

COMMUNICATION – CONNECTION - COMMUNITY

INSIGHT

When I discuss the successful practices of large and successful corporations with SMEs, I all too often get a response along the lines of – ‘We would do that too, if we were as big as Apple’, suggesting that best practice is the preserve of businesses that can afford it.

The fact is, however, that rather than Apple behaving as it does because it is successful - it is successful *because* it behaves as it does. The practices I highlight are the cause of the success these businesses enjoy. They have been behaving as they do, in most cases since day one, when they were very small indeed – often operating out of the proverbial garage.

There is a great deal of merit in looking at these highly successful corporations and determining what we can learn from the success they have enjoyed. There is real merit in learning from the best.

In his assessment of Apple, Neil Patel, concluded that there are seven strategies businesses can learn from Apple. They are:

- Rethink the need for advertising – it is not as necessary as many believe
- Avoid price wars by emphasising a unique selling proposition
- Keep both the products and the marketing simple
- Know the audiences and talk to them in their language
- Design a superior customer experience – on and off line
- Target the emotions of your market and audiences
- Build a community of users or customers

All seven of these points are well illustrated by Apple and have relevance to many other businesses in a wide range of industries. Many of these strategies are contrary to those adopted by Australian business.

It is the last of these strategies that this article will focus on.

Steve Jobs recognised the importance of community and built a community of users from the very beginning of Apple. Indeed, it is central to the strategy of locking users into the Apple operating system (iOS) and ensuring that all of their digital technology is Apple.

As Patel notes in an article on his blog – ‘Apple has created a brand personality and culture that’s cool, fun, and friendly — the opposite of some of its competitors. Apple’s marketing strategies include making customers want to belong to that community. Their market share shows just how successful they have been.’

From the outset, Apple, the largest company and most valuable brand in the world in 2018, recognised the importance on connecting customers, connecting customers and building a community.

CONSUMER NEEDS

Great marketing is all about causing commercial outcomes by influencing the behaviour of a defined market. This, in turn, involves addressing and being seen to address human needs and being seen to address those needs better than others - or any other business.

Scott Galloway, celebrated clinical professor of marketing from the Stern School of Business at New York University, has noted in numerous books and speeches about the world's biggest brands – Facebook, Apple, Netflix, Amazon and Google (the famous FANG) that their success is in no small way the direct result of 'great products' that address well established needs and wants.

To develop great products that address human needs and wants better than alternative products, it is necessary to understand human needs and wants. It is very difficult to address what is not understood.

Some consumer needs and wants are general while others are specific to the product category.

In the 1950s Abraham Maslow provided one of the first meaningful insights into the needs of human beings. He wrote extensively about a hierarchy of needs:

- Physiological
- Safety
- Connection
- Esteem
- Self-actualisation

Maslow contended that as one level of needs, say 'physiological' (food shelter and clothing) is satisfied people would turn their attention to the next level, 'safety' (personal security, financial security, health and well-being).

This theory still has currency, although for many consumers, the first four levels have largely been addressed and now the focus is on self-actualisation (personal growth and enlightenment), a subject of considerable literature in 2018.

More recently, researchers have identified six basic human needs, all of which fall into what Maslow might have called 'higher needs' – connection, esteem, and self-actualisation. These are:

- Certainty
- Variety
- Significance
- Connection
- Growth
- Contribution

Supporters of this framework, including this writer, contend that everyone wants to be certain that the sun will rise and that their car will start tomorrow, to watch different movies and listen to different music from day to day, to feel that they matter, to have strong long term and casual relationships, to become more today than they were yesterday and to feel they are making the world or their community a better place.

This paper explores the importance of connection and community. Human beings need to connect and want to be part of a community. It gives them a sense of belonging and makes life much richer – points that will be explored in detail in this paper.

THE PROPOSITION

The proposition here is a simple one:

- 'Community' and leveraging communities will be the next big trend in marketing

The importance of community has already been recognised by leading marketers and a number of businesses, however, that importance will grow as the influence of brands declines and a range of traditional marketing strategies, including advertising and incentive schemes, lose their potency. In the years ahead great businesses will build large and well-connected communities prepared to buy an increasing range of products and services through that community.

An ancillary but equally important proposition is that:

- Community is all about connection. A community is by definition, connected.

Connection is not all that is required to establish a community, but it is an essential starting point. Values are essential for a community and it is those values that help create a connection. Leadership is essential, but leaders need connected followers to lead. A common enemy (perhaps IBM, if it is an Apple community), can be helpful, but members of the community are a community because they are connected.

