify the world's potential consumers into two categories: close and far. This works great if you are running a grocery store or dry cleaner. You don't have to advertise in Des Moines if your store is in San Bernardino. But there are so many businesses where geographic segmentation does not work. If you have a hotel in San Bernardino, it is unlikely that many regular readers of the local newspaper have a need for your rooms, but how do we reach the guy in Des Moines planning a road trip along Route 66? You cannot geographically profile him. He has to be able to find you.

Another demographic segmentation that marketers rely upon is gender: women's products and men's products. For decades, marketers have assumed that 80 per cent of all laundry detergent is purchased by women, and 80 per cent of all beer is drunk by men. But are these gender stereotypes the best ways of defining the potential customers? Are women beer drinkers a vast, undeveloped market, while men are already brand loyal and therefore harder to get to try a new brand of beer?

Women do receive different social messages from the time they are growing up. Claudia Bepko and Jo-Ann Kvestan in their book, *Too Good for Her Own Good* outline the secret code by which women live:

- be attractive
- be a lady
- be unselfish
- make the relationship work
- don't complain

Martha Barletta, in *Marketing to Women*, speculated that while men want to be winners, women want to be warmer. Men want to make up their own minds, while women want collaboration. This leads to the idea that facilitation of communication between customers might work especially well for women. As Faith Popcorn said in *Eveolution: the eight truths of marketing to women*, "Women don't buy brands: they join them." Advertising messages incorporating these themes might prove more effective with women (say compared to the same messages with men). But does that mean that these are the most effective possible messages that advertisers can come up with when targeting women? That is an empirical question, and should only be answered by the hard evidence of marketing experiments, not solely upon theories based upon gender stereotypes.

"Minds are like parachutes; they work best when open."
– Lord Thomas Dewar

One of the most useful of all demographics over the past century was socio-economic status, social class, income, and/or wealth. General Motors built its marketing strategy on this. One of my business partners was a Cal Tech trained mechanical engineer who got his first real job back in Michigan in the 1950s. He was given a thorough orientation so that he could get acclimatized to the GM mind set. "Don't drive a Chevy: that's for the workers. As a young engineer, you should be driving a Pontiac, or maybe an Oldsmobile. When you make senior engineer, you can drive a Buick, but remember, Cadillac is for the executives." How simple was life at mid-century: everyone classified by his clothes and cars, almost as good as the army with each man wearing his rank on his shoulders or sleeves.

"Life is a dream for the wise,
a game for the fool,
a comedy for the rich,
a tragedy for the poor."
– Sholem Aliechem

Certainly, the relevance of income to marketing is great. Some products only appeal to a certain limited range of income. Take, for example, time shares vacation properties. Someone at a very low income level would not have the extra disposable income to purchase a time share. Alternatively, someone at a high income level could afford a vacation home without having to share it with anyone. But as the amount of discretionary income has increased over the decades, it is harder to infer the income of the driver of a luxury car or the frequent patron at a fine restaurant. Some people scrimp on one area (and splurge on credit) just to afford luxuries in one area of life.

It used to be that socio-economic norms involved a complete list of obligatory and proscribed behaviors, more rigid than that for ethnic or religious groups. By the mid 1980s, I wrote in my book *The Middle Class Credo* that socio-economic norms were no longer things that shaped people's consciousness, but these were simply roles that people freely chose to accept or reject. In the U.S. today, anyone can become middle class by thinking and acting middle class (and will then be accepted by the larger society as middle class, regardless of origin.)

Another key demographic is that of age. One aspect of this factor is how old you are now, and the assumption is that certain age groups are more interested (or less interested) in certain products. For example, there is something about the developing adolescent brain that requires a lot of stimulation of the cerebellum (the part that deals with motion and balance). Teen boys purchase the majority of surfboards, snowboards, skateboards, and dirt bikes. Teen girls (compared to women in their 30s) are more interested in ballet, gymnastics and horseback riding.

But these physiologically founded differences are rare. Many differences are due to cultural factors: e.g., how our culture marginalizes adolescents (or gives them a moratorium on life responsibilities). For example, Michael Barone in his book *Hard America, Soft America: competition vs. coddling* contends that the U.S. is a society where adults are subjected to the rough justice of the marketplace (unlike those cushy socialist societies of western Europe where someone can live for decades on the dole). However, Barone noted that there is a great age exception. For someone under 18, this is one of the softest societies around: free time and spending money. Widespread educational opportunities (e.g., starting out the university at the local community college) means that the pressures that U.S. teens face are much less than those of their counterparts in Europe or Japan. These are interesting generalities, probably true on the average, but I am sure that there are millions of pampered European teens, and tens of millions of American teens who struggle, juggling jobs and education and family responsibilities.

At the other end of the life cycle there are stereotypes about old people, and how to market to them. One of the best books on this is David Wolfe's *Serving the Ageless Market*: *strategies for selling to the fifty-plus market.* The correlations are direct: older people are more likely to buy Depends and DentuGuard, but there are millions of aging false positives who don't need these products (and hundreds of thousands of younger false negatives who do need these products). The question is: are you satisfied wasting your advertising dollars on the false positives, and missing the potential business from the false negatives?

Fine tuning age differences along with other variables (such as socio-economic) might present clarity of emerging markets. For example Faith Popcorn in *The Popcorn Report* fifteen years ago predicted early 21st century phenomena such as WOOFs (well off old folks), cashing out, cocooning, and boomerang kids coming back to live with the family.

Another way of looking at the age demographic is by generational cohort or year of birth. Here are some of the terms used by marketers.

GENERATION	SIZE	YEAR OF BIRTH
Silent Generation	49 million	1933–1945
Baby Boomers	77 million	1946–1964
Generation X	59 million	1965–1980
Millennials	80 million?	After 1980

None of these market segments is small enough to ignore, but none is so homogenous that we should assume that we understand its key features just by its age or period of birth.

For example, Henry Idema's book, *Before Our Time: a theory of the sixties from a religious, social and psychoanalytic perspective* portrays the Baby Boomer cohort as narcissistic, selfish and irresponsible. Certainly if we compare the averages, that does characterize the aggregate of this generation, compared to say the Silent Generation which went before. You could probably find a sizeable market of narcissistic fifty-somethings today, but it would be fatal to assume that this describes all (or even most) of that generation, or that only that generation would be susceptible to a narcissistic pitch.

Another generational spin on the boomers was offered by Joseph Heath and Andrew Potter in *Nation of Rebels: why counterculture became consumer culture.* Even more so than previous generations, boomers are conformists, but long for individuality. What boomers look for in the products they buy is some semblance of individuality. I think this is an increasing trend, and not limited to the boomer generation.

Brent Green in his book *Marketing to Leading Edge Baby Boomers* speculated about the historic opportunities of marketing to this cohort as it enters its seventh decade of life. Green concluded that this combination of their unique life experiences and the aging process had made this the most cynical generation ever in the marketplace (e.g, they have figured out the difference between the initial price of a computer printer and the total cost of ownership and operation). This generation, at this point in their lives are less interested in the snap, crackle, and pop of glitzy visuals or half-hearted attempts at humor. This generation now only responds to good copy writing that pre-empts the reasons for rejecting the product.

The following generation, often dubbed "X" has several relevant characteristics of its own. Karen Ritchie in *Marketing to Generation X* concluded that they were less brand loyal, more skeptical, more clear sighted, less idealistic (but to their credit, they tended to be practical strategists, good negotiators). The idea that brand loyalty is fading would be a good assumption for marketers to make about all present and future generations.

The whole idea that large groups of people can be defined by their cultures is more doubtful today than ever before. Christopher Clausen opined in the *Faded Mosaic: the emergence of post-cultural America* that our cultures have lost power over private behavior. Indeed, maybe Heath and Potter were more right than they thought: maybe most people are asserting their individuality to such a degree that they have become less and less predictable according to the old demographic indicators.

Nevertheless, my clients always seem disappointed if I do not give them some little typology that they can employ in sorting out their customers. This is perhaps the most relevant I can think of: the big four Bs: barnacles, butterflies, bulls, and bees.

		Profitability	
		High	*Low*
Time	*Long*	**Bees**	**Barnacles**
Frame	*Short*	**Bulls**	**Butterflies**

Bees are what you want to have as customers. They stay around a long time, and keep on giving you honey. Best of all, they buzz and tell the other bees where to come. But bees are costly to maintain, and you better not complain when you occasionally get stung (bees can be demanding and unforgiving when disappointed).

Barnacles are also long term customers. They stick to your company through anything. You can't shake them, even though you might like to. These are the customers you wish you could fire. Like bees, they are costly to maintain, but unlike bees, there is very little payoff. Maybe their orders are small, maybe they require complicated service. Too many companies have gone broke hoping that barnacles will grow into bees.

Here's the lesson: a successful marriage between company and customer must be mutually satisfactory. Just as the customer has a right to say "no thanks" and move on looking for a more compatible relationship, so you have that right. Most companies need to fire the 20% of the customers that account for 50% of the problems and only 5% of the profits. Perhaps the easiest way to do this is to charge high fees so that it is the barnacle that decides to leave the ship.

Butterflies are short term, non-loyal, customers who flit here and there. They do not yield big profits, even if you invest in them in the cocoon. You get butterflies with certain poorly targeted ad campaigns or price promotions. They will stay around until one of your competitors draws them with another campaign. Here's the lesson, don't waste money attracting butterflies: they'll be gone before you get any milk, honey or meat.

Bulls, like bees, pay off, but only once, and that might be after several years of investment. You are betting on that big payoff day and hope that no one sneaks though the barn door in the meantime and makes off with that bull. Limit the number of bulls, and if given a choice, go for the bees.

So how do you find the bees? You could do a lot of marketing research and come up with a complicated formula that would be right more often than it is wrong, but here's a better way. Grow the flowers and build the hives and let the bees find you.

That's such good advice, I want to give you a special mnemonic. Remember the song: "Over the river and through the woods, to Grandma's house we go." Now, sing the words to that melody: **Grow the flowers and build the hives and let the bees find you.**

The early adopters of any product are more likely to pay premium prices. They will jump over the hurdles to get there first, all you have to do is to help them. Instead of trying to figure out where are the childbearing young professional women, and reaching them with your ads, just build the great website with the information they need about juggling career and family. They will come.

Perhaps the only generic rule that fits everyone is that "you are not average" which is to say "everyone is unique" but in his own way. Rather than trying to deny the uniqueness by imposing categorization based on stereotypes, what you have to do for the customer is help him become more unique.

Marcus Buckingham in *The One Thing You Need to Know* gave this advice about handling employees "Discover what is unique about each person and capitalize on it." He used the analogy of chess: each piece moves differently, and to win the game, understand the unique abilities of each piece. That same rule applies to consumers.

5 The Power Of Emotion

INSIGHT #5: People make decisions based upon emotions.

OVERCOME #5: It is irrational to expect consumers to behave rationally.

Consumers make decisions, the most basic of these is whether to purchase a product or not purchase it. Decisions are based upon an interaction of fact and values. A faulty assumption among most marketers is that facts and reason prevail, when in fact, the facts only play a subservient role.

People do not always act purely from a rational perspective. Perhaps the greatest champion and advocate of pure reason in decision making was the Objectivist philosopher Ayn Rand, and she openly admitted that most people are completely driven by emotions.

"All emotions are responses to judgments of value."
– Ayn Rand, June 30, 1951

When it comes to the consumer's reasons for purchasing a product, all "reasons" end up as customer satisfaction. All satisfaction is emotional. Emotional appeal goes straight to warm satisfaction, around the cold logic of calculations.

This point was developed at length by economist Richard Thaler in his book *Quasi Rational Economics*. A fully "rational" consumer would outline his various goals, objectives, concerns, purposes, whatever we want to call these factors. Notice that the pursuit of any of these factors in itself is not rational, but are chosen on emotional, or at least on less than rational factors. For example, I am looking for a good set of world series tickets so that I can see the White Sox. Perhaps there is some empirical, objective measure of what constitutes "good tickets" such as location and price, but back up a minute to the "why." Why do I even want to go through the hassle of buying the tickets (or attending the game)? I have an irrational, emotional attachment to the White Sox. The same (lack of) logic applies to weddings, vacations, even big screen TV sets. It is all a matter of irrational preferences and priorities. I think you are foolish for spending so much on that home entertainment center, you think I am foolish for spending thousands of dollars repairing my classic Lincoln. Neither of us can justify our preferences rationally, just like we cannot justify our sports allegiances, choice of spouse or religious affiliation.

Often we cannot even appreciate the priorities of others. When Alexander the Great conquered Asia Minor, he heard that the great philosopher, Diogenes, lived just outside of one village. This was the Old Cynic who lived simply, rolling a barrel from place to place, showing his disdain for human kind by using a lantern in the middle of the day to search for an honest man. Alexander found the whereabouts of the Old Cynic and approached on horse, ready to bestow all kinds of treasure for a few words of wisdom. The shadow of the horse and rider caught Diogenes' attention. He knew to whom he was speaking, the greatest conqueror of that millennium. "Get out of my light" responded Diogenes. Obviously these men had different priorities, different values.

Here's the most obvious irrational consumer decision. Each week, millions of persons purchase lottery tickets. The chances of winning the lottery are so small that…

- you have a greater chance of getting killed driving ten miles to purchase the ticket
- if you purchased 50 tickets a week, you would have to play for 7,000 years to be likely to win the million dollar prize
- you have a better chance of flipping a coin 24 times and getting heads each time
- if a person bought a hundred tickets a week, every week of his life, his chance of ever winning the jackpot is less than one in a hundred

Another example of irrational expenditure would be art. Where is the objective utility?

"Art is making something out of nothing, and selling it."
– Frank Zappa

Clothes would be another irrational purchase. The objective, functional purpose of clothes is quite limited. Their real purpose is to conceal and reveal, to disguise and deceive. Clothes just don't wear out fast enough (especially polyester clothes), so it is necessary to convince the consumer that while such clothes were once very stylish (beautiful), they are now unstylish (ugly). They used to disguise the body very well, but now everyone is wise to the disguise, so a new one must be found. We play along with these fantasies and buy new clothes even though our old ones are not worn out.

Here's a big decision in life: career. My best friend in college chose to go on to law school and has practiced as an attorney for thirty years. I had the grades and test scores and could have gotten into a better law school, and my parents encouraged me to "cash in" on my intelligence. I chose to be a professor. My friend may envy my freedom, and I may envy his material success and power, but I think both of us would have made the same choices if the opportunities were presented to us again. We just have different values, preferences, and priorities, and there is no rational way to evaluate those differences.

Here's another basic example: why do you live where you live? Say it's a large, modern home in one of the nicer areas of Cleveland. Cleveland!?! I say. Why would anyone want to live there? You like your job. You grew up there. You have family all over the region. I don't dispute any of those facts (and you can't argue with the figures about the weather). You have made a choice, based upon your values. I have chosen Acapulco. Acapulco!?! you say, maybe once a great place to visit, but live there? You cite the crime, the noise, the problems with garbage, water delivery, the mosquitoes. I can't argue the facts, just affirm my priorities of great weather and great nightlife. We are both irrational.

Facts do enter the consideration. Once we have determined a specific goal (e.g., making a lot of money in my job or living in a place with a great climate) I need the facts to help evaluate a specific alternative: e.g., how much do lawyers really make? how much snow do you get in Cleveland? It is possible for two people to agree on their values and yet disagree on a course of action because they have different perceptions of the facts. Say my wife and I both want me to make a lot of money at my job and she has heard that most lawyers make six figures within three years of graduating, but I think that the amount will be lower, given my chosen legal specialty. We may share the same values, but come to different conclusions about whether I should pursue law as a career.

"Put your hand on a hot stove for a minute, and it seems like an hour. Sit with a pretty girl for an hour, and it seems like a minute. That's relativity."
– Albert Einstein

So, decisions may have some basis in fact, or at least in the perception of facts. Here is another feature of irrationality: perceptions are changed not just by empirical evidence, but by emotional factors. If I am really emotionally committed to living in Cleveland, I am going to downplay all the facts that could be construed unfavorably: "I love the change of seasons."

We don't absorb all the information to which we are exposed. We filter out information that we dismiss as irrelevant to our purposes. (This is one reason why most advertisements do not work: they are filtered out.) The goals must be established before the relevance of information can be determined. But with goals, come hopes and fears. Most of us simply repress information that excites the fears (or diminishes hopes) or is otherwise inconsistent with what we want to do. For example, people who really didn't want to live in California will grab on to information about earthquake risk and say "You see, that's why I wouldn't live there") but people who want to live in California tend to dismiss such facts (just as people in Florida dismiss information about hurricanes and people in the Midwest dismiss information about tornados).

Here's another irrational feature of decision making: people generally don't attempt to maximize total expected value. This purely rational approach would require them to operate the ways that CEOs are supposed to make decisions

1. identify specific goals (most people make most decisions with the goals still somewhat vague)
2. put some numerical value on those goals (most people cannot get this objective about what they want)
3. identify all the specific alternatives would could lead to these goals (most people only engage in a limited search)
4. score each alternative according to its ability to meet each specific objective (most people not get more precise than to say "it works or it does not")
5. multiple each score by each weight
6. add up the products for each aspect
7. you then select the alternative with the maximum expected value.

For example, suppose that I need a new car.

Step #1: I have three factors that concern me: gas mileage, cargo space, and comfort.

Step #2: These factors are not equal; some are more important than others, so I will weight them as follows on a scale of zero (not important at all) to ten (extremely important).

- **Gas mileage 8**
- **Cargo capacity 6**
- **Comfort 2**

In other words, I am willing to trade some cargo capacity for better gas mileage, and I am willing to trade some comfort for cargo capacity, and I am willing to trade a lot of comfort for better gas mileage.

Hint: Most people make a mistake at this point by giving equal weights of 10, 10 and 10 to each factor. Do that only if all factors are truly equal in importance.

Step #3: I shall consider four vehicles: a little Mazda pickup, a Dodge Ram pickup, a Hyundai Santa Fe, and a Toyota Camry.

Step #4: Here's how well each of the alternatives meet each of my three goals (once again on a zero to ten scale with zero meaning "not at all" and ten meaning "perfect"). The Mazda with four cylinders gets the best gas mileage, and the Dodge Ram with eight gets the worst, so I shall score the Mazda high and the Ram low, with the other two vehicles close to the middle.

	Mazda	Ram	Hyundai	Camry
Gas mileage	9	2	5	4

When it comes to cargo capacity, three of the vehicles are about average, but the Dodge Ram with its seven foot bed and extended cab clearly holds the most, so it gets the highest score.

	Mazda	Ram	Hyundai	Camry
Cargo capacity	6	9	5	4

When it comes to comfort, both the Camry and the Ram excel, the Hyundai is average, and the Mazda truck would come in last place.

	Mazda	Ram	Hyundai	Camry
Comfort	2	8	5	9

Step #5: Now I multiply the scores by the weights. For gas mileage, I multiply each score by nine.

	Mazda	Ram	Hyundai	Camry
Gas mileage	81	18	45	36

For cargo capacity, each score gets multiplied by six.

	Mazda	Ram	Hyundai	Camry
Cargo capacity	36	54	30	24

Comfort is only worth a two.

	Mazda	Ram	Hyundai	Camry
Comfort	4	16	10	18

Step #6: Now we add up the totals for each

	Mazda	Ram	Hyundai	Camry
Totals	121	88	85	78

Step #7: I declare the Mazda truck the clear winner. It was strongest on what counted most to me (gas mileage) and deficient only in the area which I said was the least important (comfort).

How often have you used anything close to this approach? You probably used a conjunctive approach more akin to this. You had a vague idea that cargo space was important and knew that gas mileage was even more important (Hey, close enough: you don't have to measure with a micrometer if you mark with a grease pencil and cut with an ax.) You went to the Toyota dealer, looked at Camry and thought, scratch this one off the list, not enough cargo space. You went to the Dodge dealer and saw the Ram, and although you were impressed with the cargo space, you saw that gas mileage sticker and scratched the Ram off your list. You went to the Mazda dealer, saw the gas mileage sticker and the small, but adequate truck bed, and said, "sold." It was not the car of your dreams but it met your priorities. What about the Santa Fe? You never made that trip to the Hyundai dealer because you satisficed and bought the Mazda the night before. People don't conduct thorough rational searches for the best possible alternative, they conduct searches until they find something "good enough" to end the search.

