

**Chris Foster, CEO, Saatchi & Saatchi Asia-Pacific
SAATCHI & SAATCHI, LOVEMARKS COMPANY**

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The Algorithm of Attraction

I'd like to open with a story.



It has the classic elements of a great story. Two larger than life characters. Light versus dark. Dreams versus reason. Opposing forces having to work together.

On the one side of the story you have a character called Big Data. Very Big Data.

Now for a little back story on one of our lead characters.

This week, Gartner, a leading technology researcher, made an astonishing forecast: That by 2017, Chief Marketing Officers will outspend Chief Information Officers on information technology.

Not market research or consulting services – CMOs outspend CIOs on information technology.

There is something massive happening that is truly profound for us as marketers.



Each day, consumers throughout the world are generating an estimated 2.5 quintillion bytes of data, per day. That's a billion billion; a million trillion bytes of data.

And if you define data in a fairly broad way, apparently 80% of all the world's data has been generated in the last 2 years.

How are we doing this?



By posting, tweeting, liking, linking, chatting, facebooking, googling, transacting, mapping, pinteresting, instagramming.

Why are we doing this?



Because it is human nature of create, share, dare, celebrate, show-off, mouth-off.

What are we doing about this?



We are data mining, excavating, extracting, crunching, statistically-modelling, doing predictive analysis and customer lifetime valuations, visualizing, automating, tracking, micro-targeting and data dashboarding, all in the environment of massively scalable systems.

Why are we doing this?



To get to perfection.

To the perfection of customized one-to-one real time marketing.

To get to the perfect pitch.

To the perfect algorithm, delivered at warp speed, blending preference and price point, optimizing location and available credit.

Are we close to reaching the holy grail of marketing?

The zenith of effectiveness, efficiency and execution? Has all this data on its own gotten us there? The Panacea of the 4Ps.

CASH CONVERTERS '13-13-13'



I can't help but feel like we're missing something by blindly following the data alone. Or are we missing one essential ingredient that can undo all the zettabytes of computer code invested in this quest for perfection?

Airbus A380 thought they had achieved nirvana through data. The Airbus A380 is configured with the "perfect" auto-landing algorithm. The computer knows the sweet spot on the runway and hits it every time.

This sounds like a good idea until engineers found that having the plane land in the same spot every time caused damage to the tarmac.

In this case, perfection causes peril.

So Airbus has now introduced some randomization into the auto-landing algorithm. Some human imperfection into the perfect data set, if you will...



The missing ingredient of course is that we are *human*.

Human-beings.

We are the second set of characters in my story: Us; people.

Each with our different hopes, dreams, beliefs, opinions, languages.

Each one of us perfectly imperfect.

We're not creatures of mathematics.

But for some reason we keep creating things like this.

[SHOW RAV4 CHART]



According to the data, the RAV4 in Australia:

- Sells 16,000 units a year
- Has a buyer whose average age is 46
- Makes \$100K+ a year
- Is 67% white collar
- Has a 50/50 male/female buyer split, although it's perceived as a chick car in some circles
- 34% believe it's desirable
- 48% believe it's reliable

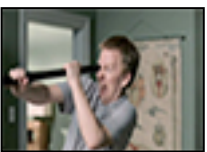
TOYOTA RAV4 'BAD THINGS HAPPEN INDOORS' X 5 (BED, GARAGE, CHEF, HOT TUB, VACUUM)

How on earth do you get there from the data?!

Yet those five "Live Outdoors" spots leapfrogged RAV4 over four competing models to the top of the market share table.

Indeed we are the product of magic, mystery, a dose of randomness and luck.

The elusiveness of the human spirit, what catches our attention and what we choose to share, defies precise prediction.



How else do we explain Gangnam Style?!



Machines can generalize, map trends, make predictions, serve customized options – all very useful and convenient – but machines cannot completely get into human feelings and emotions.

Only other people can do this.

Creative people.

Insightful people.

With brands that lead and stand for something.



The machine-driven world of Big Data is taking on the character of a “Rogerian therapist.”

In psychotherapy, Rogers’ method intentionally mirrors the patient. Therapists follow and reflect back what has been said by Clients. They do not lead, and do not stand for any particular point of view.

When we do this as marketers, I believe we pander to our audience. Big Data gives us the trend, the mean. And when you start with an average that’s a reflection of what people want, you are doomed to create the average.



This is the **second** flaw in the pursuit of perfect data: forgetting that we human-beings actively seek inspiration, engagement and authenticity. We **want** to be elevated by the brands we choose.



We **prefer** brands with Purpose which show us that more is possible. It’s very tempting in this always-on, impulse-driven, instant-everything Age of Now to simply go with what the data holds up as a mirror to people’s reality.

But surrendering to the power of the data would be a mistake.

Data without an emotional purpose is not compelling.