It is predicted that successful businesses will be increasing their connection with audiences and connecting audience members with each other. In so doing, they will be creating a community that will purchase, purchase again, refer friends, and pay a premium, as they do in the case of Apple.

DEFINITIONS

CONNECTION

Strategic Life Coaching defines the human need of 'connection' as – 'the need to feel togetherness, passion, unity, warmth, desire, and love in our lives'.

Google defines 'connection' as – 'a relationship in which a person or thing is linked or associated with something else.'

Connection is facilitated by the 4 billion human beings using the Internet and the increasing use of a range of social media challenges and forums.

Connection is all about

- identifying and establishing relationships with people with whom we have things in common.
- Facilitate ongoing communication between connected people, and between those people and the organisation

COMMUNITY

Oxford Bibliographies define 'community' as – 'a group of people who interact with one another, for example, as friends or neighbours. Second, this interaction is typically viewed as occurring within a bounded geographic territory, such as a neighbourhood or city. Third, the members of a community's members often share common values, beliefs..'

Google offers an alternative definition of a community, as follows – ‘the condition of sharing or having certain attitudes and interests in common.’

It is this second definition that seems to have the greatest currency in a world that features both online and offline communities. Increasingly, global businesses such as Apple are developing international communities connected online. Many would argue that Facebook is an online community – or perhaps a platform on which a number of online communities communicate.

A community is therefore:

- People connected through shared interests and values
- People able, and inclined, to communicate with each other

HARLEY DAVIDSON

The Harley Davidson brand is almost a cult. It is an outstanding and incredibly powerful example of a community that does and will continue to drive sales.

Susan Fournier, writing in the Harvard Business Review noted that – ‘In 1983, Harley-Davidson faced extinction. Twenty-five years later, the company boasted a top-50 global brand valued at \$7.8 billion. Central to the company’s turnaround, and to its subsequent success, was Harley’s commitment to building a brand community: a group of ardent consumers organized around the lifestyle, activities, and ethos of the brand.

The core values of Harley Davidson are:

- Tell the truth
- Be fair
- Keep your promises
- Respect the individual
- Encourage intellectual curiosity

While they might be interpreted differently by different audiences these are values that align with the community that they are connected with and draw their business from.

The product itself is distinctive in design, the sound it produces, and the image it creates for the rider. All of these are features of the product that the Harley Davidson community engages with.

Writing in the CMO Network Journal, Jonathon Salem Baskin noted, ‘Harley Davidson is either engaging with a new generation of customers, as the company claims, or slowly managing its way into irrelevance, as the numbers might suggest. What plays out over the next few years will be a case history in the promise or peril of social brands’.

Harley Davidson was a social brand long before we ever had a name for it, selling emotive themes and a lifestyle to a generation of Americans who yearned for safe rebellion and the promise of the open road. It marketed content a century ago, with ads that were always about bigger things than owning noisy two-wheeled machines.

It has been wildly successful, viewed at marketing conferences as an example of successful branding, the proof being the wide spread between its book and stock value, and the customers who happily tattooed its logo on their bodies.’

In 2018, Harley Davidson has a highly connected and engaged online community supporting smaller and disparate offline communities.

In 2018, Harley Davidson is an iconic and highly profitable brand that has connected customers and aspiring customers all over the world, both online and offline.

In 2018, Harley Davidson is an excellent example of using connection and community, not just as a marketing strategy, but as a fundamental business strategy.

THE IMPORTANCE OF CONSUMERS CONNECTING

In a recent speech to an international audience NYU Professor of Clinical Marketing, Scott Galloway, noted that genetics is the third most important determinant of longevity, with environment (diet, exercise alcohol consumption, drug use, nicotine use etc) being the second most important. The number one determinant was – ‘social connection’.

Galloway cited studies demonstrating that older people who have company, are connected, and feel part of a community live significantly longer than those who live alone – regardless of whether or not they felt lonely and irrespective of the extent to which they might enjoy their own company.

Social researcher, Hugh McKay, notes that in the post war period Australia saw a rapid increase in divorce rates and the rate at which people live entirely alone. He points to these factors as major drivers of the growth in the number of coffee shops (loungerooms for singles), and social media channels such as Facebook.

There is a truck load of health research pointing to the benefits of social connection, and the higher incidences of anxiety, depression and various other mental health conditions when individuals are not socially connected. There is also growing evidence that the societal and financial cost of this lack of connection is substantial.