Here is another irrational aspect to the way consumers make decisions. Sometimes people go through a semblance of a logical process, but it has been rigged by the emotions. Let's suppose Father and Junior are going to the car lots to purchase the latter his first car. Father is clear about the priorities: gas mileage, etc. But at the Mazda lot Junior sees a used Miata and falls in love with it. All of a sudden, cargo becomes less important, and Junior starts to imagine that the four cylinder Miata will get the same gas mileage as the four cylinder truck. Junior does not want to introduce a new criterion (insurance at this point).

Another aspect of the irrational is that people often evaluate things in such a way as to serve their own self-esteem, leading to a kind of retrospective justification for some of our previous decisions.

Ask a Cubs Fan and a White Sox Fan who will win the National League pennant next year. Presumably, the latter is fairly objective (because his team is in the other league), but the former has a dog in that fight, and this will be reflected in his estimate. Ask a Methodist and a Presbyterian which Church is best, and you will probably get two different answers, or ask a Democrat and a Republican which party has the best economic policy.

However, many people do have this level of consistency between their thoughts and their actions, but the direction of cause and effect needs to be examined. Most people did not become Cubs Fans because they thought that the Cubs were likely to win the pennant next year. The estimation of victory reflects the hopes of someone emotionally committed to the team. Most Methodists and Presbyterians were baptized into those churches as infants (or joined when they decided to marry someone in the church). Very few read the theologies of Calvin and Wesley and came to a theological verdict. So, it would be more precise to say "The Methodists must be right, after all, I am one" rather than "I figured out the Methodists are right, so I joined them." It is pretty much the same with the Democrat who thinks that his party has the best economic policy: he was probably committed to the Democrats before he knew what the word "economics" meant. Remember the happy Clevelander? Did he really choose to live there because he did an exhaustive analysis on how well the different cities met his unique criteria? He is more likely telling himself unconsciously "I shall try to convince myself that Cleveland is the best place to live, after all, I'm stuck here."

How many fathers get mugs in June saying "World's Greatest Dad"? Objectively, we know that not all these men can have that title, but it is nice that their children think so. Is my wife the world's best (or even the best possible woman for me)? Is my career an honorable one? The enthymeme (unstated premise of the argument) is always: I would not choose something bad. People who engage in such thought are irrational, perhaps even self-deceptive, but they do tend to be happier. They have satisficed, and now they are rationalizing their choice post hoc. This is not rational, but it is very mentally healthy.

Objectively, I am inferior to most other people in most ways, but my perceptions refuse to acknowledge those facts (or at least be troubled by them.)

"No one can make you feel inferior without your consent."
– Eleanor Roosevelt

When people evaluate their own lives, they cannot be objective, they but inflate their own importance (and excuse the pecadillos). Film critic Roger Ebert noticed this in how most authors handle autobiographies

"All autobiographies are fictional, made up out of that continuous subconscious rewriting process by which we make ourselves blameless and heroic."
– Roger Ebert, review of "An intriguing 'Dangerous Mind'"
Riverside Press-Enterprise, Jan 24, 2003, p. AA4

Barry Schwartz in his book *The Paradox of Choice: why more is less* speculates that rational maximizers are not only rare, but they do not really achieve happiness. Schwartz figures that true maximizers become compulsive perfectionists who resent having to settle for the "imperfect" alternatives of life (that most of us less rational consumers tolerate as "good enough").

"The trick is to learn to embrace and appreciate satisficing, to cultivate it in more and more aspects of life, rather than being merely resigned to it."
– Barry Schwartz

Maybe it is better to be a Cynic like old Diogenes, and at least we are never disappointed. There is a story told about an optimist and a cynic went duck hunting. The optimist brought his newest hunting dog who could walk on water to retrieve the ducks. The cynic saw this and responded: "What's the matter. Can't that dog swim?" The cynic may even doubt his own eyes, but he will never be conned into buying a dog that appears to walk on water.

Greg Easterbook expanded on Schwartz' theme, in *The Progress Paradox: how life gets better while people feel worse.* Easterbrook noticed that as fast as our society has progressed, in terms of health, material wealth and opportunity, rates of anxiety and depression are at record levels. Perhaps the depressed person (like the compulsive maximizer of Schwartz) has excessive expectations. My father, born in 1920, grew up during the Great Depression. When he got a stable factory job, his prayers were answered. Thirty years later, my goals were a little bit higher, I wanted to get an education and teach. I heard about the tough job market and low salaries, and so my expectations were quite low. How pleased I was to have exceeded them! But consider the expectations of some of my students. These high school valedictorians got into the University of Redlands (an excellent undergraduate liberal arts school), but are disappointed because they thought they should be going to a bigger name ivy. Where expectations exceed reality, depression ensues. Viewed this way, satisficing (though irrational) makes a lot of sense.

Decision making does not become any more rational when it is subjected to group process or the oversight of a committee. Indeed, the group dynamic may work to make it less rational. Each member of the group may bring his own "agenda" usually involving a rejection heuristic: the one big thing that he most wishes to avoid. When the committee comes up with a solution, any solution, that avoids that one feared factor, he is willing to sign on (as is everyone else in a similar situation, though with different specific fears).

Another group dynamic working against a rational, optimal solution has become known as the Janus Effect. Individuals assume that the other guy is doing the homework on the feasibility of the project. Even if there is some big and obvious fatal flaw, most people don't want to be the one who brings it to the formal attention of the group, especially if the group has already invested quite a bit of time in the deliberations.

All of these factors mean that in certain processes of group decision making, what becomes cumulative is not the collective weight of knowledge, but the collective weight of ignorance. What gets multiplied is not wisdom, but folly.

One implication of the emotional nature of consumers is that facts about your product, while indispensable, are rarely adequate to motivate. Several researchers have suggested that appeal to a broad range of senses would establish more of a connection between customer and product. Berndt Schmitt in *Experiential Marketing: how to get customers to sense, feel, think, act, and relate to your company and brands* urges us to get beyond a factual presentation of functional features and benefits. Martin Lindstrom in *Brand Sense: build powerful brands through touch, taste, smell, sight and sound* advocates a multi-sensory experience.

Perhaps the greatest lesson for marketers is to affirm customers' values, rather than criticize them for not sharing the values of product developers. Customers want quarter inch holes, not quarter inch drills.

"You can get whatever you want, if you help enough people get what they want."
– Zig Ziglar

"People don't want you to change their world view…they want it to be reinforced."
– Seth Godin

6 It's Not About Price

INSIGHT #6: Price is rarely the most important factor determining the customer's purchase.

OVERCOME #6: Don't cut price to generate volume.

I belong to several internet forums about Mexico and travel. It seems like every day someone is asking me for advice about Mexico in general, and Acapulco in particular. The most frequent question is something like this. "I have reservations for the XXX hotel. Is it a good one?" (Amazingly, they don't ask me the question before they decide to make the reservation, only afterward, when presumably it would be too late.) My response is usually, "I don't know" since I don't stay in hotels in Acapulco, therefore, whatever I say is just what I have been told by other tourists. All of the hotels the tourists mention are on the beach and well over a hundred dollars a night. But right across the main drag, the Costera, are hotels for well under fifty bucks a night. The more expensive hotels might have nicer rooms or better staff, but I think there are more similarities than differences. Sure, the expensive hotels are a few feet closer to the beach. But, a couple of blocks up from the beach, there are hotels where you can get a room with a kitchenette for under thirty dollars a night.

As far as I can tell, the biggest factor influencing the American tourists to go with the expensive hotels is not that they are better (and certainly not that they are cheaper). The expensive hotels have websites and are connected with travel agents. These hotels can be found by someone without the Acapulco yellow pages, and the reservations can be made quite easily. Except for the week after Christmas and the week before Easter, the hotels in Acapulco are never full. As I write this, it is a three day weekend, and there are thousands of tourists from Mexico City, but hotel occupancy is officially only at 85%. A few years ago, when Acapulco was the destination of U.S. Spring Breakers, I saw this one hotel across the Costera advertise $30 per person per night, double occupancy, probably less than half of what the big hotels across the street were charging. Yet, it was those high priced hotels that were full of U.S. college students.

The lesson to be learned here is that price was not a major factor, even for poor college students. People select alternatives by avoiding problems and choose irrationally. The irrational factor dominating these tourists' decisions was the fear of arriving in Acapulco only to find no vacancies. People were willing to pay more than double to avoid this irrational fear.

If these cheaper hotels had tried to increase their business by lowering their prices even further, that would not have helped. Their fatal flaw was that the potential customer could not find them before arriving in Acapulco, and so the tourists went with the high priced hotel instead. Dropping the price by half would only have reduced revenue by half.

Even when price cuts lead to more customers, these tend to be butterflies who come just when the price is low, but leave when they find something cheaper somewhere else. A permanent policy of low prices helps the barnacles stick, but it does not get more meat from the bull or more honey from the bees. Lower prices guarantee only one thing in the long term: lower profits.

Demographically, low prices will appeal more to a lower socio-demographic, and perhaps your high end customers would not want to be associated with that crowd. Psychographically, low prices apply to the frugal personality (something of which I have been accused) and penny pinchers may not be the best long term customers.

Low prices can also be bad for a product's image. Has this ever happened to you? You are walking in the parking lot of a restaurant and a man walks up in a flashy suit and a bad toupee. He says he is a jewelry salesman who has just lost his wallet and needs fifty bucks now for gas to get home. He says that he will sell you one of his samples of a thousand dollar watch for just a hundred. The first thing that goes through my mind is that this guy is a phony, and if his watches are not phonies, then they were stolen. I don't make the same inference when I look at a Rolex in a quality jewelry store. The price, as well as the context, arouses my suspicions.

So if prices are not a big factor in consumer decision making, what are some of the biggies? I would say that time and convenience would be two of the most important factors. Seth Godin, in his book *Purple Cow: transform your business by being remarkable* concluded "You are a post-consumption consumer. You have everything you need, and most everything you want. Except time."

Brian Tracy in his *The 100 Absolutely Unbreakable Laws of Business Success* reminds us that customers are not really buying a product, but a solution. "The more pressing the problem or need, the less price sensitive the customer and the easier the sale." Today, that pressing problem is time constraints, and the salesman who can give it to you quicker (perhaps even by doing some of the information searching for you), is functioning as an expert at your disposal, sort of a high priced consultant (and worth every dollar). As Mack Hanan, author of *Consultative Selling*, 7th edition, recommended, sell the customer on high return. Seth Godin, in his other book *Permission Marketing* concluded "Consumers are now willing to pay handsomely to save time."

Another factor that beats price is packaging. Water is free, from the tap, but the quality is not that great, and that is the least convenient package. But put the water in an eight ounce squeeze bottle, and you can charge a dollar. You may be able to get a two liter bottle of cola for under a dollar, but unless you have a refrigerator handy, the package is not convenient. You'll pay more dollars for less cola to get it in a cup, can or even a smaller bottle. I just ran out to get some cat food. My main priority was "would the cat eat it" and next, "is it a package I can open and close without a mess"? I found out the price only when they rang up the total.

For some people on the low income end, a factor more important than price is the payment structure. There are automobile dealerships in southern California that never mention the complete price of their cars. Like their typical customers, they only calculate in terms of how much down and how much a month: "Foothill Nissan, the home of $500 delivers!" How many ever do the math and figure out the cost with interest and fees over five years?

For some customers and products, the location of distribution is the key. You can get a dozen condoms for under a buck in the 99 cent only store, but I don't think too many people are making romantic contacts in those aisles. I noticed that in some bars, there is a condom machine in the men's room: one condom for two quarters. The convenience of time and place accounts for a six fold price increase.

One way of looking at the relative irrelevance of price was suggested by Joseph Pine and James Gilmore in their book *The Experience Economy: work is theatre and every business a stage.* The authors present a typology of what businesses do: ranging from commodities, to goods, to services to "experiences." Commodities are extracted from nature, and command a very low price (largely determined by that cost of extraction). Some companies then take the extracted products and turn them into a finished good, where the quality of production has a role in determining price. Other companies deliver a service, and here quality will vary greatly, as will the price. The latest trend is for companies to provide the customer with an emotional and artistic experience, something unique for which the sky is the limit on pricing. The key is that the experience must be memorable, the senses are appealed to, and the buyer is treated royally.

Let's take coffee, for example, and see how it looks during each these different levels. The coffee growers in Central America extract a commodity (coffee beans) from nature, and sell their undifferentiated crop for pennies a pound. A company like Folgers processes the coffee into a product sold in a convenient take home package to the consumer, for a few bucks a can, retail. Here there is a little more differentiation based upon presumed quality. Consumers may be willing to pay a couple dollars more a can for Folgers over generic coffee in a can. The local restaurant on the corner will do you the service of making you a cup of coffee, and deliver it to you with creamer and sweetener for a dollar a cup (plus tip). Starbucks is in the business of providing the coffee experience, and charges several dollars a cup.

Some stores (e.g., Victoria's Secret) and some shopping malls are such complete experiences, people return again and again despite high prices and a lack of tangible need for a product. Indeed, shopping malls have many characteristics of other public, sacred spaces (e.g., temples, cathedrals).

Remember back in Economics 101 (i.e., micro, not macro), you learned about supply and demand setting the equilibrium price and quantity? If there is a good wheat harvest, the supply curve increases, the price of wheat falls, and more wheat is consumed. If people go on a low carb diet craze and eat less bread, the demand for wheat falls, and do does the price and the amount consumed. OK, supply and demand might work in a perfectly competitive market with a non-descript commodity like wheat, but where else?

Remember there was this other pricing model used by monopolies. The producers attempt to understand how elastic the demand is, and then set the price to maximize profit, not sales or gross revenue. Monopolistic firms are completely willing to accept the resulting loss of production to customers who would have purchased the product at a lower price. Monopolies can set their price high and accept the constricted demand but get higher profits. Maybe your high school economics teacher tried to console you, "Don't worry, natural monopolies are rare, and the government moves in to regulate them." Sorry, that is not a description of the real world.

Monopolistic pricing is not rare, but the norm, and government regulation says nothing about most of these prices. Most businesses, no matter how small, are quasi monopolies, because the products or services (or experiences) they provide to the public are so unique that the customer won't just think of them as bushels of grain.

There is a little store (an "abarrotes") two doors down on my street. They sell soft drinks, beer, eggs, bread, and cat food. All of these things I could find at WalMart (an hour bus ride each way on the other side of Acapulco). The local store can charge a lot more before I think of WalMart as its competitor. The greater convenience it offers me allows them to charge a higher price. Since this is the only little store on my block, you could say it is a monopoly.

Next spring I want to fly from Toluca, Mexico, to Ontario, California. Continental Airlines has a monopoly on this route: no other airline offers it. They can charge a high price before I shall consider driving to Mexico City or Los Angeles to use other airlines.

Tonight I want to watch my favorite TV show, the Simpsons. Fox has a monopoly on that. Tomorrow morning I'll want to read my favorite newspaper columnist (the newspaper, *El Financiero*, has a monopoly on him). Tomorrow afternoon, I want my favorite yogurt salad prepared in just the way I want it, which is only offered at Sanborn's Restaurant, so they have a monopoly on my favorite dish.

When you go to the store for a can of coffee or a box of laundry detergent, you are not witnessing the purely competitive market of supply and demand, but the non-competition of parallel monopolies. Tide and All are not the same, as my wife reminds me when I bring home the cheaper of the two. Folgers and Nestles are not the same, nor Coke and Pepsi, nor Bud and Miller. The more one side can build up a brand loyalty, or at least the perception of difference, the less price sensitive are the consumers.

So when should price be mentioned in an advertisement? The answer is that it should only be mentioned as part of a larger strategy to challenge the brand loyalty of an industry leader. (But realize that this opening ploy is going to attract more disloyal flitting butterflies than buzzing bees.)

Let's suppose you are starting a new airline operating in the California corridor: Ontario to San Jose. Right now that corridor is "owned" by Southwest. Any ad for the new carrier has to do a head-to-head comparison with the industry leader, and show the two airlines to be about equal in terms of key factors such as on time performance, number of flights, and then the kicker, the new airline is cheaper. The rhetorical question to be left in the customer's mind is, "What are you really paying more for?"

Southwest, the most profitable U.S. airline, used this strategy to get started, but they did not win or keep their bee customers solely on the basis of price. The buzzing comes from customers bragging to their friends about Southwest's ontime performance.

A similar situation is confronted by new car companies, such as Kia and Hyundai. The industry leaders for reasonably priced, high gas mileage, reliable cars would be Toyota and Honda. These new companies have to go head-to-head, feature-by-feature, and then end with "base price three thousand less." Brand loyalty and monopoly pricing presume that Toyota, Southwest Airlines, All, and Bud are unique products. When we remove that perception, Hyundai can be seen as a "competitor." The lower price just puts them on the radar screen, but a full featured quality automobile is what will make the sale (and build their own legacy of customer loyalty in the future). Hyundai initially sputtered back in the 1990s when it entered the U.S. market with solely a pricing ploy (and disappointing reliability). Now Hyundai can compete with Toyota and Honda on quality as well.

In general though, companies need to think like monopolies (and do all they can to preserve that image in the minds of consumers). Unlike the small wheat farmers, whose demand is determined by market forces beyond their control, and whose supply is determined by costs, most companies have substantial control over both. By making your company easier to find, you build your own demand. While you cannot, in the long term, price below your own costs, this should be regarded as a floor, not a ceiling. Price on the basis of value added, and realize that such value is subjective, irrational, emotional, and in the mind of the consumer. (It does not cost four dollars to deliver a cup of coffee at a Starbucks, but that appears to be the level of value perceived by its customers.)

There is one other strategy that companies use to function like perfect monopolies. Instead of having a big market for everyone to pay the same price (in which case it would have to be low enough to attract a sufficient number of customers) these companies have figured out how to charge each customer a different price for essentially the same product. Try this the next time you are on an airline flight or staying in a hotel. Ask the person next to you what he paid for his seat or room. I'm not talking about the guy who went through Priceline.com or Hotels.com or cashed in on his miles to get a special deal. The same class of airline ticket or hotel room may cost one customer twice as much as another based primarily on when it was purchased (not when it was used). This is not supply and demand, because the supply of available seats and rooms may be irrelevant, for the customer probably does not know the company's overall supply. What the company knows about the customer is that someone who purchases a ticket or a hotel room several months in advance is thinking about taking a trip, but one who calls up the day before is desperately in need of transportation and accommodations, and that need translates into a high individual demand and a high price for that unlucky (or tardy) customer.

If the above example of individual pricing strikes you as unfair and an exploitation of the customer, consider these rejoinders. There is a two way street of convenience and consideration here. The early bird customer announced his travel plans early, giving the airline plenty of time to prepare. I once called a local shuttle service a day before I needed to get to the airport. The usual fare had been in the thirty-something dollar range, but this time it was almost a hundred. They explained it was because I had not given them 24 hour notice. I decided to look around and found something cheaper, but then I could see the shuttle's perspective. They had already set their routes for the next day, and in order to accommodate my late reservations, they may have had to place another van in service, bring another driver on that shift, and would be unlikely to have any other last minute customers on that same route into the airport. Maybe those early bird customers deserved the cheaper rate more than I did. Lesson learned: I'll get my reservation in early next time.

"Nothing demotivates people like equal treatment of unequals. When you hire a bozo and treat him like a rock star, it deflates the rock star."
– Joe Kraus, founder of JotSpot

This same logic of treating your customers unequally is also justifiable. Indeed, the whole rationale behind airline mileage clubs is that frequent flyers are where the profits are, so cater to them. Give the bees a price break and better service, and discourage the barnacles.

A related concept of monopolistic pricing strategy is that companies can customize their products and services, as well as their prices, for each customer. When I was in private practice, one of my patients suffered from Parkinson's Disease and hallucinations from the medication he was taking. Before the onset of his illness, he been one of the San Francisco Peninsula's foremost homebuilders. He did not do tract homes, but individualized homes. He did not have a 300 thousand dollar model, a 400 thousand dollar model, and a half million dollar model for the customer to choose from. He worked with each customer to figure out the exact home that person wanted, and then set a price. (Almost never was the price so high that the customer asked for something cheaper instead.) He was functioning as a monopoly, for no one else could build customized homes the way he did. In one of his lucid and reflective moments, he told me "Customers don't want a bunch of different models to choose from, they just want one: the one they want."

How should you react to this harsh fact of economic life? You could become a Marxist and conclude that widespread monopolistic pricing just shows hot rotten modern capitalism is. A better approach is to ask yourself a different question every time you see the success of a high priced product, service or "experience": what other rejection factor did they overcome to succeed with that consumer? Let that inspire you to go and create your own monopolistic business.