Imagine if chefs and composers were replaced by computers. Menus and music would perfect what is already in existence. We would have the perfect hamburger, but not have molecular gastronomy. We would have the most precise sonata but no Dubstep. There would be no innovation, good or bad, and we’d live in a world without sticky notes – that 3M mistake never would have happened!

Of course we need to use Big Data. We'd be fools not to build strong analytics practices and build dashboards and react in real time to what all of this information is telling us.

But we don't want to be famous for the depth of our data and breadth of our analytics.

At Saatchi & Saatchi we remain staunch believers in the unreasonable power of human creativity.

We believe that data simply leads to conclusions.

Emotion, however, leads to action.

And we are in the action business!



PAMPERS 'STAIRS'

My goal today is to acknowledge that Big Data is important and not to be ignored, but to reserve top billing for Big Emotion. This is where we have been experimenting for the past decade to understand the basis of authentic and sustained relationships between people and brands.



This experiment, this journey, is called Lovemarks – the future beyond brands. Because our belief is that brands are dead, strangled by sameness, parity, ubiquity.



The future sits with those super-evolved brands we call Lovemarks.

I will share our experience and hard evidence that Love actually works to deliver superior volume, share, margin, preference and loyalty.



This subject seems to me to be of great importance in Asia, the new pivot of the world. Because, despite the scale, wealth and intelligence of its peoples, Asia has produced only a handful of global Lovemarks.



Take away cars and electronics (i.e. “machine brands”) and Asia has produced almost no brands of global note. Contrast this with the relatively tiny city of Seattle that has produced no less than four.

This is the challenge of our future as Asia moves from low cost manufacture to designing brands and services people can connect with, believe in and aspire to.



The first element of a Lovemark is Respect.

Respect has three ingredients: Performance, Trust and Reputation. The product has to work; it has to be safe; and it has to stand for something that people can identify with.

These are all rational ingredients. All must-haves.

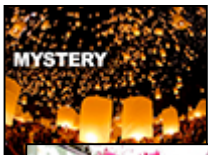
Notice these three factors are very measurable with hard data.

But on their own, they are not enough to help brands break out of a parity straitjacket.



The second element of a Lovemark is Love, which also has three ingredients: Mystery, Sensuality and Intimacy. Far more intangible and subjective, and hard to measure.

These are **not** things you learn about at business school (but you should).



Mystery is about storytelling; fusing the past with the present and the future; and infusing brands with inspiration, passion and constant surprise.

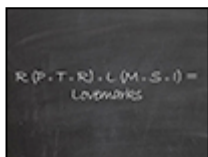


Sensuality is how to invoke the five senses. Most brands think in one or two senses at the most. Lovemarks are crafted to evoke responses across all the senses.



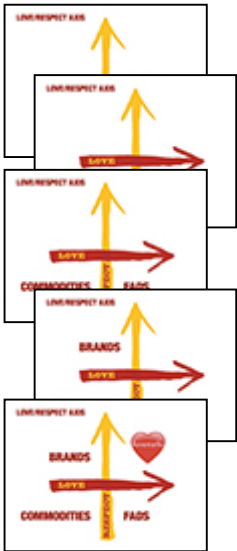
And Intimacy. How do we get close to our consumers, touch them, whisper to them, and demonstrate through design and empathetic delivery that we understand them.

CCTV 'FATHER'S LIE'



Lovemarks experience and validation gave us our own algorithm. The algorithm of attraction!

It looks like this: $R (P+T+R) + L (M+S+I) = \text{LOVEMARK}$



Here's how we map a Lovemark on the Love/Respect Axis.

Commodities are low in Respect and low on Love, and in our research, consumers assign a surprising number of brands to this segment.

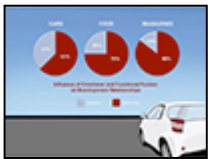
High Love but low Respect puts you in the Fad zone. Novelties that are here today gone tomorrow. Great for launching movies and music, fast turnaround fashion (i.e. Rubik's cube, Crocs).

Most Brands have high Respect but low Love. Top parity performance, benefits, attributes but low on emotional heat.

Lovemarks are high of performance AND high on emotional engagement.



Independent validation showed that growing Love and Respect **can increase buying intention for a product by as much as seven times**. Even if your brand has high Respect already, you can double volume by increasing Love and becoming a Lovemark.



The dominance of emotional factors in consumer purchase decisions is a compelling reason to take this data seriously. Our research determined that **emotional rather than functional factors made up 63% of the purchase decision for cars, 75% for food and 85% for magazines and so on**. This is equally true on business-to-business purchasing as well as consumer goods.

We've also learned that consumers are tough judges, brutal even.

AMR Research in London, a Saatchi & Saatchi associate company, has developed a deep pool of knowledge about what makes a Lovemark.