In his research Hugh McKay has highlighted a range of social consequences associated with the decline of community: extended families no longer gather on a Sunday; grandchildren no longer help grandparents in the garden; and grandparents no longer provide after school care to their grandchildren; neighbours no longer know neighbours; club membership declines and community groups die out.

The increased use of counsellors to help school children after a tragedy, to address issues that would have once been addressed by the extended family or the community at large, is just one example of a consequence of the loss of community.

Despite the other commitments, the lack of alternatives, and the time pressures that are contributing to these social changes, what has not changed, according to psychological, anthropological and epidemiological research, is the need to connect and the need for community.

While they are connecting less and less, human beings, most of whom are consumers, are connecting less and less and the community they once depended on is decaying.

Paleo Mon avers that connection – ‘plays in health through two extremes: social isolation and loneliness corresponds with increased risk of morbidity and mortality; and, a strong social support network corresponds with decreased risk of disease and increased longevity’

The research of anthropologist and psychologist Professor Robin Dunbar suggests that on average Facebook users have 128 friends while the median number of people they

communicate with is just five. This highlights that while Facebook use might be a response to a lack of physical social connection, it is not such a successful response.

There are 16 million Facebook users in Australia alone, each spending an average of 8 hours a week on Facebook. This is almost certainly a reflection of the desire human beings have to connect. Worldwide, Facebook has two billion users. This provides further evidence of the human need to connect, as does the constantly growing number of social media channels.

The fact is, connecting is beneficial to human beings. Human beings seek connection, and the importance of connected communities will increase in the months and years ahead.

THE IMPORTANCE OF COMMUNITY IN MARKETING

In addition to connection being attractive to consumers, changes in the marketing landscape are making community an increasingly attractive option for marketers as many of the tools that worked for so long, have lost their potency.

ADVERTISING

Traditional advertising is in decline. Aegis Network reports suggest that in the last 12 months, worldwide:

- Television advertising expenditure declined by 2.6%
- Newspaper advertising expenditure decreased by 11.9%
- Magazine advertising expenditure decreased by 18.7%

Radio advertising and outdoor advertising are holding their own. Notwithstanding this, and despite an overall uptick in advertising expenditure, traditional advertising is in its death throes, due largely to the changing media habits and expectations of consumers.

This situation is not much different in Australia.

The only growth area in advertising appears to be digital advertising with 18% growth in Australia over the last 12 months. That said, digital advertising is not without its problems, especially in the medium to long term. To begin with:

- 24% of Americans now actively use digital ad-blockers, and this number is growing
- The digital landscape is increasingly fragmented with a plethora of media options
- Consumers are becoming more inclined to sign up to ad free services e.g. YouTube

In addition, there is growing evidence to suggest that consumers are becoming increasingly sceptical of advertising messages and harder to reach as advertising gets lost in a barrage of messaging. The average person now sees more than 8000 advertising messages a day, and just about every available angle has already been used to gain their attention. Very few things are original in 2018.

Proctor and Gamble, one of the world's largest advertisers, recently tested the relationship between advertising and revenue, cutting the number of advertising agencies they use by 50%. Advertising expenditure was cut by \$750 million per annum, with a further \$400 million scheduled to be cut. In the first quarter since this dramatic reduction, revenue increased by 3% to \$17.4 billion.

Commenting on these changes, Chief Brand Manager, Marc Pritchard explained, "there is more opportunity to eliminate waste by reducing excess frequency within and across channels, eliminating non-viewable ads, and stopping ads served to bots or adjacent to inappropriate content. Through these efforts, we've been able to eliminate waste and cut losses, while

simultaneously increasing the number of consumers we're actually connecting with by about 10 percent,"

BRANDING

For years now, businesses have complained about the lack of brand loyalty. Scott Galloway, among others has written extensively about the death of brands as we know them, suggesting that in the medium term there will be only two categories of significant brand:

- Luxury
- Retail

Galloway suggests, credibly, that due to the growing power of retailers such as Amazon, a relatively small number of retail brands will increasingly take over from product brands, and consumers will rely not on their perception of a product brand, but rather on the recommendation of a pervasive retail brand.

This trend is already reflected in the growing number of home brand products offered by Coles and Woolworths, the dominance of home brands in the world's largest supermarket group, Aldi, and the increasing popularity of Amazon, Alibaba, and Flip Kart (recently acquired by Wall Mart). Each of these has its own internal search engines, which in addition to finding products, gives deliberate priority to the specific version of that product they want consumers to purchase.