According to Chris DeNove and James D. Power in their book *Satisfaction: how every great company listens to the voice of the customer* "People will pay a hefty premium to do business with companies that have a reputation for high quality and great customer service."

What really kills most monopolies in the end is not clumsy and belated government regulation, but someone else who can reframe the consumer's mindset so that the old monopoly is just no longer that appealing. Microsoft has less to worry about from the U.S. Dept of Justice than it does from new firms and movements who offer open source operating systems or web based software.

7 Innovate

INSIGHT #7: some ideas get old and ineffective.

OVERCOME #7: to stay great, continuously innovate.

Not all innovation is genuine. Some have the status of rearranging the deck chairs on the Titanic: everyone in the organization is thoroughly occupied with change, and to the external observer, there is perceived motion suggesting change, but when all is said and done (with much of the former and little of the latter), the same problems remain and no new opportunities have been developed.

Almost three decades ago there was a book by Al Ries and Jack Trout whose title said it all, *Positioning: the battle for your mind*. Their point had great cogency: for a new product or company to succeed, it had to have a clear and concise message that would get into the consumer's consciousness, and get there first, and create an indelible link between what the product did and the brand. The ideal way to do this, according to Ries and Trout, was the right name. If the product could have the right name, it would get itself positioned. They came up with some examples of products that had failed, and Ries and Trout were able to reason retrospectively that the failure was inevitable due to a failure of the name to properly position the product. They made a great prediction: that Eastern Airlines would go bankrupt and stop flying (they were right about that), primarily because of their wrong name. "Eastern" implies regional when national or international is needed for an airline. Maybe if they had had a better name, like Pan American (oh wait, they went bankrupt too). Anyway, back to Eastern Airlines: their regional sounding name gave them no more prestige than Piedmont or Ozark, so they were doomed to failure, and could never live up to their own slogan, "the wings of man."

Fast forward to today: what is the most successful airline in the U.S. in terms of growth and profitability: Southwest (which Ries and Trout would have to admit is a more limiting regional moniker than "Eastern"). The point is: real innovation usually requires more than a name change. Southwest embodies innovation, and they are so successful because they did not squander their innovative talents on thinking up a new name, but on getting those planes landed and launched again in the least amount of time, and avoiding the objectionable aspects of flying like delays, lost baggage, high fares, obnoxious fees, and surly staff.

"Never mistake a slogan for a solution."
– John Capozzi

Ries and Trout should have remembered a classic line from one of those 1858 debates for the Illinois Senate between Abraham Lincoln and Stephen Douglas. The "Little Giant" was trying to make a hypothetical point about the power of definitions, so he asked "Mr. Lincoln, how many legs does a cow have?" The rail splitter answered back "four" then Douglas immediately countered with "But, Mr. Lincoln, suppose we were to call the cow's tail a leg, then how many legs would the cow have?" Lincoln thought for awhile, and then came up with an unexpected answer, "Mr. Douglas, calling a tail a leg does not make it a leg." Changing names and labels does not solve problems. Changing the way we understand problems opens the door to new solutions.

One useful avenue for innovation is to try to come up with a way to enhance the consumer's experience of the product. Remember the pyramid of value: extracted commodities, manufactured products, appreciated services, and cherished experiences. Create an experience that the customer will want to repeat, and come back again for (independently of the objective need for a product or service).

The best example of where a service can become an experience (with the right innovation and human contact) would be at the counseling centers of community colleges. These public, non-profit, organizations provide a service (classes, certificates, degrees, college credits transferable to a state university) and do it at a great price. (Indeed, most community college students in California end up spending more on their textbooks than they do on their tuition and fees combined.) What I have noticed is a difference between the counselors who are assigned to each student. The service they provide is orientation and matriculation, assessing the students' skill set and readiness for the different courses, advice on which career and major to shoot for, and direction as to which courses will fit that educational plan. This service can be very cut and dried and fact focused, but in the hands of a dedicated, skilled, and inspired counselor, the experience is truly transformative. So many students come out saying "I never felt like this, me, a high school dropout, battered woman, welfare mother, I can now see how I could become a respiratory therapist!" It is this type of student who is creating her new identity, and even after she gets into her new career, comes back for more classes, perhaps on her way to transferring to the University of California to finish a BS degree.

Not all experiences have to be so transformative. Some stores offer an addictive experience of returning (even though there may be nothing in the store that the customer really needs). Consider the 99 cents only store, based in California (though they now operate in Mexico as Waldo's, and there are comparable "dollar" and "bargain" stores around the U.S). I admit it: I am addicted. I have to go at least once a week. I'm not going there because I know I need a specific item would cost me 20 cents more at WalMart. Indeed, I never know what the 99 cent store will have that week. There may be a few products that are regulars, but each week represents a different assortment (like a varying buffet) of what their buyers were able to find that week. Here's the attraction: I am going to find things that I cannot find in WalMart (the experience of the joy of discovery).

The other thing I love about this store is that it liberates me from my usual objection centered mindset when evaluating a new product for purchase ("Does it really work? Will it be worth the price"?) Now, the price is set so low that it is not a consideration. I figure that most of the stuff there probably got there because it did not work very well. So, my expectations are set quite low, and when I do find a product that works well I am pleasantly surprised, and rush back the next day in hopes that I can stock up before they run out. The 99 cents only store is one of my guilty pleasures, a great emotional experience where I can be the shopper who doesn't have to worry about price.

Another thing I have noticed about creativity and the 99 cents only store is the importance of packaging. Every item costs the same, so when a customer compares two similar items for purchase, price is not a direct factor (although some items give you more quantity for the same price). Here's what I have noticed: packaging matters, especially when the product is somewhat unknown to the consumer. For example, when I go to the tea section, all the packages of teabags cost the same, 99 cents. The most popular packages are not those that have the most teabags (120 count, yielding a price below a penny per bag). The most popular packages have the most innovative packaging (such as thirty tea bags in a reclosable tin). Of course, if that tea tastes bad, people won't come back and buy it again, but other things being equal (in this case, the quality of the tea in the two packages) I am amazed how often packaging beats indirect pricing and quantity. Thinking up a creative repackaging is often the best innovation for a product.

Indeed, I can think of examples where quantity was perceived as a disadvantage. The 99 cents only store was selling quality mustard (I think it was Gulden's) in one of those large institutional plastic jars (of about five pounds). It was right next to the more convenient ten ounce squeeze bottles (which had brisker sales). I couldn't resist the "bargain" of getting one of those large jars, but I never had an occasion of having so many guests over that I needed to open it. I kept thinking that if I did open it, how much room it would take up in the refrigerator, and could I possibly finish it before it went stale. After several months, I think I donated it to the church, and hoped that they could use it at some event. The convenience of the smaller package trumped the proportionately lower pricing of larger quantity.

One of the problems with creative thought is that the so-called experts on creativity misunderstand, or miscommunicate the process. They use misleading analogies. "You have to think outside the box!" The problem with thinking "out of the box" is that most solutions need to fit inside the box.

Let's review some basics about creativity. First, let us define it as divergent problem solving. There are two kinds of problem solving: convergent and divergent. Both are charged with coming up with practical solutions for real world problems. Here is the key difference. With convergent (i.e., non-creative) problem solving, each problem has one, and only one "correct" solution and the others have no value. An example would be a math problem, and you have to follow some algebraic algorithm to get to that unique solution.

Divergent (i.e., creative) problem solving means that a number of different solutions are possible (but some may be better than others). For example, what is the best way to get from San Bernardino to Los Angeles? Most Inland Empire residents are automobile oriented, so they would immediately think in terms of freeway alternatives: the 10, the 60, the 91. (Obviously, which one of these would be the best route would depend upon traffic conditions, which is why so many commuters leave their radios turned to stations like AM 1070 with traffic reports every few minutes.) But, let's be a little more creative and diverge further with the possibilities. How about some other roads, like old U.S. Route 66? Let's get beyond the automobile connection, and reframe the problem away from driving faster. We could fly from Ontario to LAX, we could bicycle or horseback on a dry river, etc.

The greatest innovation always comes when we reframe our initial purpose: do we really need to get into Los Angeles, or is our real purpose to get something that is there and bring it back to San Bernardino? Perhaps having someone bring something out from LA is the better way to go, especially during rush hour. Reframing the question allows us to reconfigure the problem and shift the debate.

True creativity proceeds in stages (though there is no real general agreement as to the names of these stages, or even their number). I am going to use five stages, and call them orientation, preparation, incubation, illumination, and verification. Orientation is the first (and most important) stage. It is how you initially approach the problem to be solved, how you frame or understand it. Once we have a frame, the lines of our thought are set. Considering the above case if I had initially framed the problem as how do you drive from San Bernardino to Los Angeles, that would have limited our options to freeways and roads. If I had framed the problem more broadly, such as, how I do travel from San Bernardino to Los Angeles, that would have opened up the other modes of transportation. However, it is only when I go out even further in my initial framing by considering my real goal (i.e., getting something from Los Angeles and returning to San Bernardino) that the other alternative of delivery out from LA opens up. The biggest mistake most people make in their quest for creativity is on step one: an initial orientation that is too narrow.

"You can never solve a problem on the level on which it was created."
– Albert Einstein

These old mindsets become so prefabricated so as to be impervious to fact or reason, let alone creative insight.

The second stage is preparation. This means gathering information about the alternatives (e.g., what are the freeway conditions on the 10, 60 and 91?). One reason why people tend to go narrow on step one is that it makes it a lot easier on step two: by narrowing our alternatives to be considered, we greatly reduce the amount of data we have to collect. (But this is short sighted, for it trades ease of information gathering now for breadth of solutions later.) It is almost like the proverbial drunk looking for his keys under a lamp post (although he lost them on the other side of the street) just because it was easier looking for them in the light.

Stage three is incubation. This is where we take the problem and let it simmer on the back burners of our mind. This stage remains unpredictable: we do not know how long it will take or even if it will eventually be successful. Indeed, we cannot even monitor this part of the process for progress. We just have to trust and hope that something is going to happen. Impatience is a great vice at this stage. Staying with our back burner analogy, if we take the lid off the pot every few seconds to see how things have been cooking, we disrupt the process.

Stage four is illumination, the unpredictable event that ends the long stage of incubation. This is the "eureka" experience, usually in the form of a new way to bring the information together in the solution of the problem. Too many people stop here, thinking that the heavy lifting has been done.

Stage five is no less important, not a mere afterthought. This is verification (and implementation). This step is all about practicality: does the innovative solution really solve the problem for which it was created (without generating new and more serious problems). Not only do we have to field test the solution to make sure that it works, but we have to put in motion the organizational forces to make this a reality. A great example of failure on this last step was Xerox Corporation in the early 1980s. Their Palo Alto Research Center was the first to come up with a graphical user interface for computers (what Steve Jobs later used for his Lisa and Mac models at Apple). The innovations passed their technical muster, they just couldn't be implemented in the sludgy culture of Xerox headquarters, "Hey, we're all about copiers, not computers."

"If you have always done it that way, it is probably wrong."
– Charles Kettering

I would modify Kettering's quote in one way. If we have always done it that way, it was probably for a good reason (which made it the right way), but eventually, that reason will no longer apply (making it the wrong way). The secret to remaining the innovative organization, is that we can sense when the old way no longer applies, and know how to come up with the new way before it is too late (i.e., our customers realized it before we did).

Don't trust me that this series of five steps usually works, it doesn't. You have to look at these five steps as a cycle, a cycle that has to be repeated several times before it yields results that can be implemented. Thomas Edison went through the cycle several hundred times before he found the right filament for his incandescent light bulb.

Ideally, a failure on step five should bring a back to step one, a need for reframing the initial problem. Unfortunately, most people just go back to stage three ("let's let it simmer some more and this time the right solution will pop into our heads"). Of course if we put the same recipe in the pot, we should expect to get pretty much the same dish coming out. Some people go back to step two and try to get more information, and maybe this will be the key to getting a solution better able to pass the verification stage. However, getting more information about the same topics is a strategy similar to trying to find oil by digging in the same place, just deeper. (Maybe a better strategy is to put the well somewhere else.)

Here's an example: in the early 1970s the tallest building in the world was the Sears Tower in Chicago. It was appropriately named, as the international corporate headquarters of the (then) largest retailer in the world. The elevator system had been planned along the lines of the Chicago Transit Authority at rush hour: express elevators dedicated to specific floors so that you did not have ten elevators each stopping at every floor. However, soon as the shiny new building opened, there was a problem: at the 5:00 pm closing time, the workers complained of having to wait for the elevators.

The Sears Corporation called in an engineering consulting firm, and gave them only one important constraint. "Just don't tell us to stagger our quitting times. We are the world headquarters and we want to be able to receive calls from around the globe from branch stores, vendors and customers who expect that we are open from 8:00 AM to 5:00 PM Central Time. We don't want to have to tell someone who called at 4:45 PM, that Sears employee has already gone for the day."

The consulting firm went back to step two, and got more information about elevators, and reaffirmed what they already knew: that the elevators in the Sears Tower were the most efficient and high speed anywhere in the world. They could not be sped up. The express schedule had already been worked out to move people with the least amount of wait, and no amount of tweaking was going to improve the average times. The firm went back to step two again and dug deeper: calculating the costs of knocking out one office on each of the hundred plus floors to make another elevator shaft (too expensive). So the firm went back to step two again and dug even deeper, considering the cost and engineering feasibility of external glass elevators. Perhaps it would have worked, perhaps it would have been a great tourist attraction, but it failed to pass the verification of the city of Chicago.

Then they went back to step one and said, "Maybe we are limiting ourselves by merely thinking of this as a (more and faster) elevator problem. This is a people moving problem." Now, with the definition of the problem expanded, other alternatives popped into their heads, and on step two they had to research other means of moving people. All of these, however, failed the cost, technical or safety features of verification. Escalators were too slow and took up too much space. Helicopters from the roof just couldn't move enough people. One of the most innovative ideas was to supply workers in the upper floors with parachutes. Perhaps that would have been a big hit in LA, but in Chicago the fear was that people would be blown into Lake Michigan.

But then someone said, let's get back to step one again, and rethink the problem. Maybe this is bigger than a people moving problem. The problem is that people are frustrated with the wait. Cutting the wait time shorter is one approach to a solution, but there are other ways. Someone said "mirrors." Mirrors were placed around the elevator waiting areas. This passed the verification stage: the women now used their time waiting for the elevator to look at themselves in the mirror. (The men now used their waiting time to use the mirrors to look at the women.) Everybody still had the same wait time, they were just not so bothered by it. The problem was only solved when it was redefined by returning to step one.

Reframing means that we must reconfigure the problem and shift the debate. Reframing, going back to step one, is the key for true innovation, but here is the big point that customers are missing: a solution does not necessarily come from having the engineers in your R&D department reframe, or even as in the Sears case having some external consultants play the reframe game. Many times, real success only comes when the ones who do the reframing are the customers. Go back to the Sears example: the people who ultimately reframed the wait time situation were the employees. They no longer saw the wait time as frustration, but as something tolerable, now with the mirrors.

Reframing is refusing to accept that it can't be done. Maybe we have to change our understanding of "it or "done" but it can be done.

Customers make decisions based upon perceptions, especially perceptions of objectionable features. If we want customers to change their decisions, we have to change their perceptions of these features. Many customers don't go to a store or a beauty shop because of the factor of wait time. If we can reframe that time as a pleasant, or relaxing or socializing time, we have removed the objection.

One of the greatest reasons for the success of Jenny Craig, the weight loss specialists, has been their ability to get its overweight clients to reframe the meaning of food. Jenny Craig tells her clients to reframe dinner parties: not eating events with people present, but social events with food present. Food is not the main event. You are not there to eat. If you don't eat, you haven't failed the evening. One key in thinking creatively is empathy. We have to take on the emotions, the priorities, the perceptions and the mindset of the people we are trying to understand. The Sears consultants had to think like office workers waiting for an elevator. You have to think like your customers and apprehend the objection factors that drive their decisions. If you want to be effective in security or police work, you must think like a thief. Like customers, would be felons focus on the constraining factors. All it takes is one big factor to get them to reject a specific target. The thief walks down the street, looking for a car to steal, and notices five cars, then thinks like Goldilocks.

- wrong model, I can't sell it
- area is too well lit, I'll be seen
- someone is too close buy, I'll be seen
- one of those clubs on the steering wheel; it will take me several extra minutes
- no obvious difficulties, this is the one I'll go for.

Once you know what factors deter a thief, you attach those factors to cars to make them less likely to be stolen.

Another aspect of reframing is to get the client to reframe decision making: not just an outcome (a decision) that is irrevocable, but an ongoing process, such that each phase opens up new perspectives on goals as well as means. Once again, let's turn to the community college counselor for an example of someone who knows how to transform a client. Some new students come into the counseling center with a fixed goal in mind: "I just want the classes I need to give me the certificate so I can become a fire fighter." The student would be satisfied just to get a list of courses to take each semester, the stepping stones toward the desired goal. But somewhere along the journey, the student realizes, "Hey, this journey itself is sort of fun, and look, now that I have started, I can see other possible destinations." Before the fire science student can take the required class in hydraulics, he has to take a math assessment test. Now he realizes he has a high level of math proficiency, and could think about being a mechanical engineer or a math teacher. He has just reframed who he is, and who he could become.

Decision making is an ongoing process, not a singular, one-time event. Therefore, a major consideration of every opportunity to make a decision is to preserve favorable alternatives for future decisions. I see this more obviously at the level of the four year liberal arts college. A student comes in thinking he wants to major in economics, and he might have even selected that college because of its fine reputation in that department. After the first semester of calculus, he changes his mind, something more verbal and less quantitative. So, he majors in English literature. The BA from a fine private college or university is not that intrinsically valuable, and an English major is not going to immediately lead to many job offers. The real value of this pedigree is that it opens up more future opportunities, even though some of which may have existed prior to going to college, or would have existed if one had chosen some other college. The value is that this alternative did not preclude these other options, and is therefore be superior to those alternatives that merely provided these options. The BA in English can go on for a Ph.D. in that or a related field of the humanities, or he can go for a primary or secondary education credential, or graduate work in law, business, or social work. The important thing is to see the possible opportunities, not their lack.

When a shoe company sent two scouts into a poor African country, one sent back a telegram saying "Situation hopeless; no one wears shoes" while the other one wired back "Glorious business opportunity; no one has shoes."

Who was right? That depends upon if the potential customers changed their points of view. If the local people remain with the mindset "I don't need and can't afford shoes" then the first salesman was right. That second salesman will be vindicated only if he can get the local people to reframe the way they look at shoes and say "Before I get another cow or a new roof, I've got to get a pair of shoes for everyone in my family."

Sometimes the person who needs to reframe is not the innovator or the customer, but the bureaucrats who won't go along with the new project (e.g., the Xerox headquarters) and they are the ones that have to be brought to the new mindset.

There was once a young priest who had been assigned to a parish with an old, strict pastor. The young priest had a lot of new ideas, which the older priest was apt to quash out of hand. The same thing was true for the younger priest's hopes of holding on to some of the modern life style to which he had grown accustomed. One day he directly asked the old priest, "Would it be OK to smoke while praying." The old pastor immediately fired back, "No, that is sacred time, and you must not allow anything to interfere with that." The young priest did not challenge his mentor directly at that time, but a few weeks passed, and he decided to reframe the issue. He told the old priest that under the guidance of the latter, personal prayer life had improved, that he was praying most of his waking hours, and wanted to make sure that he was going about it the right way.

"I know it is OK to pray before meals, but what about during meals?"

"Of course, my son, that merely shows all the more our gratitude to God."

"And I know it is OK to pray before we begin on a journey, but it is also OK to pray while on the journey, even while driving?"

"Of course, my son, praying while driving is permitted. Prayer is so important we should not refrain from it at any time."

"So, I should pray while straightening up my room?"

"Yes, of course, my son."

"So, I should pray while I am in the shower?"

"Yes, of course, my son."

"So, I should pray even when I am smoking?"

"Yes, of course, my son."

Smoking while praying seemed sacrilegious but praying while smoking seemed so noble!

The secret of many great innovators is that they can see beyond the frame of present problems to the desired goal (and how to get there). The great sculptor, Michelangelo, said that inside of every block of stone was a beautiful statue, and all he had to do was to remove the excess material to reveal the work of art within.

Of course, Michelangelo had to look beyond all that extra rock and see the David within. This often hits us in stage two of the creative process. We are deluged by data, inundated by information, frustrated by too many facts. If we can just reframe the problem and get a clearer insight, we can focus on what is most relevant.

