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Do we really live in a time of unprecedented change?

Or just imagine it?

Well, look what's coming

Book Reviews

Unleashing the Killer App

Larry Downes and Chunka Mui
Harvard Business School Press, US; 1998; ISBN 087584801X; 240pp; hardback; \$24.95;

For as long as I can remember, it has been accounted a truism to remark that we are living in an age of unprecedented change. In this age, it seems, not only are more things changing more quickly than ever before, but also the rate of acceleration of change is growing. A truism perhaps — but perhaps not actually true.

Consider, for example, the case of a man born around 1870 and dying, after his biblical span, in 1940. During the 50 years of his adult life he would have seen the birth of a raft of artefacts which form the basis of our commercial and domestic lives to this day: the petrol engine, the motor car, the aeroplane, the diesel engine, the electric turbine, the typewriter, the gramophone, wireless telegraphy, radio, television, telephone, oil-based plastics, atomic fission. Not to mention less tangible products such as psychiatry, relativity, quantum mechanics. And, of course, the outbreak of the two most devastating wars in history. Indeed, had such a man's father, dying perhaps in 1890, come back to life in 1940, he would have found that in 50 years the world had become in large part incomprehensible to him, filled with strange artefacts and even stranger ideas.

Consider now the case of a woman born around 1920 and dying in 1990. What comparable changes took place in her adult life? Well, the discovery of penicillin and the birth of the electronic computer just failed to make it into our earlier period; to these we might add the semiconductor, the contraceptive pill and the laser. And? Not a lot more, actually. Of course, the latest BMW, Porsche or Ferrari is an improvement on a 1940s' motor; the B52 outperforms the Flying Fortress, and touch-tone dialling beats connection through an operator working in a Strowger exchange. But our hypothetical woman's mother, dying, say, in 1940 and coming back to life 50 years later would have found a world *in principle* almost entirely familiar to her.

So, if we imagine the world has changed fast in our own lifetimes, we should certainly not regard this as unusual, nor, just because the past, being past, always seems a placid, unchanging place, exaggerate present movement. Not, that is, until now. Because change, of a kind and at a rate that may *truly* be unprecedented, is, it seems, about to hit us.

We, our parents and our grandparents were born into an analogue world; we will die in a digital world — a world, that is, where information (the most fundamental product there is) is held, manipulated, and transmitted in digital form. This book sets out to tell us what this change (already under way and beginning to accelerate) means for business people — and, indirectly, for consumers.

Its lesson for business is stark and simple: adapt, or die.

The authors begin by introducing us to Moore's Law (computing power doubles at constant price every 18 months), Metcalfe's Law (the utility of a network increases in ratio to the square of the number of its users) and Coasean economics (the optimum size of an organisation is determined by its transaction costs). This leads us to the Law of Disruption (social systems improve incrementally, technology exponentially), and the Law of Diminishing Firms (as open-market transaction costs decline, or approach zero, so does the size of the firm).

The looking-glass world...

We then move into a looking-glass world (as it first appears — only we won't wake up from this one) in which yesterday's company assets are today's liabilities: a retail bank has an average transaction cost, imposed by its infrastructure, of \$1.07; an Internet bank with no infrastructure one of 10 cents. In this world the new assets are 'information assets' — the 'soft' qualities ignored by accountants sitting obstinately on the other side of the looking-glass. Technology is no longer 'a tool to implement strategy' (although that was probably always a mistaken approach) but 'the basis of forming strategy ... Instead of being problem-pull, the new approach is also technology-push.'

...and how to deal with it

So how is one to cope with this new, paradoxical world? The authors give clear instructions: outsource to the customer, by linking him/her into your information sources; cannibalise your own markets — or someone else will eat them first; give away as much information as you can, to as many people as you can, to increase its value (see Metcalfe's Law); structure every transaction as a joint venture; treat your assets as liabilities; destroy your value chain; manage innovation, not as an ROI project but as a portfolio of options, using the tools of risk analysis; and hire the children. And more, each discussed at length.

Joined-up thinking

This is an exciting book which should probably be read through once quickly, thought about, and read a second time more slowly. Not that all of its revelations, or examples (there are dozens of these culled from the authors' consultancy work with US and UK companies), or recommendations are new. But it is, very unusually, a book of joined-up thinking which leaves one with new insights into why things are the way they are, and how apparently different phenomena relate to each other. Any business person can gain greater understanding of the world he or she works in from reading this book; directors of established companies have their jobs and their companies to lose if they are unaware of its lessons.