AMR's proprietary research which surveyed 4,000 brands across 100 product and service categories, in 50 countries, has shown that less than 10% of all the brands qualified as Lovemarks (i.e. high in Respect and high in Love).

The conviction in our method was the first thing that kept us on the Lovemarks journey. The second and most compelling factor has been the voice of the consumer.

People got the Love conversation intuitively and they sent us stories, thousands of stories about **the things they love**: the usual suspects such as cars, burgers and beer, but also shoes – ask any woman! – soap, shampoo and even exotic products like step ladders and chain saws.



Lovemarks.com has become our crowd-sourcing hub for stories about Lovemarks.

To give you a flavor, this is what Dimas in Indonesia wrote about his Fender guitar: "Whenever I touch this machine, the character from this six string echoes through my mind. I can bend your mind with this. I can bend your heart with this."



Fender makes \$700 million in annual sales in 85 countries and relies totally on the sort of emotional connection that Dimas has expressed.

WESTPAC 'GUITAR'

For the guitar aficionados in the audience, it was of course an Epiphone but it was the only guitar ad in our inventory.



Peoples' stories about their Lovemarks often refer to **childhood memories**.

June from Singapore says: "When I was eight, my mum gave me a sample Chanel bottle. Every time I smell it, I am reminded of how grown-up I felt the first time I wore it."



This is real brand intimacy and it is almost impossible to arrive at via Big Data.

But what do childhood memories have to do with the fast-moving, digital, Age of Now?



In the digital age, ROI equals Return on people's Involvement.

Here's an example from a telecommunications company in the Philippines who, conscious of the constant price and service parity in their market, decided to take a chance on love....

PLDT 'ANNA BANANA' CASE STORY EDIT

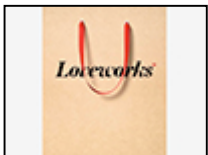


Across Asia we have identified a universal optimism and sense of wanting to **Make the World a Better Place**. Despite scandals and natural disasters, for most consumers in Asia life is getting better - they have more to spend, and they can see a better future ahead for their children. What used to be the American dream is fast becoming the Asian Dream. My next story taps into this universal hope for a better future.

SAFEGUARD ‘GERM STAMP’



All of these personal revelations cannot be generated by computer, mined from search data or credit card transactions. Big Data is helpful for the broad understanding patterns of behavior, and informing our judgment but Big Emotion is critical for developing intimate relationships and communication platforms.



Lovemarks has become the way of life for our company and at the Cannes Lions International Festival of Creativity in June we are launching *Lovemarks: how the world’s top marketers make emotional connections to win in the marketplace*.

Effectiveness is the theme of this conference so results are the order of the day. Numbers matter.



Lovemarks is a book of 20 case stories that offer market-based evidence that understanding Big Emotion works for clients and for consumers.

Lovemarks was written by Brian Sheehan, professor at Syracuse University and a former Saatchi & Saatchi CEO in Tokyo, Sydney and Los Angeles. In fact, the engagement of the academic community throughout the world has been one of the unintended positive consequences of this experiment. Lovemarks is now taught in most advertising schools, and there are numerous academic papers on the approach.

Here is a preview of a few cases in *Lovemarks*:



Safeguard, as we have seen, goes beyond selling soap to connect with consumers in developing markets. It focuses on the promotion of health and wellbeing, and positions itself as a “caregiver” and “protector.” So what have been the results?

Result: More than 50% of the bar soap market in China – ask yourselves, what else has a 50% share, or greater, in China? Safeguard is the #1 body wash brand in China. The range of awards attracted includes the Red Cross Philanthropist Award, China Best Advertiser Award, Procter & Gamble's President's Award.



Reebok looked to the past to introduce a new product in the Japanese market. It connected with the collective memory of its target audience, building on people's nostalgic connection with the well-loved Japanese fitness program, Rajio Taiso.

Result: Received 2.3 million views; gained \$7 million of free media coverage; second most viewed online video in Japan in its year (2010).



Now a case from a different continent that is compellingly relevant. By building on their understanding of the importance of an aspirational role model in developing markets, **Guinness** identified the uplifting idea that 'there is a drop of greatness in every man'. This idea of course elevates both the drinker and the brand. So how well did it work?

Result: The number of people who adored Guinness grew from 22% to 61%; Guinness sales doubled two years ahead of schedule; brand awareness in key countries reached 95%. Guinness is the clear #1 brand in Nigeria, Africa's most populous country.



These few simple revelations were all emotional, human and profoundly commercial.

The results were derived less by smart computers than by smart creative people, planners and by the sweat and effort of brand managers.

That's why Big Data is only half the equation.

At Saatchi & Saatchi, the algorithm lives not in the machine, nor in the mind, but in the human heart.

Love cannot be commanded. It cannot be demanded.

Love can only be offered; earned; given; stood for.

Lovemarks are the future beyond brands.

T-MOBILE 'WELCOME HOME'

ENDS