"The art of being wise is the art of knowing what to overlook."
– William James

Of course, not all customers and clients are in the mood for a reframing exercise. Customers don't seek you out to change their world view, but to reinforce the one they already have. Here comes the gentle art of mindset judo. Start out by agreeing with the customer's mindset, and help him explore it and in the process, it will change. Again, the best example is the community college counselor. Suppose that on day one she had told the new student, "No, fire science is not for you, major in math and transfer to Cal Poly" the student would have packed up and left the office, never to return. Reframing is a process, and often a slow one. The most that we change agents can hope for is one step at a time, fully confident that each step changes the process, and after each step persons can see things a little differently than they did at the previous step. Changing facts present changing opportunities. Changing our perception of the facts can change our perception of the opportunities. We are only capable of observing what we are ready to comprehend. We only find what we seek.

A customer comes into a used car lot convinced that he wants a Toyota Camry. The wise salesman starts, not by looking at every Camry on the lot, but by having the customer list his priorities and perceptions of the facts. The customer is married and has one child. For a couple of years, the wife has been a stay at home mother, and the family has gotten along on one car, a Toyota Camry which they love. They use it as a family to go to Grandma's house on Sundays. On Saturdays they go to garage sales, and are able to pack most of the things they find into the backseat or trunk. It is a comfortable car to take to work, and both the wife and husband want it, so it looks like they need to buy another Camry.

Don't argue with these priorities or perceptions: agree with them. But help the customer think this through. If the couple was only going to have one car, the Camry may be the one best car for them to have. (By analogy, if you had only one pair of pants, it would be great to have a pair of khakis that could be used for dress, leisure or sports, but if you could have two pair of pants, would you want another pair of the same?) The wife is going to work here in town, and needs to drop off junior at day care, and go shopping. The Camry really fits her needs. But does the husband need the roominess of a Camry? He drives to work in Los Angeles, and there is no chance for a carpool. He could get along with something smaller. It's great to have a comfortable five passenger car on the Sunday when they take Grandma and Aunt Em out to dinner, but do they need two five passenger cars? If the garage sales are really an important part of their lives, why not a small truck as the second vehicle? Once the customer starts thinking of two cars with different uses, he can consider another vehicle, otherwise he is just going to be thinking of Camry is the best, period.

Pessimists are always contending that the problem cannot be solved, and they are reluctant to consider a reframing.

"You have been given a bag of cement and a bucket of water. You can either build a stepping stone or a stumbling block. The choice is (and always has been) yours."
– Jeffrey Gitomer

Reframing always holds out hope. Even past failures can be framed as temporary or partial successes. A losing presidential candidate like Goldwater in 1964 could ask "What did I do that was right to convince 40% of the voters" instead of "What did I do to alienate 60% of the voters." Instead of asking why the Roman Empire fell, we could ask how it managed to last for nearly a thousand years.

The key thing is, don't stop with an analysis of a problem that says that the situation is hopeless.

"Don't dwell on problems, concentrate on solutions."
– Jeffrey Gitomer

One barrier to creativity is having an inappropriate goal (or limited starting frame). For almost half a century the GM strategy was always to make a car better than last year's model, an objective that they have not consistently met over the past 40 years (I still miss my 1964 Impala). Meanwhile, the Toyota strategy has been to make the world's best car, and over the past 40 years, they have generally succeeded. Trying to beat last year's model was an inappropriate goal for GM.

Most airlines have had the limited goal of beating other airlines on the same run. If American could beat Delta and United, it felt successful. Southwest started with a different strategy. It recognized that its real competitors on the San Antonio to Dallas run were not other airlines, but Greyhound and the passenger car. Southwest targeted those drivers and bus passengers with a lower fare and by making the flight some special experience (at one point giving passengers a free bottle of whiskey). They don't give away the free booze anymore, but if you have ever been on a Southwest flight, it is still an experience of people having way too much fun.

If Southwest had remained within that mindset, they still be what they became thirty years ago, the best little airline in Texas, but as they grew, they reframed their mission and their strategy, the best regional airline, the best national airline, etc. I can't wait for them to go international and fly into Mexico.

"Strategy without tactics is the slowest route to victory.
Tactics without strategy is the noise before defeat."
-Sun Tzu

One way to reframe and get creative is to play some of the games suggested by Barry Nalebuff and Ian Ayres in *Why Not?* One of these games is "What would Croesus do?" Imagine the mythical wealthy king who can assign thousands of servants and chests of gold to solve any problem. What would that perfect solution look like? There might be someone out there, a definable niche with Croesus' cash and the willingness to pay for it.

Another exercise is to look at technological innovations as new solutions in search of old problems. (A variant of this is "where else would it work"? in which we take a solution from one field and try to apply it to another.) Surprisingly, this approach is often quite successful. Alexander Graham Bell was trying to use electronic magnification of sound to make a better hearing aid, and where else would it work, just make the wires longer and you have a telephone. An experimental allergy medication appears to be effective, but the verification studies indicate a side effect (drowsiness). Innovation: a new sleeping aid.

Managing innovations in others is one of the great challengers of management and leadership. The first step is knowing that you have the right team. You have to assemble a diverse bunch with different strengths. Don't eliminate people from the team because of their individual deficiencies. As the Gallup team of Winseman, Clifton, and Liesveld concluded "focus on your strengths, not your weaknesses." Make sure that the strengths are complementary, so that it is the team that has no great deficiencies, but can successfully negotiate each step of the creative process.

A follow up book by Gallup (this one by Marcus Buckingham and Donald Clifton), entitled *Now, Discover Your Strengths* outlines thirty-four relevant strengths, each one with its place on a team. Each person's talents are enduring and unique. Each person's greatest room for growth is the area of that person's greatest strength. Spend a great deal of effort selecting people. Focus on outcomes, not on forcing people to adapt to a different style. Help people grow their strength without necessarily promoting them up the corporate ladder out of the area of strength.

There are other theoretical models touting other psychological tests (such as the Myers-Briggs Type Indicator) and Paul Tieger and Barbara Barron-Tieger, have done a great job with this in *Do What You Are: discover the perfect career for you through the secrets of personality type.* The point is the same: discover differences, emphasize strengths, put those different people together into a team.

Once you have a creative team composed of different individuals, with different motivations and different accomplishments, don't be afraid to reward them handsomely. Get beyond the old saying "all costs walk on two legs" but realize that "all solutions walk on two legs."

As Marcus Buckingham and Curt Coffman put it in their book *First, Break All the Rules* "Human capital is the key: select, nurture and retain." Don't be afraid to treat them differently. One may be motivated by a title, another by a big pay check, and another by a flexible schedule. If it is worth keeping him on the team, it is worth customizing his compensation. Many persons in the "creative class" are drawn to unusual life styles and their preferences do not fit the cookie cutter approach that most personnel departments are fond of.

Richard Florida in books such as *Flight of the Creative Class* profiled the diversity of this group: more likely to be foreign born and not of the traditional sexual orientation. But, don't make the other mistake of stereotyping all foreign born gays as creative or vice versa.

"Nothing demotivates people like equal treatment of unequals. When you hire a bozo and treat him like a rock star, it deflates the rock star."
– Joe Kraus, founder of JotSpot

On the other end, do not stereotype your old corporate veterans as bereft of creative ideas. Sure, they got their degrees before the internet was invented, but they can be valuable members of the team.

"The young man knows the rules, but the old man knows the exceptions."
– Oliver Wendell Holmes

Indeed, the older members may have some special skills to add to the mix. *In Geeks and Geezers: how era, values, and defining moments shape leaders*, Warren Bennis and Robert Thomas argue that every leader had undergone an intense, transformational experience (a crucible). These events either make you or break you. Even some of the older leaders from the geezer generation remain open, willing to take risks, hungry for knowledge, and courageous.

The leader must inspire the team to lead or follow or fade. If you choose not to lead today, tomorrow, we will have no choice, but to fade tomorrow. Often the team leader seems like a visionary, i.e., someone who can see what needs to be done, but who cannot get anyone to do it.

Seth Godin speaks of innovation occurring at the edges of existing markets. Edges create conversations, confound expectations, address overlooked senses or markets, highlight the free prize, change the structure of the market, or talk in a different voice. "None of the edges are permanent! The standard for edginess changes every day."

First, the team must reframe, and eventually, the entire organization must reframe (and perhaps be reframed itself by rethinking its original mission: is Apple just about building computers or can it do other innovative electronic devices, such as the iPod?).

When the team seems to be going well, let it run, don't try to micromanage.

"Very early on, the founders of startups make an important choice. Do they want success or control?"
– Joe Kraus, founder of JotSpot

"So much of what we call management consists in making it difficult for people to work."
– Peter Drucker

Sometimes, a radical reframing is not called for. If you have a problem with the sink, you don't tear down the entire house.

"Never cut what you can untie."
– Joseph Joubert

Realize that you don't always have an obvious starting point.

Sometimes you just have to go in a particular direction just to get some movement.

"There are three rules for writing a novel. Unfortunately, no one knows what they are."
– William Somerset Maugham

Sometimes, you make up the rules as you go along.

One useful starting point is the SWOT analysis: strengths, weaknesses, opportunities and threats. The problem with SWOT is that too many companies tend to get locked into the past dimensions of strengths and weaknesses and fail to recognize emerging threats and opportunities, but that is one of the great challenges of reframing.

	Past	Future
Good	Strength	Opportunity
Bad	Weakness	Threat

They key is for the team to retain maximum flexibility of action. Small successes are dendritic, leading to larger ones.

"Opportunities multiply as they are seized."
– Sun Tzu

As you begin to formulate some courses of action, realize that you can't please everybody about everything. Indeed, you will also find that to be the case with the consumers, but your task is not to please everybody, but a profitable enough niche. (Perhaps reframing who is the targetable niche is one of the most innovative things you can do.)

As team leader, it is going to be your responsibility to indicate when a shift of focus and direction is called for. At times, they won't want to go on, but you think a new solution is ready to break through.

Others will say "you can't!" but you must say "Here's how I will do it, and here's what you must do to help."

Other times, the team will have invested so much effort into one approach, it will be your daunting task to redirect them.

"Failure is God's way of saying, 'Excuse me, you're moving in the wrong direction.'"
– Oprah Winfrey

Before we set out to do the job right, we have to make sure that we have set out on the right job to do. Just as we must ask the right questions in order for our answers to have meaning, so we must pursue the right goals, if we are to have a hope for a meaningful success.

The "fish or cut bait" decision is a difficult, but necessary one for all managers to make. Especially when we have invested time, money, effort and hope into one solution or product, it is hard to know when (and how) to say "it is time to stop this and try something new." In our search for oil, do we keep digging this well deeper or do we start digging somewhere else. If we always started somewhere else after going a few feet without oil, we would never find any, but neither would we be successful if we kept putting an infinite supply of drill bits and pipe into dry holes. Wisdom is knowing what your present strategy needs in order to achieve success: more time and money and effort, slight modification, or complete reversal.

A useful tool in these kinds of decisions and across a broad range of situations was described in *The Power of the 2×2 Matrix: using 2×2 thinking to solve business problems and make better decisions* by Alex Lowy and Phil Hood. Indeed, I have already employed these tables at several points in this book. This is most useful when you have two clear, interacting dimensions, and your team insists on seeing them as merely one dimension of polar opposites. For example, people tend to think of urgent and important as the same thing, and the opposite end of the spectrum being that which is not urgent or important. But maybe urgency and (long term) importance are separate (though potentially interacting) dimensions.

	IMPORTANCE		
URGENCY		HIGH	LOW
	HIGH	Crisis	Phonecall
	LOW	Planning	Trivia

Every possible action needs to be evaluated according to this kind of table, measuring the risks of taking the action versus the risks of not taking the action.

	Was Action Really Necessary?		
TAKE ACTION?		Yes	No
	Yes	"A" right decision	"B" wasted resources
	No	"C" exposure to risk	"D" right decision

Since we live in a world of uncertainty, we must make decisions never knowing beforehand if the course of action is necessary. If we end up in section "A" or section "D" we will not be called upon to explain our actions, but will be able to bask in the praise of pundits. The real question beforehand is: do we want to live with the problems of section "B" or the problems of section "C" and the answer depends on the context in which we find ourselves: the relative costs and risks involved.

Perhaps the best example of this would be the 2003 decision of President George W. Bush to go to war with Saddam Hussein. The pre-war intelligence was not perfect, so the president had to choose being wrong and fighting a costly, unnecessary war, or being wrong and remaining inactive in the face of a dictator with weapons of mass destruction and a willingness to use them. The President chose to invade. It now appears that this was unnecessary, for Saddam lacked massive stocks of weapons of mass destruction. In that sense, the cost in money and lives can be seen as wasted resources, but the defenders of the president can argue that he still made the right decision, given the information he had, because the risks of section "C" were worse than the costs of section "B". It's best to be right, but when you don't know if you are right, it is best to be safe. (This is similar to the decisions made by customers who try to avoid the biggest unfavorables.)

Robert McMath in *What Were They Thinking?* argued that most businesses have a bias toward action (cell "B" over cell "C") because they are more afraid of missing out on a new market than of launching a product that fails in that new market. As a result, companies get overextended on misguided ventures and most companies fail.

Another use of the two-by-two contingency table is to consider both the costs and risks of action, as well as the costs and risks of inaction. Even innovations seeking to improve a product or service carry risks and costs, and they should be anticipated and quantified.

In attempting to come up with any innovation adding some aspect to a given product, remember that this can be a two edged sword. Some consumers may view the added aspect as a plus giving your product a key edge over competitors, while others might view the addition as a minus, something to be avoided, even a deal breaker.

One example of this would be a puffed wheat cereal that adds sugar and flavoring. Perhaps in the niche market of children, this is an attractive feature, but for those of us who wish to avoid excess sugar in the diet, it is a deal breaker.

Another example is a hotel with a nightclub on the ground floor. This will appeal to certain guests who won't have to worry about driving to a nightclub or looking for a taxi, but others will find the noise something to avoid.

But maybe there are more alternatives than a simple go/no-go decision. Perhaps the question should not be to manufacture sweetened puffed wheat or unsweetened. Perhaps this is not an either/or limitation, but this can be reframed as an opportunity for line extension. We can have three types: old fashioned natural (unsweetened), naturally sweetened (sugared) and artificially sweetened with a no calorie sweetener. Now, the questions become how much of each to make, and how to market each to a proper niche.

Maybe we can even help define the growth of the market to ensure ourselves a niche. But whatever is to be done, it must be done quickly.

"If the rate of change within an organization is less than the rate of change outside, the end is near."
– Jack Welch

There will be no time to follow the leader in the high tech age, as Seth Godin said in *Purple Cow*. "The reason it's so hard to follow the leader is this: The leader is the leader because he did something remarkable. And that remarkable thing is now taken – it's no longer remarkable when you do it."

Indeed, the right strategy for this month may be the wrong strategy for next month. Changing circumstances mean changing opportunities.

"At high tide the fish eat ants; at low tide the ants eat fish."
– Thai Proverb

There is what Malcolm Gladwell called the *Tipping Point*. At a certain point in time, the product is no longer the exclusive realm of early adopting consumers, but is seen as a necessity: sometime in 1982 for the VCR, 1987 for the FAX machine, maybe 2002 for cell phones. After the tipping point, you are a Johnny Come Lately who cannot redefine the emerging market.

Many times the decision to be made is not simply go / no-go, but this alternative or that one, like two opportunities staring at us, but we can only fund one. We must choose if it is better to have 10% of a watermelon or 100% of a grape? The answer depends upon your criteria and constraints. The watermelon probably offers more water and economic value, but the grape would be easier to transport. Of course, we are also bumping into the unknowables of the future prices of grapes and watermelons.

Why do some individuals (and teams) keep on going in the wrong direction long after the folly of their course has become obvious? Dietrich Dorner explored this topic in his study *The Logic of Failure: why things go wrong and what we can do to make them right*, and concluded that most errors of this kind occur in complex, interactive systems. Some people are too confident of their initial approach, and want to throw good money after bad trying to save a past venture. The best solutions are interactive and self-correcting, always reframing the initial model with which the problem was understood. Dorner recommended the best way in teaching this essential skill is via simulations.

The structure of the innovative team must be flexible. The 1980s management guru Tom Peters suggested in *Liberation Management*: *necessary disorganization for the nanosecond nineties*, get beyond the traditional hierarchy to working networks. That means outsourcing some of the structure. As Stan Davis and Christopher Meyer said in *Blur: the speed of change in the connected economy*

"Don't grow what you can buy" and
"Own the links, not the nodes."

Here are some classic readings that have stood the test of time but can continue to inspire innovation in marketing management

- Friedman, Thomas L. (1999) *The Lexus and the Olive Tree*
- Jones, Laurie Beth *Jesus CEO: using ancient wisdom for visionary leadership*
- Kanter, Rosabeth Moss (1989) *When Giants Learn to Dance: mastering the challenge of management and careers in the 1990s*
- Kouzes, James M. & Posner, Barry (2002) *Leadership Challenge*, 3rd edition
- Krass, Peter editor (1997) *The Book of Business Wisdom: classic writings by the legends of commerce and industry*
- Seybold, Patricia B. & Marshak, Ronni T. (1998) C*ustomers.com*
- Trompenaars, Fons (1994) *Riding the Waves of Culture: understanding diversity in global business*
- Turner, Marcia Layton (2000) *The Leader's Edge: how to think like the World's Greatest Marketing Minds*
- Zigarelli, Michael A. (1999) *Management by Proverbs: applying the timeless wisdom in the workplace*

A closing note: I did not begin my professional work as a psychologist in business-related applications, but in the clinical field. One painful lesson I learned with my Alzheimer patients is that few human problems are ultimately solvable, but some are preventable, and most are manageable. Buddha and Jesus reminded us of the unavoidable limitations of human flesh: temptation, suffering and death, yet they presented us with creative ways of reframing the purpose of human life and gave us ways of managing temptation, enduring suffering, and overcoming the fear of death. Business offers similar, unlimited (though perhaps less profound) opportunities for creativity and inspiration.

8 Competing Firms

INSIGHT #8: The more opportunity in the market, the more it attracts competing firms.

OVERCOME #8: The more competing firms, the more opportunity they attract in the market.

Remember back in Microeconomics 101, there was that Law of Diminishing Returns. It went something like this. Imagine you have a 160 acre farm, and you are the only person who works it. Say you manage to produce about 100 tons of vegetables a year. You want to increase output, so you hire a worker to help you. He was the best you could find, and it turns out that things result in a near doubling of your output the following year, to 190 tons, so you hire another worker. Perhaps he is not quite as good as the first fellow, and even if he were, each of you three now has a little less proportionate acreage to work with. Your total still goes up, this time to 260 tons, so you hire another worker. Even if he is a great worker, each of you now has only 40 acres to work with (half of what you each had when there were just two of you). Total output will probably go up again, say to 330 tons.

Notice the trend? Each new worker brings an increase to the total (aggregate) but at a diminishing marginal rate. You might even reach a point where there are so many of you trying to work on the same piece of land that you will end up bumping into each other, and even the total amount produced may start to go down.

Many businesses assume that this law of decreasing marginal returns also applies to the number of businesses operating in a given market. Suppose the city of Redlands has a population of 70,000 people, and has seven grocery stores. Suppose store number eight opens. Maybe this makes it more convenient for a few people to buy more groceries, so the total volume of retail sales increases, but most of the sales going to store number eight is coming from decreased sales at stores number one through seven. The process continues as store number nine enters the market, then store number ten.

Each new worker or entrant into the market does not add to the aggregate as much as the previous entrant. At some point, the new entrant will actually bring about a reduction in the aggregate as the vendors become so numerous there is no room for the customers to come.

However, each new entrant is not deterred by the fact that he makes less than the previous entrant, or by the fact that his entrance might reduce the take of all previous entrants. He is not even deterred by the fact that he might reduce the aggregate take. His decision to enter the market is based solely upon his net take versus what he could get at some other activity. (At least, that is the sole factor in the economic dimension. Other factors influencing the decision might be social pressure and the idea of personal fulfillment.)

So, armed with MicroEcon 101, you now have a great excuse whenever your business is failing: too much competition out there. One of the biggest excuses you have for not succeeding in any market is that somebody else got there first, or got there with more, or otherwise outcompeted you.

Seth Godin, writing in *Purple Cow: transform your business by being remarkable* expanded on this problem of not being the first business to penetrate a market.

"The reason it's so hard to follow the leader is this: The leader is the leader because he did something remarkable. And that remarkable thing is now taken – it's no longer remarkable when you do it."