A book for CEOs

Above all this book needs to be read by boards of directors, chairmen and CEOs. No good will come of advising marketing managers to cannibalise their markets, destroy their value chains, and treat their assets as liabilities — unless top management has unequivocally bought into the process. And that won't come easily: perhaps a few quick corporate deaths will help to stimulate the thinking process and encourage the others.

But how much of this, you might ask, is hype? Are we not, once again, exaggerating the whole scale and pace of contemporary and future change? Since the changes we are discussing are social changes *as well as*

**Is it hype,
or is it real?**

technological changes, surely they can *only* happen at an incremental, not an exponential, rate? On a national or international scale that's, just, possible. But for the individual business one factor is new and vital: the Killer App (application to you) of this book's title. For the first time, the established player is at a disadvantage *vis-à-vis* the new entrant. The Killer App is not a competitive product or project that you can see coming from a long way away, and whose speed of approach you can gauge. More probably it is an idea in the head of some nerd, which can appear out of left field tomorrow and decimate your business without warning. Perhaps it isn't true that everybody and every business is under immediate threat of demolition. But you, and yours, could well be. So learn the lesson now: adapt or die; kill or be killed. And read the book.

Robin Fairlie

The New Marketing Era

Paul Postma

McGraw Hill; 1998; ISBN 0070526753; 175pp; hardback; £14.99

**A modest
provocation**

This is a modestly provocative book that fights shy of building the provocation into an alternative thesis. Perhaps because the author comes from a European background (he is a managing partner for Ernst and Young), he eschews the bombast that might have come from an American business tome, preferring the odd nudge to make his point.

The point is none the worse for being just slightly banal. New technology in marketing is fine, he avers, but only as usable as the human brain will permit. It is a conception that I would personally embroider with far too much colour and comedy. So, let me just quote Postma's somewhat stilted prose directly. 'The information revolution might well offer a staggering range of new possibilities, but the rationally deduced advantages will probably play only a limited role in decision making.'

In other words, the world of marketing (and this is very much a marketing book) is never going to be as logical or predictable as the techno-freaks would have us believe. Human beings remain whimsical and emotional; database science remains imperfect and uninspired; and the business of selling things seems never to enter the Valhalla of statistical serenity.

**Painstaking prose
versus rancid
rhetoric**

I guess we all knew that, though I can think of many British direct marketers who need constant reminders of the imperfection of their art. Perhaps they are the most likely to value this book — the very painstaking nature of the prose and the argument will give them greater comfort than the rancid rhetoric of outright techno-heretics. There are some capital examples early on in the book about apparently sophisticated selection criteria going wonderfully haywire, with puzzlingly random response rates being achieved via the keenest-eyed of apparent targeting. We have all been there.

Postma offers two parallel anxieties. Information can be deceptive, he points out, especially when historic data or formal research are used to

Beware focus groups

map the future. Again, nothing too radical about that. But fans of focus groups might well want to savour the examples he gives. In the early 1950s in the years immediately before the supermarket revolution, 90 per cent of American housewives insisted that they would never use a self-service store. More than 30 years later, market research by banks in the Netherlands found that ATMs, then no more than a technical possibility, also faced total consumer resistance. So much for asking people dumb questions!

**Read my actions,
not my lips**

His other impediment to surefooted marketing progress is simply the wayward nature of the customer's very human brain. He is very good on this, discerning properly between stimulation and action, between the sensory and motor regions, arguing for behavioural information to be given precedence over reported information — the limbic system over the neocortex. If this sounds a tad neurological, then we should all have the patience to stay with the vocabulary and think our way through statements like '*It is of vital importance that the structure of the human brain be reflected in the structure of the database.*' It sounds boffin-like; but is no more than common sense.

He is effectively saying quite a radical thing. Don't listen to your customers, rather learn what they do. Human behaviour and emotion are more important than inert data. We should all find ways of mapping them as we have learned to map purchasing and demographic data.

With reservations...

As always with these books, this could have been a slimmer volume (not that it's exactly a tome at 175 pages). Too many pages are taken up with familiar snippets from elsewhere. The AIDA formula makes its statutory appearance, Desmond Morris is a familiar voice later on and there is even room for dear old Siegfried Vogege. And I could have done without some of the primitive illustrations which seem to have strayed in from *Janet and John Find Out About Information Technology*.

**...a salutary
corrective**

But this is a book that deserves better than a sneer. Postma's summary of the marketing possibilities of the new media is fair and enlightening. His well-argued wariness about the hype that surrounds them all is honest. And it is very much a book for the direct marketer — a provocation none the worse for being gentle and reasoned. In particular, that fourth chapter on the workings of the brain offers usable information not easily found elsewhere.