These excuses are bound to convince your friends and relatives, and maybe yourself, but you would be better off not listening these excuses. If you want a successful business, it is time to stop making excuses.

One of the major mistakes in human reasoning is to confuse correlation with causation. Just because two events occur in short order does not mean that one caused the other. When you see a couple with a bad marriage have a problem child, don't assume that the marital problems created a delinquent. (Maybe the kid's antics caused stress in the marriage; or maybe both father and son have a gene leading to irresponsible behavior.)

It's true that when one business in a market is failing, some other business in the same market is probably doing alright. Of course there are times when an entire market does poorly due to a phase of the business cycle or great technological change. However, one little grocery store, or beauty shop, or dry cleaners, or restaurant goes out of business while other nearby firms prosper. The prosperity of the other firms occurs simultaneously with the failure of a particular firm, but the success of the former did not cause the failure of the latter. Indeed, it might be the other way around: one firm developed an insurmountable unfavorable and its customers went to the other firms, making them more prosperous. The "competing" firms did not pull away customers from the dying firm, the dying firm pushed away its customers, and they had to find somewhere else to go.

Let's take the automobile industry for example. By 1900, it was obvious that Daimler-Benz had gotten there first, but an upstart American reframed the process of producing automobiles as mass production on an assembly line, and by 1920, Ford was the dominant brand. However, General Motors then decided to reframe the automobile market as multiple makes and models customized to demographic patterns, and before the decade was over, GM had beaten Ford. By the 1960s America's big four had carved up the world market, but Toyota was not deterred. The Japanese auto maker did not pull customers from GM, Ford and Chrysler, the American firms' refusal to innovate pushed their customers away, and those customers found a willing home at Toyota. Now, Toyota can charge very high prices due to its great reputation for quality, but those high prices are now perceived as an unfavorable, and will push away customers into the showrooms of Hyundai.

The psychology of excuses was studied by T. Harv Eker, in his book, *Secrets of the Millionaire Mind: mastering the inner game of wealth*. Applying the insights of cognitive psychology, Eker noticed that people with successful businesses (and lives) followed this sequence:

Thoughts => **F**eelings => **A**ctions => **R**esults.

Eker called these successful people victors. On the other hand, losers follow a different sequence:

Feelings => **A**ctions => **R**esults => **T**houghts.

VICTIMS	VICTORS
blame someone for their past losses	plan how to win the future battle
find reasons to justify their present limitations	use reasoning to develop future opportunities
pursue wealth and fame as ultimate goals, but never attain them	recognize that wealth and fame are mere tools, and use them to attain their ultimate goals
complain about what they can't change	compose themselves for change
play the lottery because they can't do the math	do the math so they know which investments to make
don't get where they want, in part because they don't know where they want to go	get there because they have both direction and movement
focus on obstacles	focus on opportunities
resent the success of others	admire the success of others, and figure out how to team up with it
avoid people who, by comparison, make them feel inferior	seek people who, by cooperation, can provide future opportunities
have problems, the size of which exceeds that of their capacities	grow their own capacities to exceed the size of their problems
listen for, and tend to repeat, the negatives (e.g., gossip, pessimism)	listen for, and tend to repeat, the positives (e.g., opportunities, solutions)
want to be paid for their time	want to be paid for their results
look at a dilemma, and hope for the lesser of two evils	look for away around the dilemma
complain about how hard they have to work for their money	contemplate how to get their money to work hard for them
When it comes to their own failing business, victims blame their successful competitors for stealing their customers.	Victors observe how their customers are succeeding and try to develop insights as to how they themselves might improve.

"Do not look where you fell, but where you slipped."
– African proverb

If the thoughts come after the action, they cannot help make the action better. The primary purpose of such post thinking is to diminish feelings of inferiority and foolishness by deflecting the blame from oneself by offering excuses. Eker called these unsuccessful people victims (at least in their own eyes). Victors and victims have two very different frames of reference.

Forrest Gump said "Stupid is as stupid does." Brink says: winners are as winners think and do. If you want to be a victor, you must think and act like a victor.

Competition with other firms delivering the same commodity, product, or service is not just a contest to see who will be the champion. That word "champion" is the key. It is not just a noun or an adjective, but it can also be a verb. More important than being a champion is to champion. Throughout much of life, but especially in business, you become what you do. To become the champion, you must champion. Champions are because champions champion. To become the champion in a given market, you must do a better job at championing the consumer.

Reframe the other businesses in your market. They are not stumbling blocks to you championing the consumer, but may even be stepping stones. They are not the enemy, but they could be helpful colleagues. In getting along in a long term relationship with a spouse or customer, or worker, we must continuously think the best of the other person in the relationship (and this also applies to the other firms doing business in the market). If we cannot do this, then we must conclude that the other is simply present to exploit us for his own ends, and will do so whenever he finds the opportunity.

Marcus Buckingham, Gallup consultant and author of *The One Thing You Need to Know* puts it this way "Find the most generous explanation for each other's behavior and believe it."

"Never ascribe to malice that which is adequately explained by incompetence."
– Napoleon Bonaparte

Adam Brandenburger and Barry Nalebuff in their book *Co-opetition* have suggested a massive revisioning of the landscape of the competitive marketplace.

"You don't have to blow out the other fellow's light to let your own light shine."
– Bernard Baruch

Not all small companies (or services) doing the same thing in the same market function primarily as competitors. Brandenburger and Nalebuff introduce the concept of "complementators", firms that actually mutually assist each other in terms of creating larger markets. Another firm is your complementator if customers value your product more when they have the other player's product than when they have your product alone. If your product is hot dogs, you hope that the store does not run out of buns and mustard, for these are your complementators.

While direct competitors may sometimes function to take away parts of the pie of potential customers, complementators help make that whole pie larger. For example, consider the individual stalls at an open air market set up at a junction of two country highways. A stall owner has an old station wagon and vends his wares from his tailgate on weekends. Now imagine the worst case scenario, competition wise: another guy with another truck decides to also come to the same location to try to sell things from the back of his tailgate. Their product lines overlap so that they are both selling the same thing, e.g., antiques. From the immediate point of view of the sellers, this is only seen as a price-reducer with no off setting benefit. Potential customers can just play off one seller against the other until one weakens and matches the consumer's price.

Now shift the focus to the consumer's point of view (or should we say, the consumers' points of view). You know that a lone vender regularly sets up at the junction of those two highways. Sometimes he has something interesting, but too often his inventory is just too limited (i.e., more junk than antiques) and too often his prices are too rigid. One Sunday afternoon you are driving home from the mountains and you pass that junction, and think to yourself, not even worth stopping.

But wait, something different has been added: a second vendor. Now you are thinking: bigger selection, more chance for negotiation, someone new to talk to about antique trivia, so you stop. The presence of the second vendor has created a bigger market pie. Add a third vendor, and a tenth, and a dozen more, and what do you have?…an antique festival, a destination event that people will fly into for thousands of miles.

This approach succeeds because it collaborated with the consumer to give him what he really wanted: more vendors, not fewer.

Here's another example. Suppose you want to start a small, no frills motel somewhere along a 100 mile strip of desert highway. There are no motels along this route, except for one Motel 6. Where should you build your motel? If you view Motel 6 as your competitor, the answer would be as far as possible from that Motel 6.

Now, let's reframe Motel 6 as your complementator. People will see the Motel 6 from the highway and think (let's get off on this exit). People may even go on the Motel 6 website or look at a national guide and plan to end their driving for the day at about that point. Build your new hotel off the same exit so that people will have to drive by it when going to Motel 6. Whatever Motel 6 charges, charge a little less and you may get some of their business (or make yours look a little fancier, and charge a few bucks more). Motel 6 will bring customers within fifty feet of your motel, you just have to offer something to get them to come to yours instead of theirs.

Of course, this is the situation when Motel 6 has a vacancy. When it is full, some people will still see the sign and get off the exit before they see the No Vacancy sign, and then your hotel has a complete monopoly for the geographical area (and all of Motel 6's advertising at that point is for you, not for them). In larger cities, this principle of complementarity is evident in the many "hotel rows" that can be found.

The whole idea of a shopping mall is to group stores together so that the little stores can rely upon a larger anchor store to do the heavy lifting of attracting customers. The shopping mall uses the principle of complementarity. Having several different kinds of stores makes it more likely that customers will show up, and shop at the other stores while they are there.

As customers become increasingly pressed for free time, they are likely to reject any vendor who requires a special trip solely for the purchase of that product or service. People generally don't go out of their way for a hotel, but look for a hotel close to where they will be. Only the most dedicated gourmets will drive a great distance just for the opportunity to eat at a certain restaurant. Beauty shops and travel agents are probably rejected more often because of an inconvenient location rather than poor service.

The mall overcomes this objection, by providing a place where people are coming anyway (perhaps for the cineplex, perhaps just for the ambience of the mall) and will use the other services and stores that are there so that another special trip does not have to be made.

Even when two businesses appear to be direct competitors for the customer's dollar, there is a certain complementarity at work. Imagine a tiny ethnic foods restaurant in the corner of a mall. It is not the best restaurant of that type in that city, so it does not draw much business. Indeed, people are unlikely to eat there at all, unless they find themselves in that particular corner of the mall and very hungry. Now imagine that a competitor starts up next door. It is not the same ethnic restaurant, say the first was Japanese, and the second is Thai. They will definitely be in competition on the rice, not to mention the soft drinks. Now comes a third restaurant, Chinese, then a fourth, Vietnamese, then a fifth, Korean, then a sixth, Mongolian. Then the word gets out: "Let's go to the mall with the Asian food court: you can have your favorite Sushi while I have my egg roll."

The Chinese restaurant should not begrudge the Japanese restaurant its sushi customers. As Brandenburger and Nalebuff relflect, "Allow your competitors to have loyal customers, too." This is a way of assuring that the market never degrades into "pure" competition based solely upon the price of a commodity. As long as customers detect a different between this rice and that rice, neither restaurant has to sell rice at cost. As long as customers perceive the difference between Suzuki's rice and Lee's rice, both Suzuki and Lee can charge monopoly prices for the unique experiences they offer customers.

This is the secret to an annual event in a small city just south of San Jose, California, the Gilroy Garlic Festival. This began over a quarter of a century ago as a few competing road stands selling clumps of garlic on the 101 Highway. Take a larger venue, go from about a dozen sellers to several hundred, expand the diversity of prepared dishes, add musical entertainment, commemorative t-shirts, wine glasses, and you have a major destination event that people buzz about all year "You must try this garlic relish, I got it at the Gilroy Garlic festival, can't wait until next July."

Co-opetition is biggest now in the non-profit sector. In California, any resident can attend any of the state's 113 community colleges and pay the same in-state tuition and fees. Since these community colleges are funded by the state according to their full-time-equivalent enrollment, you might say that the community colleges are in competition for the same students (and the state dollars they bring). However, most community college administrators have found that cooperation is a better strategy than competition. Much of community college public relations spots remind potential students of the benefits of higher education and vocational training. Although all the community colleges offer similar transfer courses (e.g., English, Spanish, history, math, psychology) each has a local monopoly in some career-technical fields: San Bernardino Valley College has the sheriff's academy and a nursing program, while Crafton Hills College ten miles down the road has the respiratory care and fire science program. A closer working relationship with SBVC helps CHC get more students: someone who wants to enter the nursing program at SBVC may start at CHC and take math, chemistry, microbiology, anatomy & physiology before transferring. Similar cooperative programs have been developed with four year universities (e.g., University of California Riverside, Cal State San Bernardino, University of Redlands). When each part of the higher education system makes it easier for students to get in and get through a BA program, enrollment goes up for all the schools in the pipeline.

A similar trend can be seen in another non-profit organization, Evangelical churches.

"Megachurches are the most important social phenomenon in American society in the past 30 years."
– Peter Drucker

If, upon moving to Springfield, Ned & Maude Flanders join the Presbyterians instead of the Pentecostals, this should not be seen as a victory for the former church and the victimization of the latter. These churches are not really competing in the sense of offering the same product, for they differ on Calvinist doctrine and the rituals of baptism and speaking in tongues. Yet, when each church is supportive of the others, the process is symbiotic, for they are building a more religion-nurturing community.

Another reason why it pays to have competing firms around is that they do can some of your marketing research for you, especially the best kind of research, experimentation (but in this case, an experiment where the cost and risk are entirely born by someone else).

Do customers in this market really want a line extension of products? For example, do beer drinkers really want a non-alcoholized dark beer? When your competitor brings out a line extension meeting those specifications, this is marketing research for you. If the new product fails you say, "Well, there's something I don't have to risk trying." If it succeeds, you say, "Well, I don't have to spend that much on marketing research to find out that such a product will succeed."

Another aspect of complementarity is that some kinds of research and development are just too expensive for one firm to undertake. Joint ventures offer a way to expand the market (by coming up with a better product or service that will better meet the needs of the customer). Perhaps there is no better example of this now than in the automotive industry. There is a need for clean, cheap, and safe alternative to gasoline. If we waited for GM or Hyundai to come up with a solution (research the theory, develop a car, construct the infrastructure) we may have to wait another century. However, working together, the automobile manufacturers (perhaps working with the energy companies) might develop a better electric car, and recharge stations, etc.

9 Let Them Talk

INSIGHT #9: Consumers communicate between themselves.

OVERCOME #9: Get them to say good things about your company, and facilitate this communication.

"Marketing is about spreading ideas."
– Seth Godin

Commentators often speak about the flow of information.
Information does not flow, for that implies a consistent direction. Information can scatter, spill, leak, explode, ooze, or evaporate. Both speed and direction vary, making prediction and control difficult. Propaganda and advertising are attempts at controlling information, but they are not as effective as buzz.

Here's the dilemma of the typical consumer. He wants information about products, services (and experiences) potentially relevant to his needs, but he does not trust traditional advertising. Advertising is a form of communication, but it is held in low esteem because its presentation is intrusive and the motives are suspect.

"Advertising is a valuable economic factor because it is the cheapest way of selling goods, especially if the goods are worthless."
– Sinclair Lewis

Most advertising seems to over-promise on the benefits, and conceal the deficiencies.

"I had rather do and not promise than promise and not do."
– Arthur Warwick

People don't even trust the news media.

"For most folks, no news is good news; for the press, good news is not news."
– Gloria Borger

In the mass media, the opposite seems to be the problem: the unfavorables are exaggerated to the point of distortion.

Part of the problem is the credibility of the source. The consumer does not trust you, because you have a vested interest in making your company look good (in order to get his money). Why should the customer come to you (especially you alone) for advice? Isn't that like asking your barber if you need a haircut? Isn't that like having Dracula guard the blood bank?

"Whoever undertakes to set himself up as a judge of Truth and Knowledge is shipwrecked by the laughter of the gods."
– Albert Einstein

In her book *The Outside-In Corporation: how to build a customer-centric organization for breakthrough results*, Barbara Bund suggests that customers are frustrated because they have misunderstandings about the benefits and constraints of your product. They need, and will find information from a trusted source.

Consumers trust each other to be candid, even brutal about the deficiencies, and it is upon those unfavorables that consumers make their decisions.

What do so many infomercials use average looking people who have used the product? These are the people that consumers trust the most to give them the straight scoop. (Infomercials would be even more effective if the ads just didn't rave about the attractive features of a product, but included some of the unfavorables as well.)

People are different; one size does not fit all. Hearing about the unfavorables of your product will drive away certain customers. What it does not drive away, that is your niche.

Stop trying to conceal the unfavorables! Let's take automobiles. The Lincoln Town Car is expensive to purchase, expensive to insure, and expensive to fuel. Your niche is not penny pinchers. Take a little four cylinder pickup: not going to appeal to the luxury crowd, or those who seek status or comfort. They are not your target. (Let 'em buy Lincolns!)

You can't please everybody about everything all the time; the task in successful marketing is to please enough people about enough aspects, (and don't have the unfavorables they wish to avoid) and if that niche is big enough, your business will be successful.

This must be done even if it is guaranteed not to please other people. They were not the target market to begin with.

A great example of consumers coming together to share information (and further segment a market) would be on sites like ratemyprofessor. Here the "customers" are college students (consumers of education). They know that they need the "product" (or "service" or "experience") of taking a course in American history in order to graduate. There are probably a dozen sections of that course offered each semester. Some students will make their section selection based upon the constraint of time ("I'm not a morning person, so scratch those 8 AM sections off my list.") Some want to avoid a certain day of the week ("I'm on the football team and we travel on Fridays.") Some might even reject a course based upon location ("That section is on the other side of campus: too far to haul a backpack full of books.")

Increasingly, the main selection factor is another unfavorable beyond when or where the section is, but who is teaching it. Let's say that the dozen sections of American history are taught by four different professors: Brown, Garcia, Jones and Nguyen. To know which classes a student wants to avoid on the basis of time and place, all he needs is a schedule (and maybe a map of campus). But where is the student going to get information about the instructors? The catalog will give a few largely irrelevant facts, such as Brown got his Ph.D. from University of Wisconsin, joined the faculty five years ago, and now holds the rank of Associate Professor. A search of professor publications would just tell us that Brown is interested in the Reconstruction period, and specifically the workings of the Freeman's Bureau.

But in order to know which professors to avoid, the student needs feedback about how the professor teaches (and how well) and that is only going to come from other students. In the years before the internet, this went on informally. You could hear them gossip in the registration lines: "Jones is an easy grader, but boring."

Professor	Grading	Classroom	Tests	Workload	Overall evaluation
Brown	Hard	Clear lectures	Multiple choice	Average	Good
Garcia	Average	Good discussion	Essay	A lot	Good
Jones	Easy	Good discussion	Both	Average	Good
Nguyen	Average	Hard to follow	Both	Average	Fair

Looking at these kinds of sites where students provide such feedback (sometimes not even anonymously), the amazing thing is the agreement and the disagreement (what social scientists would call inter-rater reliability). Here again the two-by-two contingency table is most useful.

		Another student says	
		GOOD	BAD
One student says the Prof is…	GOOD	Agree	Disagree
	BAD	Disagree	Agree

Where the agreement is most obvious concerns the more objective aspects of factual description of the different instructors. All students reporting on Prof. Brown agree that his tests are multiple choice and straight from the lecture (not the textbook). Everyone agrees that Prof. Garcia requires a lot of reading and has essay tests. Some of those reporting on Prof. Nguyen noted that her lectures were a little hard to understand, and that Jones' classes usually involve open, unstructured discussion.

Here's where the disagreement comes in: on evaluative issues such as which instructor is the best. If a student likes clear lectures (and tests based upon the lectures), he should avoid Nguyen and Jones, and would probably be better served by Brown. If a student likes exploring ideas and tying everything together, he might be better off with Jones or Garcia. The result of this sharing of information (about the facts) and evaluation (about who is best) is that the "marketplace" of students becomes more differentiated, not less. What is more important is the higher level of customer satisfaction: each student winds up with a professor whose style is more compatible with that student's own abilities, priorities and preferences.

I would like to think that such compatibility is a two way street: that it boosts the satisfaction of the professors as well as the students. It is no fun trying to lead a discussion when one student disrupts the flow of ideas with “Is this going to be on the test”?

What should be the response of universities to student sites such as these? My general answer is to encourage them. It could be problematic if the sites are used to make defamatory or libelous remarks under the cover of anonymity. Another problem would be if a particular student has a specific grievance against one professor (e.g., a grade challenge, charges of sexual harassment). These problems are best handled through the proper (closed) channels of due process.

I contend that companies are in the same position as the universities, and this inter-consumer dialog works to their advantage in several ways. Factual information is dissipated to other potential consumers. This information is now perceived as coming from a more credible source. It is true that much of the information will have an adverse impact (on certain segments).

The consumer who writes “My Lincoln Town Car is the most comfortable car I have ever driven” might also mention “The gas mileage is the worst I have ever had, even compared to my old Cadillac.” This is going to differentiate the marketplace based upon consumer priorities.

Of course, inter-consumer dialog predates the internet. It was “word of mouth” using the technology of the telephone, handwritten letter, two co-workers at the water cooler, or two neighbors over the back fence. There has always been informal dorm gossip about which professor was the harder grader (and which had the leering eye). When a new movie comes out in the theaters, notice how its second week’s revenue may differ markedly from that of the first week? If the movie has a lot of advertising and other hype from stories about its celebrity actors, the first week will probably be a blockbuster. But after that first week, a different source of information takes over: those who have seen the picture talking about it with their associates. The remake of “Godzilla” bombed after the first week: bad word of mouth. Movies like “Sideways” and “March of the Penguins” picked up business because of the buzz as friends encouraged friends to see an offbeat movie.

Not all mouths are equal in terms of how far their words carry. In their book *The Influentials*, Ed Keller and Jon Berry estimated that there is one American in ten who tells the other nine how to vote, where to eat, and what to buy. Some of these are political commentators, columnists, talk show hosts or film critics with a big media megaphone. Some are celebrities, who will influence certain areas of personal life only. When Britney Speers started wearing low cut jeans in one of her videos, every girl from thirteen to thirty went out to buy a pair (whether or not this made her bare midriff look like a muffin top). However, I don’t think most of us would be persuaded by Britney Speers about how to vote in a presidential election.

But Keller and Berry focused on how seemingly “average” people wield a great influence. On Monday, three of the more attractive girls in the 9th grade start wearing multicolored shoe laces to school, and by the end of the week, every store in town is sold out of multicolored shoe laces. Many underground marketers look for local trend setters and get them to promote clothing or a restaurant, confident that the masses will quickly follow. It is not a verbal was “word of mouth,” more of a visual imitative process of the vigilant eye leading to the contagious look.

Here again, we must emphasize the pervasiveness of differentiation. These trend setters serve as models for specific market segments. One study by psychologist Albert Bandura showed a film about some twelve year old boys plotting some mischief. When ten year old boys were shown the film, they thought that the behavior was cool, and were tempted to imitate it. When some fourteen year old boys saw the same film, their reaction was “look at those stupid kids”. (If the actors in the video had been 18, their response might have been different.) When the 9th grade girls wear the multicolored shoe laces, that will influence pre-teens more than twenty year olds, and girls more than guys.

Each of us has different referent groups (people we turn to get an orientation on things). Perhaps we have several different referent groups, depending upon the areas of life. I’ll listen to my son-in-law, the budding young film maker, for advice on which movies to see, but not for what clothes to buy. I like to think that I may have a major influence in (Mexican) politics, but I don’t think anyone will even consider asking my views about the Des Moines city council race.

Each of us wants to be (at least a part) one of these influentials. We want a voice if not a vote. When it comes to facts, most people realize that they have only a tiny piece of the puzzle.

"To know that you do not know is the best. To pretend to know when you do not know is disease."
– Lao Tzu

Most people assume that their preference in music and food is better than average, and that by vociferously expressing their preference, they will impress others with their good taste. Most people don't want anyone to challenge or change these preferences, they just want information on how to more effectively attain these goals (and perhaps some vindication that they have succeeded in impressing other people). People crave a forum, and by making it easy for them to join, you increase the size and the dynamism of the forum, and have enabled your customers to become more loyal.

Once a forum has been established, it will become a collective cognitive filtering system, as described by John Reidl and Joseph Konstan, in their book *Word of Mouse: the marketing power of collaborative filtering*. This system not only collects facts, but puts an interpretation or "spin" on them, leading to the view that certain products (and companies) are good (or bad). It is these interpretations and inferences (and innuendo) that links the facts with the feelings, the information with the affect, the objective with the subjective.

Over a quarter of a century ago, James R. Bettman in his book *An Information Processing Theory of Consumer Choice* described the sequential process of consumer choice as a series of filtering nets (similar to the separate barriers that each product must overcome on its journey to being bought). Bettman used the example of a woman considering a new dress. Of course, some shopaholics will go with the impulse: "This dress is just so me, I must buy it." But a consumer with some mixture of reason will employ these kinds of screening out questions at least on most of her purchases. Let's follow the thought processes of one such consumer, Ms. X.

- Do I need this type of dress?
- Is it different from the ones I already have?
- Is it comfortable?
- Is it easy to care for?
- Is this something I could not sew myself?
- Is it well made?
- Could I wear it many times?
- Is my size available?
- Is it affordable?
- Does it fit me at my…?
- Do I like the fabric?

- Is it too risque?
- Is it too dowdy?
- Do I like this color?
- Do I like the way it looks on me?
- Do I like the brand?
- Do I like it better than other dresses I could buy here today?
- Would I prefer to buy it here rather than some other store?
- Would I prefer to buy it today rather than wait and buy it later?
- Will they take my credit card or check?

Now let us imagine that Ms. X is not shopping alone, but has brought along her friend, Ms. Y, who acts as a real-time, face-to-face forum for feedback. The latter may provide some factual information:

Is it easy to care for? "Yes, my sister has that same fabric, and she just puts it in the washer with the cottons of the same color."

Is it well made? "Yes, look at the stitching."

But mostly Ms. Y is there for "moral support." Her evaluative comments will have more impact than her provision of factual information.

Does it fit me at my…? "Looks good from the back." (Of course, a salesperson could say the same thing, but notice the difference in credibility.)

Is it too risque? "Well, I wouldn't wear it to the PTA, but don't you and Bob have an anniversary coming up?"

Do I like the brand? "Mrs. Sperling, head of the Ladies' Auxiliary wears that brand of clothing."

Would I prefer to buy it here rather than some other store? "They are so nasty at that other store."

Now suppose that Ms. X purchases the dress and wears it to a dinner party with several couples. Ms. Z, another wife, notices the new dress and compliments Ms. X. If Ms. X gets enough compliments, and they appear to be sincere, her purchase decision has been vindicated. She is more likely to think that her values and judgments (e.g., good fit with her figure, not too dowdy or risque) were right. She may even return to that store for another dress.

The real dynamics of buzz have not yet started. Suppose Ms. Z then tells three other ladies: "I was at a dinner party last night and Ms. X had on the cutest new dress. I think she got it at…" That endorsement of the dress (and the store) will have more impact on those women than any TV commercial. (Indeed, that's why so many TV commercials try to simulate just such a situation).

Emmanuel Rosen, in his book *The Anatomy of Buzz: how to create word of mouth marketing* speaks of this process as viral marketing. Just as the flu is passed from person to person in a contagious fashion, so viral marketing spreads a buzz about a product (or service or company) with unsolicited testimonials. People don't trust commercials, but they trust their friends (and the "influentials").

One long standing theory in marketing is the product life cycle. When a new product (or service) first comes on the market, it is not immediately adopted by everyone. The first few customers are sometimes called the "innovators" or "leading edge." These are the people who bought their own computer before 1984 or who had a cell phone before 1997. Research has attempted to profile them socio-demographically (e.g., younger, male, higher SES, more educated, living in the blue states) or psychographic (e.g., non-traditional, seeking new experiences).

At the other end of the spectrum are the "laggards" who wait until just about everyone else already has the product. These are people who waited until after 2000 to get a computer, 2005 for a cell phone, and who still may be waiting on large TV set. Demographically, laggards tend to have the opposite traits of the innovators (think of a 70 year old widow in rural Mississippi, 8th grade graduate, living on Social Security: most of her world is frozen in 1979). The psychographic profile of the laggard is one of caution. He remembers an acquaintance who bought a BetaMax, an 8 track tape, or an Amiga computer. Maybe he is just waiting for the price to go down.

There is one great similarity between the innovator and the laggard: both make decisions by trying to avoid the unfavorables, they just differ on how they perceive those unfavorables. Both face the same dilemma: on the one side going another day without the latest product, on the other side, buying something that will be outdated before he can get his money's worth out of it. The innovator is more worried about the first problem, and the laggard is more worried about the second.

One of Rosen's insights was to frame the adoption cycle in terms of buzz circles. The difference between innovators and laggards is in the company that they keep. Innovators are connected (mostly to other innovators). Their rapid adoption becomes a competitive frenzy. Each time they see each other (or communicate electronically) they talk about the new features on their latest model of cell phones, computers, game stations, and home entertainment units. Then they run back to the store (or shop online) and get what their friends have shown them (or something newer).

Laggards tend to be out of the loop, socially. They don't have that many friends (at least, not friends with electronically enabled communication). Sometimes these laggards will find a surrogate innovator friend (and that may describe some of the people who actually watch the shopping channel and infomercials).

In the book *The Tipping Point*, Malcolm Gladwell speculated that products really "take off" when the majority of people are at least coming into contact with people already using the new product. You start to notice a lot of people on the street have a cell phone (so maybe it's time to get one). You hear advertisements with a FAX number (so, maybe that is better way than calling and waiting on hold) or hear that the best airfares are on the website (better get on the internet). The Gladwell theory holds that once a critical level of input is reached, outputs soar tremendously. That point of take off is called the tipping point.

```
   -                        *
O  -                       *
U  -                      *
T  -                     *
P  -                    *
U  -             *    *
T  -    *    *       tipping
   -*                 point
   - - - - - - - - - - - - - -

         INPUT
```

In this case, the "input" is what stimulus provided by what potential consumers see around them, and the "output" is their aggregate response.

```
   -                        * * * * *
S  -                       *          *
A  -                      *            *
L  -                     *              *
E  -  innovators        *                 *  laggards
S  -             *    *                      *
   -    *    *       tipping                    *
   -*                 point
   - - - - - - - - - - - - - - - - - - - - - - - - - - - - -
          TIME
```

The tipping point graph is related to the product life cycle graph. Prior to the tipping point, just the innovators purchase the product. To see the laggards on this curve, we would have to extrapolate another few years or so, after sales have peaked, and perhaps declined: that's when the laggards finally come in.

It must be emphasized that these buzz circles are not decision makers, but exchangers of information and endorsers of preferences. The decisions are still made by individuals (using vague heuristics, not precise algorithms).

In a previous chapter, we described the Janus effect, in which groups often made poorly reasoned decisions (and then stubbornly refused to revise the course of action). The role of buzz circles can be just the opposite. In his book, *The Wisdom of Crowds*, James Surowiecki, argued that collectively, groups exhibit more factual knowledge than any member. For example, he points to the TV game show, "Who Wants to be a Millionaire?" When an individual contestant is not certain of an answer, he may choose to use a "lifeline" to call a friend or relative who is supposedly an expert in this area. Alternatively, the contestant can "poll the audience" to see where the collective wisdom is. Surowiecki noted that the audience got the right answer 91% of the time, vs. 65% of the individual experts. He also presented some guidelines for the situation in which this is most likely to be the case, for example, when the background of the members of the group varies and their judgments are independent. (Janus gave examples where groups came from a homogenous background and their face to face meetings meant that they influenced each other's judgments. Their ideas were prefabricated so as to be impervious to fact or reason. So, you get a half dozen Ford executives listening only to each other, you get the Edsel. If they had had a broad based buzz circle, they might have had the Mustang a decade earlier.)

The Janus group was inherently incapable of self-correction. Buzz circles are as flexible as they are amorphous, and here is why. Consumers make a lot of bad choices: purchasing mistakes from which they learn. Where information is highly restricted, some firms might be able to capitalize on those mistakes in the short term. Where information (and evaluation) is widely available, people will vicariously learn from the mistakes of others and become wiser consumers, more sophisticated shoppers.

Let's take the time share industry. You hear an attractive advertisement (perhaps too good to be true). You (and your spouse) can have a free vacation: three nights and two days in a luxury resort, you just have to listen to a ninety minute presentation, which consists of sales people showing you the facilities and presenting an idyllic picture of the place. You hear some numbers, like the cost of the average five star hotel room (and think what inflation will do with that in a few years), and how much smarter it would be to make an "investment" in a luxury resort "property." One thing that most places don't want you to do is to talk freely with some of the current guests ("owners"). The sales people have pre-empted many of your objections ("I've go to talk to my wife"; only couples will receive the free vacation) and countered some others ("Let us think about it for a couple of days"; no, this deal is only good in this room right now). The time share sales industry views the customer as a mark to be conned, and objective information as the enemy. They know that if the customer goes on a forum like craigslist.org and mentions "time share," half a dozen people will respond with horror stories in less than an hour, or someone will find a website for time share resales at 20 cents on the dollar.

My basic standard of ethics was explained as the categorical imperative by German philosopher Immanuel Kant, and phrased more succinctly by late U.N. Secretary General Dag Hammersjold.

"Treat others as ends, never as means."
– Dag Hammerskjold

Trying to keep the consumer away from the facts (or even the viewpoints of others) in order to push him ignorantly into a deal is wrong. It is not only immoral, it is bad long term business because eventually your firm will generate such a bad buzz, it will be overwhelming (perhaps even leading to government action).

"You can fool all of the people some of the time,
You can fool some of the people all of the time,
But you can't fool all the people all the time."
– Abraham Lincoln

There is a better approach companies can take to buzz: help it along. Work with consumers over the long term to help them make fewer mistakes (and thereby win their loyalty). One great fictional example of this occurs in the Christmas movie "Miracle on 34th Street." A department store Santa Claus (Kris Kringle) tells a little girl on his lap that the department store he works for does not carry a particular toy that she has asked for. He goes on to volunteer the information that a competing store across the street carries the toy. When the floorwalker hears of this, he wants to fire Kris, but the buzz has already spread among the shopping throngs: and they are coming in mass to Kris' store because they perceive him as an honest source of information.

I noticed something similar back in the 1980s when I had a recruiting and assessment ("head hunting") firm in Silicon Valley. Many of the head hunters I competed against had a short term focus (and questionable ethics). They were trying to con both sides of the deal. They would tell the prospective employer: "I got the greatest candidate for this open position, but you better hire him today before some other firm grabs him" (when he's actually been unemployed for six months). Then they would tell the prospective employee "You better take this job, it pays a lot better than you can expect to find anywhere, I have another candidate I'm interviewing for this position tomorrow, you had better sign the contract today" (not mentioning that this position has been open three times in the last year because the immediate supervisor is a jerk who nobody can stand to work with). Such head hunting firms made a quick buck at the expense of both worker and company, but such firms usually didn't last long. (Perhaps those guys went into time share sales.)

My head hunting firm used a different approach. We viewed the ideal placement of a worker with a company as the ideal marriage. There is no such thing as the perfect husband or the perfect wife, just a compatible couple. So, there is no perfect worker or perfect company. Our goal was simply to match a worker's skills, interests, and vocational priorities with what a company offered and required. The personality of the worker must be compatible with the corporate culture. I had a partner who was a Cal Tech trained engineer. His job was to screen candidates for technical competence. If they passed his interview, I gave them a personality test and interviewed them on their goals. Most of the people I interviewed I ended up telling, "I don't see this as a fit." I didn't insult the candidate by saying his personality was wrong, it just didn't fit the organizational climate. I didn't tell him that his job related priorities were wrong, they just didn't match what that company offered. I told many candidates to stay put with their present firm, in some cases I told them that someone else (not even one of my client companies) might be hiring and would be a better fit. I even told some that they would never be happy working for someone else, but that they had an entrepreneurial spirit and would only be satisfied starting their own company.

Our Kris Kringle approach paid off in the long term. Several of those candidates that we "rejected" for a specific search called up a few years later saying "You probably don't remember me, but you interviewed me a while back, I didn't get the job, but you gave me the advice to start my own company. Well, I did, and now my company is growing and it is time to hire a good vice president of engineering, and I know that your firm will find a compatible person."

Unlike the an ad campaign or political spin, informal buzz does not "stay on message." The information and views expressed are always morphing as reality and impressions about reality change (and as more people enter the forum). Ultimately, I see myself as more of a scientist than a businessman. My branch of science (psychology) has seen a number of theoretical shifts in my professional lifetime. The one statement I can definitely make about the nature of science is…

"All statements (including this one) may be revised in light of future experience."

Scientific statements are modified in light of new data (or new interpretations of existing data). Buzz circles are a less formal forum than are scientific journals, but they proceed in the same way, by successive approximations of statements of fact and interpretation.

The advent of the internet and smart phones just facilitates the buzz process that has always existed. Now Ms. X's buzz circle is not just her neighbors and the ladies at the PTA, but hundreds of women, many of whom are just a "handle" on Pinterest or some discussion forum.

In his books, *The World is Flat*, and *The Lexus and the Olive Tree*, columnist Thomas Friedman points out that the world has changed irrevocably in its march to openness and globalization. Just a few decades ago, there were great forces in the world that could restrict the flow of information: symbolized by the Berlin Wall. Now, you can't beat buzz, and you cannot prevent it from getting out, you can only embrace it without fear.

10 Marketing Research

INSIGHT #10: Marketing research is essential.

OVERCOME #10: Research is never adequate until it is followed up.

Research is the attempt to gain information about customers (and potential customers). While advertising is a one-way communication from the company to the consumer, marketing research tries to close the loop of the communication process, by hearing from the customer (not just talking at the customer).

Most companies recognize the value of research, at least occasionally, and will sponsor a big project. When it is concluded, the executives tend to say, "Well, glad it's over, maybe there is something in it we can use, but I hope we don't have to go through that again (at least not for a long time)." This is the wrong attitude. Good research is not an event, but an ongoing process. It should be less like checking your oil once a month, and more like monitoring your speedometer as you drive. We have to replace the occasional events of marketing research projects with an ongoing process of communication and feedback from customers. As Levine, Locke, and Searles said in *The Cluetrain Manifesto*, "markets are conversations." The purpose of marketing research is to monitor those conversations (and perhaps to guide them).

"If you measure it, it will improve."
– Seth Godin

"To know that you do not know is the best. To pretend to know when you do not know is disease."
– Lao Tzu

Not everything that can be counted counts, and not everything that counts can be counted.
– Albert Einstein

"Knowing what to measure, and how to measure it, makes a complicated world less so."
– Steven D. Levitt

There are numerous mistakes that companies make in this area, but this chapter will just focus on the biggest ones. (A more thorough exposition of all the technical problems in research is covered in my other book: *Questionnaires: practical hints on how to avoid mistakes in design and interpretation.*)

MISTAKE #1: thinking "We don't need to do research."

Research is the process of gathering data about your market. The reality is you are doing research; you are just doing it inefficiently, ineffectively, and too expensively. One form of research you are doing is called accounting. The problem with that research is that the data on a failing enterprise are coming in too late, and may only tell you of the failure, not why it occurred or how you could have prevented it, or how you can turn it into success.

Brink's Rule #1 about Marketing Research: When your firm is failing, you need to do research to find out why. When your firm is prosperous, you need to invest in research to keep prospering in the future.

MISTAKE #2: thinking "Marketing research is too expensive."

Going to your doctor or lawyer is expensive, but you do it because it saves you more money in the long run and preserves what is most valuable: your physical and economic well being. Like medical and legal complications, an ounce of prevention is worth a pound of cure, and is a lot cheaper.

One of the main reasons that research is so expensive is that many dollars and hours are wasted on projects that attempt to get information that is

1. already known, or
2. can never be found out, or
3. would not be helpful

Barbara Bund in *The Outside-In Corporation: how to build a customer-centric organization for breakthrough results* suggests that firms focus their research on those key areas that will have a large impact on success. (My recommendation is that this focus be on the consumer's decision making process.)

Furthermore, just because the most sophisticated research is quite expensive does not mean that more affordable research is worthless. Alan R. Andreason's book *Marketing Research that Won't Break the Bank* has many sensible and affordable ways of doing non-survey research: observation, archival, simple experiments.

Brink's Rule #2 about Marketing Research: Most firms wait too long to do any research and then opt for an expensive project.

MISTAKE #3: Not starting with introspection.

The easiest kind of research, and the cheapest, is the kind you should start with first and use continuously. It is called introspection and is the foundation of all the humanities and social sciences. Introspection means "looking within." It is a process of self-reflection. It asks the question, "Why do I think what I think, feel what I feel, and do what I do." Psychological research did not begin in a laboratory in Leipzig in 1879 with Wilhelm Wundt, it just became more scientific and rigorous (and a lot more expensive).

Introspection is especially appropriate in marketing research. The point of the first chapter was that the biggest competition any business faces is from the customer himself. Even though you have started a business, you are still a customer and can think like one. Monitor your own emotions, thought processes, decisions, and actions, especially when you perceive an unfavorable. If you can find a good reason not to use your product, so can most of your potential customers.

Everyone introspects, the problem is that most people don't do it consistently or thoroughly enough. In your reflections about your product, you probably had some thoughts that entered your mind, but you then quickly discounted (and forgot). Some of your potential customers will think of these also, but not be able to discount them nor forget them.

For example, you have developed a great all terrain vehicle, and are contemplating producing it and selling it nationwide. One day while working underneath you reflect that several parts are vulnerable to rust. But, you live in southern California and only take it out on the desert, so the concern with rust quickly passes. The same thought might pop into the mind of a potential customer in Tampa, Houston or Bangor, and you have lost a sale.

Perhaps this introspection is what Kevin Davis meant by the title of his book *Getting into Your Customer's Head* where he recommended diagnosing customers' little problems and big fears (the factors that influence their decisions).