George Smith

Improving Marketing Effectiveness

Robert Shaw

Economist Books, UK; 1998; 240pp; hardback; £20.00

**Essential reading
for MDs &
marketing directors**

I am always wary of starting a review with the words 'this is essential reading for ...', but in this case the recommendation is justified. Shaw's existing work on marketing effectiveness has already put him into the list of essential reading for marketing students, as an antidote to the outpourings of 'experts' who recommend marketing ideas and methodologies with no evidential basis. In this case, the target market is

managing directors and marketing directors, though the latter may be reluctant to stare so starkly into the mirror.

Failings of marketers

Shaw argues that there are good reasons for the documented poor regard in which general managers and City analysts hold marketing and marketers — on a par with estate agents and politicians! He quotes research showing that marketers are regarded as knowing much, but achieving little — ‘divorced from the operational world’ is the more polite description Shaw uses. He attributes part of marketers’ failings to their tendency to delegate to technical experts (eg market researchers, data analysts), so that they become unable to deliver themselves.

Lack of measurement & short-term focus

The book draws on Shaw’s extensive research to show just how rarely companies assess the effectiveness of their marketing. In Shaw’s view, lack of measurement is the main barrier to improving marketing effectiveness. He provides many examples of how the rather short-term focus of most marketing (and sometimes the short period for which senior marketers hold their jobs) ensures that there is no well-documented version of what works and what does not. One reason for this, he suggests, is the focus on speed of measurement rather than quality of measurement. Readers coming from the more measured marketing disciplines may find some of what Shaw says a little surprising, until it is remembered that Shaw is focusing on the measurement of quite high-level factors. He does not dispute that many companies have made progress in specific areas of marketing.

Shaw’s writing style has improved over the years — this book is not only well researched and full of ideas, but also well written. Here, my only criticism is that occasionally he lapses into a journalistic style which does not do credit to the seriousness of the subject matter. There are many examples and cases, although one is led to wonder whether these ‘best practice’ examples and cases will themselves fall prey to the same complacency that caused the downfall of the ‘excellence’ brigade. One editorial weakness is that there is no index. It would also have benefited from a proper bibliography — students would find this helpful.

But does measurement actually improve performance?

My most serious criticism is that Bob argues that measurement is absolutely essential — but provides no clear evidence that companies that measure do better than companies that do not. In other words, he does not stick to his own principles. He simply provides lots of evidence that companies do not measure and so have a weak basis for improving marketing effectiveness. In many areas — especially direct marketing — measurement is essential. However, one must have something to measure, eg delivery of strategy, branding, channel coverage etc. Marketing policies are not created by measurement, though they are validated by it. Effectiveness is about achieving results, not necessarily just about knowing exactly what the results were and how they were achieved. What I sought was discussion of when measurement is more important, when less, how management should decide when measurement is adequate and when not, which kinds of measurement are important and when, how you know when you’ve got the wrong measure, and of course, evidence for these assertions. For example, Shaw cites Microsoft as now having a sophisticated analysis

and measurement system, but 'twas not always thus! Arguably, its early successes were due to moving fast and not taking time to measure.

Benefits versus costs

I mute this criticism a little because marketing academics themselves are not very helpful when it comes to helping practitioners decide what to use when. Academics use the concept of 'cost of information', but have not extended it to 'cost of methodologies'. Marketers — particularly marketing consultants — are good at marketing ideas, but not so good at providing the pre-sales or after-sales service of helping customers understand whether a methodology (whether for measurement or anything else) will work or has worked. I would have loved to see evidence as to whether the benefits of a balanced-scorecard approach outweigh the costs.

Also, there is little discussion of the competitive impact of measurement systems. In my recent work, using data mining, I have found many examples of companies becoming complacent, believing that their measurement system captures all the information they need to know to maintain and improve marketing effectiveness. A wise player understands that one way to make inroads into a competitor's market share is to understand what their measurement system does not pick up — flying under the radar, so to speak. For the general manager, the key issues should be not just how the company measures marketing effectiveness, but also whether its measures are vulnerable to this kind of attack. Shaw himself gives good reasons for this — he cites the example of a senior marketer who when asked whether his company learns from the mistakes of competitors, responds by saying 'Yes, and we repeat them perfectly.' The same applies to measurement.

One of the strengths of a good marketing manager is that sense of what to measure when, and when not to measure. I am sure Shaw is correct when he implies that the balance has swung too far away from measurement, but not when he implies that measurement is all.

An enormous toolkit

Bob tends to resort to long checklists and an enormous toolkit at the end. This toolkit lacks one essential part of the instruction manual that normally comes with tools — how does the user decide which tool (or combination of tools) to use? More seriously, it does not help the users decide whether the required tools are available, or whether the users should create their own special tools.