If you don't want your customer to stop thinking about your product, don't stop thinking like your customer.

Brink's Rule #3 about Marketing Research: Start with introspection, and never stop using it.

MISTAKE #4: stopping with introspection

It is one mistake not to start with introspection. It is another mistake to stop using introspection, thinking that you have gotten into your customer's head once and you never have to keep tabs on where that head is going. Perhaps the biggest mistake is to assume that because you have used introspection, you are doing sufficient research. Introspection is always essential, but it is never adequate.

The first error is not using introspection. If I would not use the product, why would anyone else? The second error is excessive reliance upon introspection, assuming that all other consumers are just like you, (e.g., willing to put up with the same product hassles). Good marketing research starts with introspection, but then moves beyond it with research on larger samples.

The conclusion is not that all other consumers are like me, or that all other consumers are not like me, but that I am like certain other market segments, in certain ways, and the task of marketing research is to describe those segments in a way that is targetable.

One problem with introspection is that of self-serving bias. If you were to self-reflect on the question "Are people essentially good"? you might think "I am such a good person, so I guess people are essentially good." There are several problems with this conclusion, but the first one we should mention is self-serving bias: the tendency to evaluate oneself in a most favorable light. Who says that *you* are so good? You do! Most individuals will rate themselves higher than average when it comes to intelligence, attractiveness, honesty, sexual drive, tolerance, and driving ability. The relevance of self-serving bias when it comes to marketing research is that most people who have developed a product or service also see it in the best possible light (as they do their children and favorite baseball team) and underestimate the problems, and remember, it is those little perceived problems that drive the customer's decisions.

Some individuals are in the definite minority of having the opposite bias: they cannot get over viewing themselves as inferior or evil. They cannot imagine themselves winning anything, having a good marriage, or developing a successful product. Just as most individuals will underestimate their product's downsides, these pessimistic individuals will tend to overestimate the drawbacks. Most businesses will suffer from the tendency to rush a product to market without adequate considerations of how to eliminate (or tone down) the unfavorables, but the born pessimist will have the opposite tendency, not following up on great opportunities because all the problems cannot be first overcome (at least in his own mind).

If the first problem with introspection is the bias the individual has towards himself, the second and greater problem of introspection is that one individual can never represent the complexities of the entire potential marketplace. The sample size in introspection is always only one, and that is never capable of producing statistical significance. Worse yet, you are not a representative sample. You may think that you are close to average on so many variables (height, weight, age, ethnicity) but even if you are, you cannot represent those niches at the extremes. Also, you are clearly not representative of nearly half the population (the opposite gender), as well as people in other age groups and geographic locations.

If we want to learn about water, maybe we should not just ask a goldfish, because he is too close to the situation, and that is all he knows. If we want to learn more about the product (especially its unfavorables), maybe we also need to go beyond the person who developed the product.

Brink's Rule #4 about Marketing Research: Never stop using introspection, but never stop at introspection.

MISTAKE #5: prematurely developing questionnaires

Most companies intuitively recognize the limitations to introspection. (Unfortunately, this leads them to prematurely reject a process that has much preliminary utility.) Questionnaires are an essential step in the research process, but remember that questionnaires can be done badly and even if they are done well, they will be expensive. The stairway to successful marketing research has many steps. Introspection is the first, and questionnaires are also an important step, but if you try to go from introspection to questionnaires, you are probably headed for an expensive stumble.

The data from introspection (and focus groups) tend to be qualitative: potential customers expressing themselves in words. In order to tap the usefulness of statistics, we need to get numerical data. We have to quantify the variables and get a larger (and more representative) sample.

But questionnaires are not the only way to do this, and should only be attempted after three other approaches have been considered.

Focus Groups

Think of focus groups as an improved version of introspection. Instead of your reflections being done all by yourself in private, let's have others voice their reflections about the market and potential products. This kind of interaction produces deeper reflections than one person (who is inevitably subject to self-serving and other biases) and it also shows a possible segmentation in the marketplace: some people are more impressed by some factors than other people are. Focus groups help you clarify what these are, before you attempt to quantify them in a later research phase. Focus groups give you an idea of which questions to ask and how you should ask them, before you develop your questionnaire.

One organic juice company was contemplating opening a shop at a university campus. It had a focus group where students were given samples of the juice products. The praise was overwhelming, the juice stand opened a shop and failed to attract an ongoing and sustaining clientele.

Rather than giving up the business as a failure, another focus group was attempted. Again the students were given free juice samples, and they raved about the quality. Indeed, most of the students in the focus group admitted that they had tried the juice place, and liked it, but rarely went there. This time the focus group focused on the constraints and downsides: why haven't you been getting your juice here on a regular basis? The answers showed that it was factors which had been perceived as very small to the company, but very large to the students.

Students wanted juice at one or more of these three occasions:

- instead of breakfast at the dining hall,
- for a quick snack outside the library,
- for an evening social break.

The company decided to have two locations: one close to the dorms, the other close to the library.

Students who preferred to get a quick glass of juice instead of waiting in line at the dining hall admitted that they did not always have the cash to get the juice, but could use the student ID card like a credit card at the dining hall. The company decided to start taking payment with the student ID card.

Students said that they just did not have time to sit down and drink the juice in the morning: they had to get to class quickly (and at this university that meant on their bikes). Students said that they had experienced a great frustration with spilled juice when they tried to bike. The company developed a new cup that the student could even take to a morning class or sip on a bike ride.

Students also said that they tended to congregate evenings around the dining hall (even though they hated the food) because the dining hall was open later and had WiFi (for collaborative studying and on line socializing). The company decided to stay open later and offer free WiFi. After a few weeks, students were coming by just to use the WiFi, then to socialize, and when they tried the juice, they became loyal customers.

Field Counts

"You can observe a lot by just watching."
– Yogi Berra

In order to get quantitative data from a larger sample, you don't have to turn to a questionnaire immediately. There is probably some way for me to directly observe the behaviors or characteristics of a large number of customers (or potential customers).

The first time this occurred to me, I was doing clinical research at a nursing home in Guadalajara. My students were helping me collect the data. Each patient was to be asked about two dozen questions from age to specific questions that would be used to assess dementia. I noticed that some students were skipping over the second question (patient gender), then it came to me: the students did not have to ask the question to get the answer, but could simply observe how the patient was dressed and circle whether the patient was a male or a female.

If a local clothing store wants to find out how most co-eds dress for class (pants, shorts, skirt or dress) they don't have to develop a questionnaire asking "What are you wearing today." They can simply come on campus and look around and count how many are wearing each of these types of clothing.

If a local automobile dealer wants to find out if customers at Home Depot and patrons at the movie theater drive different kinds of automobiles, it doesn't have to figure out how to get questionnaires to (and back from) a representative sample of the customers at each business. All you need to do is to go into the parking lots and seeing how many trucks, vans, SUVs, etc. there are at each establishment.

If a local museum wants to find out which of its exhibits was the most popular last month, it doesn't need to come up with a questionnaire where patrons can vote. The museum only has to look at the wear and tear on the newly installed carpets to figure out which exhibit generated the most traffic.

Archival Files

It is possible that the data you want have already been collected and are already filed away in some archives: patient files, employment histories, student records, or customer product registrations.

Once again, I realized this back in my clinical days. I was developing a new test for assessing dementia (e.g., Alzheimer's Disease). I wanted to see if I could come up with ten easy questions that would assess incoming patients according to their level of dementia. I started with the existing population of nursing home patients, and then it occurred to me that these patients had already been assessed: after the first month of being at the home, each patient was classified as "lucid and alert" or "confused" by the nursing home staff. I could use this (more valid, but time consuming rating) and correlate it with the patients' answers to my questions.

One sales manager wanted to determine which of his agents sold the most of each category of the company's products. He did not have to use a questionnaire to ask each agent how much did you sell last month of these? of those? The data were already in the monthly sales records.

One mobile home dealer wanted to find out if people of a certain income group were more likely to purchase mobile homes. He did not have to circulate a questionnaire, because each person who attempted to purchase a mobile home had to fill out a form that included income, residence, age, marital status, etc. This database of applications allowed the dealer to determine the targetable niche of mobile home buyer by income, employment status, marital status, parental status, current geographical location, indebtedness, even type of car driven.

One clothing retailer wanted to know how customers who paid by check (vs. credit card vs. cash) differed. Instead of bothering her customers with filling out a questionnaire, she noted that the register receipts included type of payment, total amount, and specific items purchased. From this she was able to determine that check writers were more likely to be purchasing school clothes for their children; those who relied upon credit cards tended to be purchasing casual or work clothing; those using cash tended make the smallest purchases (and either teen styles or large sizes).

A software firm wanted to get more information on the demographics and buying behavior of its customers. It began to offer a free email service which became popular with local college students. In registering for the service, customers had to give background information such as age, geographical location, and gender. Registration also produced a cookie tracking web surfing behavior. This indicated that its customers downloaded music and purchased airline tickets online. On the basis of this information, the software company determined that this market niche would be interested in directly downloading the software (as well as having a CD rom available mail order and in retail computer stores).

Brink's Rule #5 about Marketing Research: Don't stop at introspection; don't negate the value of questionnaires, but don't jump directly from introspection to questionnaires until you have looked at the three F's: focus groups, field counts and archival files.

MISTAKE #6: obsession over sample size

Most people seem to understand, perhaps intuitively, that small samples are not as good as large ones. If people have taken a course in statistics, they may have forgotten most of the equations, but they probably remember how hard it is to get statistical significance with a small sample. This has led to an obsession with bigger sample size (and a corresponding tendency to dismiss any research done on less than gargantuan proportions).

I remember one letter to the editor received at the San Bernardino *Sun* newspaper. The writer was livid about the prospect of new legislation limiting ownership of firearms. The newspaper had recently published a Gallup Poll indicating that most Americans wanted more regulation of firearms, especially hand guns and "assault" rifles. The author of the letter criticized the poll for relying upon a "small" sample of 1,800, and taunted the newspaper to conduct a survey of the millions of members of the National Rifle Association. That writer seemed to believe (or at least expected the readers to be impressed by the fact) that a sample size of a million was so much larger, and therefore better, than a sample size of 1,800.

There is a reason why the Gallup Organization (and other excellent polling firms) do not use sample sizes of a million. It would cost about a thousand times as much to gather data from a million persons as it does to gather data from a thousand people, and the data would not be a thousand times better. Yes, the larger sample would produce better statistical significance, but the ratio of sample size to significance is not proportionate in a linear formula.

Remember that economic law of diminishing marginal returns? Adding another worker on the same sized farm adds more total production, but as the total number of workers increases, each additional worker does not add that much more to the total. The same principle applies to sample size. With sample sizes less than a hundred, it is very difficult to attain any statistical significance (even at the .05 level) unless the correlations are quite strong (or the differences between the groupings are quite great). Adding another hundred subjects nearly doubles the costs of sampling and entering the data, but it improves statistical significance. Adding yet another hundred (for n = 300) would improve significance even more (but not as much as the second hundred did). Adding another hundred (for n = 400) would improve significance, but a little less than the previous hundred. By the time we have an n of 1000 (and certainly by n = 2000) we have to question the marginal utility of more cases.

There is a factor much more important than sample size, and that is the extent to which the sample is representative of the population. Going back to the example of the angry reader who implied that a poll should have been taken of the million members of the National Rifle Association. There is no doubt that a sample of a million is larger than a sample of 1,800, however, none of us would believe that the members of the NRA are representative of a cross section of American public opinion about gun control. Indeed, people joined the NRA because they had strong, anti-gun control positions. The Gallup Organization, and other legitimate polling firms, have to come up with a sample that represents men and women, old and young, red staters and blue staters, urbanites-suburbanites-small town-rural, and do so roughly in the same proportion as these relevant demographic divisions can be found in the U.S. population as a whole. So, a good sample would be about half female, about 12% from California, about a quarter college graduate, etc.

One of the biggest mistakes amateurs make when doing a survey is that they end up with a large sample of convenience which disproportionately represents whatever segments of the population was easiest to survey. Not only is this sample non-representative of the entire population, it is probably non-representative of the specific segments that you most need to discover the unfavorables about your product.

For example, a local automobile dealership that sold several GM makes distributed in its showroom a brief questionnaire about perceived product quality. They were quite pleased and self-satisfied when the data came in: GM cars and trucks have an excellent quality rating. The sample size was not large (under 200) but I have no doubt that if they kept up the survey a few more months they could have gotten a sample ten times that size and the data would have fit the same trend. The fatal flaw was not the size of the sample, but the sampling process which assured that the data would not be representative of the entire population of potential automobile buyers. A larger sample would only multiply the original mistake of the sampling.

This survey was no better than the survey of the NRA members about gun control. The people who showed up at the GM show room were those who had already been convinced of the quality of GM cars. Those who doubted GM quality went to the Ford, Chrysler, Toyota, VW, or Hyundai dealers and did not, therefore, participate in this survey.

Brink's Rule #6 about Marketing Research: a representative sample is more important than a large sample.

MISTAKE #7: using the wrong research tool

Even when questionnaires use proper techniques of sampling and tabulation, they are frequently used for the wrong purposes. It is like a carpenter who spends all his tool budget on the best hammer he can find, and then tries to use it (not just to hammer nails) but to saw wood and plane a board. Part of using a tool well is to know the functions (and the limitations) of that tool.

If you want to know WHY a customer did not purchase your product, questionnaires have a limited utility. The complexity of that answer would be better discovered in a focus group.

If you want to know WHETHER a change in your product will change its performance in the market, again, questionnaires have but a limited utility to respond to a hypothetical situation. The real tool for gauging the impact of change would be the experiment. Like the survey, the experiment measures some outcome variable (e.g., customer attitudes, number of units sold). The difference is that the experiment does not just measure the input variable, but intentionally manipulates one of them to see what impact this will have on the outcomes. Experiments are far superior to questionnaires, focus groups, archival studies and field counts when it comes to identifying cause and effect relationships among the variables.

The owners of a little cafe in the theater district of Mexico City were trying to decide whether to stay open later in order to catch the audiences when they got out of the theatres at about 11 PM. Several questionnaires were distributed, but the data were inconclusive: it was not clear if the number of customers who said they would come in after 11 would cover the costs of staying open. Finally, they decided to stay open until 1 AM for a month, an experiment to see what the impact would be on both costs and revenue. It was a great success. After the first couple of weeks, it became apparent they were not just drawing the crowd getting out of the theaters, but the cafe was generating its own business (people living in the local area who had not attended the theater that evening, but previously had no place to go after 11 PM).

Unfortunately, this tale with a happy ending is not typical. Usually when experiments and questionnaires produce opposite results, they are the other way around: the surveys tend to be overly optimistic, and it is the experiments that hear the voice of harsh reality.

A small college wanted to try to penetrate the local market of high school students. The rationale was brilliant: high school students get out of school at about 2:30 in the afternoon, so why can't they get a head start on their BA degrees by taking a few college courses?

Focus groups led to more insights and ideas. Parents were enthusiastic about a way of cutting overall time though college (and thereby saving money). High school administrators were initially accepting of the idea, and offered the empty classrooms at the high school.

After two semesters, this experimental program was deemed a failure. It was hard to find instructors who were willing to go down to the high school campus and work with this age level. The high school's semester start turned out to be a week after the college's, so by the time most students heard about the program, classes had already begun. It was also discovered that school holidays (especially spring break) did not line up between the two educational institutions, so many high school students said "no thanks, I don't want to give up my spring break" and did not enroll in the classes.

Fortunately, the college kept up its idea of serving this underserved market. Each semester could be viewed as another experiment where it could see what worked and what failed (and why). The college eventually jettisoned the idea of offering classes down at the high school, tweaked its academic calendar, and realized that many students would not be in the niche (due to their lack of free time and heavy commitment to extracurricular activities like athletics, drama, music, speech, dance, 4-H, scouts, and church). One product that seemed to sell very well in the high school demographic was online courses: these 21st century students were not afraid of the internet, and it allowed them to overcome barriers of physical distance and time distribution that on campus classes could not.

Brink's Rule #7 about Marketing Research: Don't be afraid of experimenting often; be afraid of not experimenting often enough.

MISTAKE #8: looking only at the big picture

Questionnaires and experiments give us a mountain of data. Most people are overly impressed by the big picture, and may not see some important details suggesting niche opportunities.

A hardware store did a field count of its customers, about two thirds were male. They thought the conclusion was obvious: we appeal to the male demographic, and therefore we should advertise on radio broadcasts of local sports games. A focus group could have answered the question of the different reasons men and women might go to the hardware store. Perhaps the women went to that local hardware store (instead of Home Depot) because they got individual attention. Perhaps the decision not to market the store to women neglected the greatest potential growth segment.

A bus line in Toluca, about an hour west of Mexico City, decided to operate a new line all the way to the Mexico City airport and found that there was sufficient ridership to run the lines each couple of hours. The verdict of this experiment was a clear success. However, one of the drivers had a question for his supervisor, it seems that on several occasions, he had a situation where someone wanted to be left off on the highway, well before the airport, at a location not all that safe.

It would have been easy to come up with a company policy forbidding letting passengers off at certain locations, but the supervisor wanted more information. What about these passengers? They were young, perhaps college students. Where was the point at which they wanted to be dropped off? It was about a kilometer walk from Iberoamerican University. The bus line decided to try another experiment, a special route from its Toluca terminal directly to Iberoamerican University. After a week it was a success. After several focus groups and experiments, the bus company had tweaked its schedules, fares, and policies to match the needs of another targetable segment: the students at Iberoamerican University.

Brink's Rule #8 about Marketing Research: Most anomalies in the big picture can, with the right kind of research, be turned into successful niches.

MISTAKE #9: focusing on the consumer's decision, not on the consumer's process of making that decision.

One of the biggest mistakes of all amateur researchers (whether they are using focus groups, questionnaires, or experiments) is a looking only at the bottom line ("did the customer buy the product") and not on the process of HOW the customer came to that decision. The real advantage of focus groups in particular is that they can help you see how the customer made the decision and WHY he decided to purchase your product or not. In most cases, this means that you should follow the trail of the lethal unfavorables.

"There are three rules for writing a novel. Unfortunately, no one knows what they are."
– William Somerset Maugham

Let's paraphrase Maugham's statement: there are clear rules for a product's success (or failure) in the marketplace, and only the potential customer knows what they are.

Visualize the consumer's product decision sequence as a journey. Along that journey, the consumer comes to many forks in the road. Experiments, field counts, archival files, and even questionnaires tell you how many consumers arrived at a particular destination, not why they chose to go this way or that way at a given fork in the road (and more importantly, how could you have changed the road signs to end up with more customers).

Focus groups should be employed after introspection and before questionnaires or experiments, but they can also be employed after quantitative data have been tabulated in order to better comprehend those data.

Take the case of someone who recently arrived on an airline from southern California to Mexico. Continental notes that this customer took its new route from the perimeter airports of Ontario (east of Los Angeles) through its hub in Houston to Toluca (west of Mexico City). If Continental just looks at the big picture, the bottom line, this experiment has been a success: more customers are taking this route. Continental needs to do research on some other hidden opportunities (and risks), and this will require focus groups to study the consumer's conscious (or unconscious) process of decision making.

A good opening question might be something like "How did you happen to fly this Continental route today?" Continental should already know that it has a monopoly on this route: other airlines fly into Toluca (but from Tijuana), and other airlines depart Ontario, California, for Mexico, but land in Mexico City. So, Continental can expect to hear some unfavorables about its route (e.g., "It is not cheapest, but…" or "It is not the most convenient schedule, but…") and passengers still chose it because the other routes had more unfavorables (especially those associated with the LAX or Mexico City airports. But here is the key lesson for Continental: it must address its own unfavorables before some other airline offers competition on the same route (or before the other airports figure out how to reduce their unfavorables).

Also, Continental must ask whether it has really earned a repeat customer who will fly this airline in the future. "Will you be flying this route again in the near future." Continental should not be so confident: "No, the baggage restrictions are too limiting; I think I might even drive next time just to bring my things back with me" and "No, that seven hour layover in Houston is just too much" and "No, I heard that a bus service will take me from San Bernardino to the Tijuana airport where I can get a budget flight to Toluca on Volaris."

The decision to fly Continental from Ontario to Toluca has so many forks in the road, and each must be answered “Yes” in order for Continental’s bottom line to be profited.

“Do I need to get from southern California to central Mexico?”

“Will I fly rather than drive?”

“Will I fly rather than take the bus?”

“Am I willing to use the Ontario airport?”

“Am I willing to have a layover in Houston?”

“Am I willing to fly into Toluca?”

“Am I willing to pay Continental’s fare?”

“Am I willing to put up with their baggage restrictions?”

“Can I figure out how to purchase Continental’s tickets?”

Whenever the customer sees an obstacle, he might reframe the entire search process and back up several forks in the road. Perhaps a customer initially decided that he preferred to fly instead of driving. So, he checked the different airlines, decided on Continental’s route, and was ready to purchase the ticket but just then he heard about the baggage restrictions. Some consumers will decide to put up with that unfavorable rather than put up with the hassles of going through the entire search process again, while others will back up to the point of considering other airlines, and others may back up to the point of reinvestigating the possibility of driving.

Sometimes the constraints in the decision making process are external to the company itself. Suppose my employee in Toluca calls me to tell me that he cannot pick me up at the airport that day, and I know that the taxi fare matches the bus fare from the Mexico City airport, so now, all those airlines offering Ontario-Mexico City routes are back in play. Suppose the Ontario airport just raised its daily parking rate, and I think that maybe driving a little further to San Diego is not so bad because their long term parking is cheaper. Now, Continental must compete with an Aeromexico route out of that airport.

There is an important complication to the process of seeking the customer's decision path in her journey toward your product. Different people may have arrived at the same point (purchase your product, or not purchase your product) through different routes. This is most obvious on the rejection side. Two different people may have had different reasons for not flying that Continental route: one objected to the layover in Houston while another had difficulties with the ground transportation after arriving in Toluca.

This differentiation of customers also applies to those who decided to purchase the product. Let's take the example of three customers who decide to purchase Chevy S-10 pickups (the compact model) at a particular southern California dealer. Customer A knew all along that he wanted a small truck. His decision path was which make (Toyota, Ford, Nissan, or Chevy)? then whether new or used? then which dealer? Customer B started off making the decision that she wanted a new vehicle that was economical. She then decided she wanted to use the dealership closest to her small town (which happened to be a Chevy dealer). She narrowed it down to a Cavalier and an S-10 and went for the latter. Customer C has been a close friend of the local Chevy dealer for many years, so he knew he would just go to there and buy his next truck. For Mr. C the final decision on his path was whether to get a full sized truck or a small one.

These three customers represent different segments who may require different marketing plans, especially advertising to help them make the "right" turn at the most difficult fork in the road. Mr. A needs to understand why a new S-10 would be better than a used Toyota. Ms. B needs a nudge on the first part of her journey: deciding that it is time to look for a more economical vehicle to replace her current gas guzzler. With Mr. C, maybe the dealership and GM have got to consider whether purchasing an S-10 was the best decision. Maybe it would have been better for him to have purchased the larger pickup, and so the S-10 should have been viewed as the competition.

"The shoe that fits one person pinches another; there is no recipe for living that suits all cases."
– Carl Jung

Another example might be women who decide to get their hair colored at a salon. Miss X is in her regular salon and considering a haircut and permanent. She notices another customer with an attractive hair color, and wonders how it would look on her. She will now think through the rejection factors that occur to her at this point: will it cost more than I have today? will it upset my boyfriend? will it give me the wrong image at work? will it go with that dress I am wearing to the prom next week? Mrs. Y has been using hair coloring for several years, buying it at the drug store and putting it on at home. Now, she is wondering if she should be going to a salon to have this procedure done. She is comparing the difficulty of getting a convenient appointment vs. the hassle of trying to mix chemicals at home. Again, notice that these two women represent different market niches, have different views of the presenting unfavorables, and require different marketing campaigns to get and keep their business.

Brink's Rule #9 about Marketing Research: Knowing what the customer did is not as useful as knowing why the customer did it.

MISTAKE #10: failure to put the research into practice

By far the biggest mistake about research (and planning) is that it when it is done, the company is done with it, and does not follow through by putting the insights into practice. Indeed, there should not be a clear division between research and practice. The company needs to be constantly innovating (practice) and constantly monitoring (research) how well everything (not just the new innovations) is working.

Too many companies try to make a big production of each research project and each new product innovation, thinking in terms of budgets to gain approval higher up. This amounts to teaching dinosaurs a new dance step: everything is done at the largest possible level, it's slow, and by the time things happen, the participants are extinct. Companies have to start thinking of the research-practice combination as a digestible series of alternating bite sized actions: baby steps down the road of continuous progress.

"Expect only 5% of an intelligence report to be accurate. The trick of a good commander is to isolate the 5%."
– Douglas MacArthur

General MacArthur was a great military strategist because he did not wait for all the intelligence to come in and be verified before he took action (or we would still be fighting the campaign in the Pacific). He knew that action had to be taken sooner rather than later, and with the best information he had on hand. And perhaps he also knew that the best way to get more information from the enemy was to wage a new campaign.

One mnemonic which might be useful here is squirt gun versus flintlock rifle. Most companies view marketing research and development as akin to firing a flintlock rifle. It takes so long to load, we better aim very carefully before we fire because it will take so long before we can get off another shot: ready, aim and fire is the only appropriate procedure.

Today we are in a business environment which Stan Davis and Christopher Meyer named in the title of their book, *Blur: the speed of change in the connected economy*. Their advice was "Don't plan your company's future, adapt." Perhaps the best metaphor for this is firing a squirt gun. Start shooting as soon as possible, and keep it coming. Look at where the water is hitting, and adjust your aim accordingly: ready, fire, aim (with all three then going on continuously).

Henry Mintzberg in (one of his many classic books) *The Rise and Fall of Strategic Planning* argued that there is little empirical confirmation for the advocates of (big event) strategic planning. He encourages companies to be catalysts of change rather than analysts of the status quo.

Clayton Christenson in *The Innovator's Dilemma: when new technologies cause great firms to fail* pointed out that markets that don't exist can't be analyzed. The only way to get research on the next big thing is to use innovation to try it out as an experiment.

Measurement is at best a prelude, or post mortem, to action; but it can never be a substitute for action. Don't focus only on the measurement of the problem, but as well on the solution of the problem. Indeed, measurement is at best a first step, only a means to the end of the solution. Going back to my clinical days for an analogy: diagnosis of the disorder leads to effective intervention.

"Imagination is more important than knowledge."
– Albert Einstein

Brink's Rule #10 about Marketing Research: Don't stop research when you start implementation. Don't wait for research to be over before you start implementation. Research and implement simultaneously and continuously.

11 The Comeback Customer

INSIGHT #11: Getting a new customer is hard, but keeping an old customer is harder.

OVERCOME #11: Listen to your customers to learn what it will take to keep them.

"Marketing is about spreading ideas."
– Seth Godin

Yes, we already mentioned that, and so it is, but marketing is so much more than just spreading ideas. An infectious spread of ideas may get you a new customer who hears the buzz, but unless he starts buzzing himself, he is unlikely to stay your customer. Hearing someone else buzzing may bring him to your product, but it won't keep him there. If he is unlikely to stay your customer just because he heard someone else buzzing, then he will be much less affected by continuing advertising. If he has experienced satisfaction with your project, that advertising is not necessary. If he did not experience satisfaction with your product (i.e., he discovered some over-riding unfavorables) the advertising is not going to help. Indeed, he is likely to be thinking, fool me once, shame on you, fool me twice, shame on me. After purchase advertising cannot conceal the deficiencies (e.g., the product didn't work or had some unforeseen and over-riding disadvantages).

When I had a search and recruitment ("headhunting" firm) I did something that other headhunters thought was ridiculous. I actually tried to discourage individuals from taking a position with our client companies. Instead of saying "Great firm, you'll love it" and risk disappointing both the worker and the employer, I was brutally honest. "Let me tell you why this position is open. The last four guys who had this job quit because…" I had several applicants tell me, "Thanks for warning me. After learning that, I really don't want this position." Was I crazy to be so honest? There was method to my madness. If I had sweet talked a worker into accepting a job that did not fit his personality and priorities, and if I had sweet talked a company into selecting a misfit of an employee, it would not be long before one side or the other grew dissatisfied and the placement would have come undone. I was less interested in the quick buck than in establishing a long term relationship.

That is the same strategy that most firms need to develop with their customers. If most of your customers are not staying with your product, you have not done an adequate job in warning them before hand. Giving out that information about the unfavorables up front works in two ways. First, it discourages the wrong kind of customer from trying your product (and then having a bad experience and then bad mouthing your product). Second, it serves as an inoculation against the real experience of the unfavorables.

For example, a small college in Indiana found that it was suffering a great attrition rate. If had spent an average of a thousand dollars to recruit each new freshman, but the majority of those freshmen were transferring somewhere else after just one year. Not only were these marketing costs too high, but the university began to wonder if it kept losing upper classman, could it offer many quality majors. Someone then got a great idea: advertise the unfavorables. A cartoon drawing said it all. A student all bundled up was hanging on to a chain link fence in a blizzard, and underneath were the words "Ski Terra Haute." The message was clear. This university did not offer the beaches of California or Florida, or the warm climate of Arizona, or the ski slopes of Colorado, or the urban experience of NYU. The ad was perceived as clever, clear, and credible. Freshman enrollment picked up slightly the year after the ad ran, but more importantly, attrition went way down. Students who were really sensitive to the physical environment scratched this university off their list. Those who finally did enroll knew what to expect and took the bad weather and sparse physical environment in stride. That's how you build brand loyalty and keep customers coming back. The marketing efforts not only hit the right segment, but discouraged the inappropriate segments.

If your promotional materials disguise the unfavorables or set up unrealistically high expectations, this is the formula for a subsequently dissatisfied consumer. In the long term most advertising shoots you in the foot. By concealing the downsides of your product, you build a false expectation that the customer finds discouraging when he encounters reality. So, a slight exaggeration of the difficulties may be a better strategy.

For example, right after 9/11 the heightened security at airports and border crossings made for long lines and waits. I remember trying to get across the international bridge from Juarez, Mexico, to El Paso, Texas. The line was much longer than I had ever remembered, and I had to get to a meeting at the University of Texas Campus. It looked like a wait of several hours standing in line. After about forty minutes of waiting and slow moving, I had almost decided to turn around and say that I would be unable to attend. Then I noticed a sign ahead: I looked at my watch, and figured I just might make it, so I stayed in line. A few minutes later I saw another sign "average wait time from this point 40 minutes." It had been less than fifteen minutes since I had previously checked my watch, so I figured we were moving. I calculated that, if that estimate was right, I had just enough time to make my meeting, with none to spare. When I got through the immigration and customs agents, I checked at my watch again and I noticed that it had been less than half an hour since I saw the first sign. Wow, I had beaten the expected time by over ten minutes. I felt great and made it to my meeting on time.

Let's suppose those signs had not been there. I would just be thinking about how much time I had wasted in line. I never inquired if the information in those signs was based upon actual measured wait times. Indeed, if I had been advising the immigration service, I would have recommended that they intentionally exaggerate the amount of waiting time, so that actual performance would usually beat the expectation and most people would have a feeling of relief, rather than frustration, as they finally got through the line.

Of course there are some industries where repeat business is rare (e.g., time shares) and the strategy has become to sell the customer today before he gets away. Here's a question I have not resolved in my mind. Does that industry use high pressure sales and dubious information because they know that people are only going to buy one (at most) time share in their lives or do people only buy one time share (at most) because of the horrible experience they have with time share sales people? People were expecting a pleasant vacation, not a high pressure experience.

Barry Feig's book *Marketing Straight to the Heart* has many great insights (e.g., the importance of emotional satisfaction in all products), but the one idea that impressed me most in it was the concept that you had to sell your product to a customer over and over again in order to keep him. In the retail business, a product must be sold four times

1. on the shelf
2. at the checkout counter
3. in use
4. after it runs out

In a service situation, a product must be sold four times

1. when you walk in the door and make your presentation
2. after your presentation
3. when your product or service is used
4. after the product or service is used

In a direct mail situation, the product must be sold four times

1. on the first page of your ad or catalog (or on the envelope)
2. in the response mechanism
3. when they get the product
4. when they are ready for another

Notice that the first three steps deal with the unfavorables before the initial purchase: things that can prevent the customer from ever trying your product. The last point of each of these deals with the repeat customer.

Feig offers an interesting insight on the product life cycle. "The myth of product life cycle.… Brand managers get bored with a product long before consumers do. Or marketing ranks are replenished by new cohorts of managers who don't have the same emotional commitment to the original product as the original creator." I do think that as technology, societies, and consumers change, some products do lose their competitive edge in the evolving marketplace. (I don't think that better ads and salesmanship can bring back 8 track tapes.) However, Feig may be on to something: too many products may be given up for dead before their time just because the marketers did not put sufficient effort in nurturing repeat customers.

The renewal or repeat decision has a different perceptual space than the initiation decision to try the product. I may take that magazine subscription because of the linked offer with my credit card or buy that first box of cereal because I have some nieces visiting or fly that new airline to Cleveland because of an introductory fare. But after actually trying the product, I am now aware of most of the unfavorables. That magazine has these obnoxious advertising inserts that keep falling out at the most embarrassing and inconvenient places. That cereal was just too hard for my teeth. Another reason I may not become a repeat customer is because my need was tied to a unique moment in time that has not recurred (e.g., after uncle Joe's funeral, there was no need to fly back to Cleveland again).

Chris DeNove and James D. Power IV in their book *Satisfaction: how every great company listens to the voice of the customer* classify initiated customers into three categories: advocates, apathetics, and assassins. The apathetics may come back and purchase some more, or may not, but they are not motivated enough to buzz about you and virally market your company. The assassins have had such an overwhelming experience of the unfavorable aspects of your products and are advising their friends and acquaintances to avoid you. (You should have screened out those potential assassins with more honest advertising.) It is the advocates that you need to recruit, cherish and motivate, because these are not just the come back customers, but the buzzers who will get more new customers into your fold. The way you get advocates is to provide them with an impressive experience.

Sometimes former students ask me what is the most important thing they can do in their first jobs after graduation. I tell them to over-perform and make your employers so glad that they made the decision to hire you. That same advice I would give to companies serving their new customers: over-perform, exceed the customer's expectations regarding the experience of your product. Have fewer unfavorables and more perks than anticipated.

Remember the pyramid of value: extracted commodities, manufactured products, appreciated services, and cherished experiences. If the customer just expects a product, and you do one level better, providing a memorable follow up service, you are going to start some buzzing.

Perhaps you need to reframe what you are doing to get the customer on board. He must not think that he is buying a product or a service, but that you are allowing him to partake in an experience. Jenny Craig, the weight loss guru, has a way to reframe social dinners. Don't think of them as eating occasions where people happen to be present, but as social occasions where food happens to be present. Let's apply this to your interaction with your customer. Stop thinking of this as an economic transaction where a little social interaction may take place as a side effect. Think of your contact with your customer as social interaction where a little economic transaction might take place. You are selling the experience as much as (perhaps more than) the product or service.

For example, my home in Toluca is within a few blocks walking of about four pharmacies. They all sell generic drugs at about the same prices. None of these pharmacies has any outstanding unfavorables that would make me cross it off the list. Each pharmacy has an efficient clerk who gives me more than a generic product, but good information about how to take the medicine and possible interactions. However, there is one pharmacy that I usually start at, and if they have the medicine, I'll buy it there and not try to save a couple pesos by shopping around. This place is not the closest, nor is it always the cheapest. It has the friendliest clerk. She is pretty, about my daughter's age, and smiles at me in such a way as to be just shy of a flirt. Best of all, she laughs at my little feeble attempts at humor. Seeing her and talking with her for a few minutes can be one of the highpoints of my day. Going to that pharmacy is more than getting a product, more than a service, it is a pleasant experience.

I can say the same about where I buy my bread or the cybercafe I use to get online. Even when you rule out the places with the obvious unfavorables (too far, too loud, too expensive, bad quality, grumpy people) there are still several places I could go, but I end up going to places that have become part of my daily routine of pleasant experiences. Indeed, the people where I buy my morning bread are so nice, I think I would still stop and pay them four pesos a day even if they stopped selling bread. I think I have come to look at them as a bargain social interaction that gives away free bread rather than a bread store offering some free social interaction. I have been treated to a higher level of experience, and I am now brand loyal.

Nowhere is this concept of experience more evident than in the busses of Acapulco. We think of a bus driver as providing a transportation service: a ride from here to there. The fares are set by the government, five pesos for the eight kilometer trip downtown (or anywhere in the city). Riders can be picky because in a ten minute period you can expect over a dozen busses to come by headed downtown. There are a few busses I avoid because of cleanliness or obvious safety factors but most pass muster. Most of the time I am in a reasonable hurry, so I just satisfice by taking the first acceptable bus that comes by, but I notice that a lot of other riders (especially the teens) seem to be waiting for a special bus.

The drivers in Acapulco are exclusively male and almost always under thirty. They customize their busses in several ways. Some of the busses have advertisements painted on the sides and back, but most have creative artwork, along the style of dragons and warrior princesses that you might see in video games. The insides of the busses are customized with curtains and decals. The greatest care goes into the audio presentation. A few of the older drivers may have no music, but most have a loud stereo system and have carefully selected their play list: rap, cumbia, reggaeton, old rock, or traditional Mexican ballads. No one ever tells the driver to turn down the volume or play some other kind of music. The driver is king of the road (or at least of the forty passengers with whom he rides the road). The totality of this is that riding a bus in Acapulco is more than cheap transportation. This can be the experience of a mobile discoteque. I see the high school girls get out of the public high school #41 at 3 PM, and the drivers purposely slow down in order to arrive down at the highway five minutes later, and the girls decline riding on certain busses so that they can get the one with the right experience.

The emotional investment of brand loyal customers sometimes approximates that of converts. The title of Douglas Atkin's book states it aptly, *The Culting of Brands: when consumers become true believers*. Many of our ideas about who joins cults (and why) are simply projections about who we are not. "I could never join a cult, so those people who do must be mindless idiots with no self-esteem." People who join cults do not do so with the conscious idea of escaping from individuality, but with the idea of maximizing their individuality: "at last I have found a religion that understands what a true and unique individual I am!"

It is the same thing with those brands that become cults. They do so not because they openly promise a pseudo identity to their customers, but they are perceived by customers as allowing the authentic identity to emerge.

There is a similar profile between the people who join religious cults and those who achieve a cult-like devotion to a product or service. We start a cult with disaffected heretics. Individuals start feeling alienated, different. Nothing on the current marketplace of religion denominations meets their needs any more. All the churches and temples currently available seem to ask for conformity to a pre-established pattern. "If you want to be a Catholic, this is what you have to do… If you want to be a Mormon, this is what we require." Potential cult members are on a quest for a compatible environment, a place that acknowledges and accepts their differences (or at least a place that fosters an illusion of that acceptance). These seekers then search for a more compatible environment. When they find such a place, cult members experience a great security and loyalty.

The strategy for marketers is to determine the brand's difference, declare that difference with doctrine and language, demarcation from the outside world, and demonize the other. The doctrine can be absolute and irrational. The language can be metaphor that some zealots may assume to be literal. It is good for a brand to be somewhat exclusive: not everyone qualifies. This only serves to further nurture the individual customer's sense of individuality, and the pride he takes in his buzz (proselytizing praise). The company must continuously express its commitment to the consumer, but it is more important to get the consumer to express his commitment to the company: such as by wearing the product logo in even irrelevant contexts.

When I was growing up, there were Ford guys and Chevy guys, Hobie surfers and O'Neill surfers. When I was sixteen, I couldn't tell you why a Chevy Impala was better than a Ford Galaxy or why an O'Neill board was better than a Hobie (they were both great, and priced accordingly). All I knew is that I was a loyal convert, and wanted to ride around with the convertible top down on my '64 Impala and my 10 foot 2 inch, three stringer, two skeg O'Neill surfboard sticking out the back all around downtown San Jose on a Saturday night. (Never mind I was nowhere close to the ocean, I wanted my membership in the Chevy-O'Neill denominations to be publicly displayed). Until I went off to college, that car and my surfing paraphernalia defined who I was, and my hairstyle and tennis shoes and language had the status of religious symbols and rituals to be venerated.

I now teach at a community college 80 miles from the beach, and over four hundred miles from Jack O'Neill's shop but not a semester goes by that some student (usually an 18 year old male) doesn't wear some clothing with the O'Neill logo.

(P.S., before I had finished grad school I had sold the car and the board, but the oldest item of clothing still in my closet is a Jack O'Neill wetsuit, and although I haven't worn it for twenty years, I think I'll ask to be buried in it. If you accept the idea of reincarnation, bet that in my next life, I'll be in an O'Neill wetsuit and on an O'Neill board. Now, that's a comeback customer!)

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