Good value

These criticisms notwithstanding, this book really is essential reading for marketing managers and general managers — I have already recommended it to many practitioners, as well as to other academics. For even if it leaves them with the question of how to know what to measure and when to measure it, the fact that they are asking the question is a good first step! The book is a serious attempt to improve the scientific treatment of marketing — at £20 good value!

*Merlin Stone, IBM Professor of Marketing,
Surrey European Management School, University of Surrey*

(Readers will recall Bob Shaw's article in Interactive Marketing, Vol. 1, No. 1, covering the same subject as this book in much-condensed form.)

Relationship Marketing

Ian Gordon

John Wiley & Sons, Canada; 1997; ISBN 0471641731; 334pp; hardback; £22.50

The author is a management consultant ‘with over 20 years of marketing and strategy experience’, previously at Ernst and Young, now at TCI Convergence, Toronto, and the subtitle of his book is ‘New strategies, techniques and technologies to win the customers you want and keep them forever’. He was the first president and a founder of the Association for the Advancement of Relationship Marketing.

Well, relationship marketing has been and is one of the more ‘upscale’ labels for what we are all trying to do, and the blurb also whets the appetite. Will this book be an invaluable part of developing our skills? Should we rush to buy it or read a library copy? Does it shed new light?

Mr Gordon has written a book which I believe is best read *after* others on the subject. It is worth reading, but not as a fundamental title. Why?

There are several observations.

1. There are many sound points of common sense made, such as to think for the longer term, be more collaborative at work, build customer data, treat customers as assets, marketers should become relationship managers, and find an enthusiast as a champion. These points are always good as a refresher.
2. But it is best if you know these points already, to set them free from the fashionable language of the consultant — the world of stakeholders, functional silos, and the value chain. Even czars get a mention, but I didn’t spot holistic. Yes, the book is pious in its use of the consultant’s ‘Book of Common Prayer’. There is unnecessary abstraction of basic points.
3. There are not many new cases given, and most are American. We’re familiar with the stories of Saturn and Peapod. In fact, there are not enough examples at all. One doesn’t feel that the author has *lived* the subject enough, nor got his hands dirty.
4. His consultant’s view can be useful to give the broad sweep across topics, theories, checklists and the like, useful for being a salesperson, writing articles, the odd quote and introductions to ‘strategy documents’. This is not a hands-on ‘how-to’ manual. It is more ‘how to talk about the strategy of how to’. And beware, for the strategies, though valuable, are not always ‘new’.
5. There is a rounded coverage of latest technologies, Internet, telephone, and analysis software (the latter I reckon his pet subject). The processes are covered well. In fact, the book is ideal for the process-minded. There is a useful checklist for database content.
6. Like many consultants, in his measured enthusiasm, Gordon forgets to make strong points about the gulf between the ideal, the vision of developing ‘strategies unique to the customer’, and the reality that many companies still have certain basics to embrace fully, like the

Worthwhile, but not fundamental

Fashionable language

Talk about strategy rather than ‘hands on’

Ideal vs real

use of direct media and the professionalising of their databases.

7. This book is best as a quick read to reinforce what one probably knows from other sources, be they other titles, courses, conferences or the trade press.
8. The author slips in general marketing history, always useful as context in the bigger picture of relationship marketing.
9. As often happens, the need to cover processes has swamped coverage of branding, traditional market research, and understanding the irrational as well as rational behaviour of customers.

**A book for
the enthusiast**

So, if you have the time, say an hour or two, there is no harm in reading these 300-odd pages, as an alternative to a serious magazine, ideal for a long business journey. It is fine to skim and even refer to, for the structure lends itself. This book is for the enthusiast rather than for someone who needs convincing or enthusing. Designers, writers or marketers from other disciplines would not be well served. This is not a book to break down boundaries.

Jargon

Also, if you like jargon, you'll be at home with this book. Like many, it uses the word 'strategic' very strategically, and you'll find that points are key and issues are often strategic. Strategies themselves tend to be core. And there are core customers and core processes too. Often you are asking yourself 'what does this sentence really mean?'

And only a consultant could say 'For the company to present a single face to the customer, all technologies need to be integrated and any vestiges of functional silos not eliminated in previous reengineering or other initiatives, need to be swept away.' God bless them all!

The book is thorough and should be read. Please, however, keep your feet on the ground and question as you read it. 'Can customers really be kept *forever*?' 'Do all customers really want two-way dialogue *every* time?' 'How can I source all the assumptions to calculate lifetime value?' 'To which markets does this point *not* apply?'

Andrew Boddington

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