According to Galloway, luxury brands will survive the transition to 'home brand purchasing' and retailer recommended purchasing because they do not sell through major retailers. They continue to be highly profitable by targeting a small and exclusive market that is fussy and will pay a premium.

Galloway's predictions in this regard may be an overstatement of what will actually happen, but there is growing evidence brand loyalty is declining and home brands are on the rise. There is certainly evidence to suggest that large segments of the market are less brand-loyal today than they were in the past, and it is reasonable to assume that this trend will continue.

The future of traditional branding is questionable at best. The death of brand loyalty has been spoken and written about for years.

LOYALTY PROGRAMMES

While there are some very successful (brand) loyalty programmes in Australia, including those of Coles and Woolworths, research suggests that the overall effectiveness of loyalty programmes is in decline, in part due to the plethora of them.

Research in Australia has found that:

- 82% of consumers participate in at least one loyalty programme
- 73% of Coles customers participate in the Coles loyalty programme
- 56% of Woolworths customers participate in Woolworths loyalty programme

This suggests that loyalty programmes have achieved a level of success, at least in Australia

It appears, however, from research completed in the United States that it might not be that simple. There is growing evidence to suggest substantial variability in the success of loyalty programmes (with the good ones boosting revenues by 12 – 18% and the poorer ones having no effect on revenue) and that the success of such programmes might be in decline.

Research completed in the United States found that:

- On average, consumers are signed up to 26 loyalty programmes, but participate in only 5
- 79% of consumers do not identify the programme as a principle driver of their loyalty

On this last point, behavioural research has shown, time and again, that loyalty incentive schemes can influence buying behaviour, but they do not *build* loyalty per se. This is well demonstrated in recent research in the United States, which found that 79% of customers believe that they will not be loyal to a brand until that brand demonstrates that they 'understand and care about them' (the customer).

A demonstration of caring is more about connection and community than it is about loyalty programmes.

It is also interesting to consider research in Australia that found:

- 66% of women actively participate in a loyalty programme
- 46% of men actively participate in a loyalty programme

This research suggests that:

- Far fewer than the 82% signed up to a loyalty programme actively use it
- Men are much less likely to participate in a loyalty programme than women

This research also found that only a limited number of programmes deliver the results sought by the organisation offering them. There is also evidence to suggest that loyalty programmes are being over used and that poor schemes are damaging the concept in general.

The facts is, loyalty programmes can, and do, drive sales for some businesses. However, increasingly, it is being found that they do not build loyalty and that only a small number of very well-structured programmes such as those offered by Coles and Woolworths deliver the desired outcome.

Loyalty programmes have their place in marketing, but they are almost certainly not the future of marketing.

PERMISSION MARKETING

In a number of his books, Seth Godin talks about permission marketing, defined as – 'the privilege (not the right) of delivering anticipated, personal and relevant messages to people who actually want to get them. It recognizes the new power of the best consumers to ignore marketing. It realizes that treating people with respect is the best way to earn their attention'.

Permission marketing is, in essence, the business of building a loyal base of customers and addressing as many of their needs as possible. Rather than selling the same product to more people (the principle aim of traditional marketing) permission marketing is much more about selling more products to the same people. It is about developing relationships with an audience such that they will willingly:

- Receive promotional messages
- Trust the sender of the messages
- Purchase from the sender of the message

Further, if the relationship is strong enough, the audience will:

- Buy again and again
- Buy more and more products

- Pay more for trust

What is more, advertising costs are reduced.

Permission marketing requires the development and management of tribes or communities connected by common values. The success stories in permission marketing point to the value of connection and community.

OVERALL

Advertising will be around for many years to come, but its prevalence and effectiveness will decline. Even direct marketing and customer relationship management are struggling to produce the results they once did.

Branding is here to stay for a few years yet, but brand loyalty cannot be relied upon to the extent that it once was. A model not dissimilar to that predicted by Scott Galloway is increasingly likely.

Loyalty programmes will be around for many years to come, but their value will continue to decline. In the future, loyalty might be better generated by creation of a community than a programme.

Permission marketing is already gaining significant traction and will grow in popularity as more and more businesses embrace the potential for more cost-effective marketing.

The marketing landscape is changing. It is proposed here, that connecting with consumers and creating a community will take the place of advertising, branding and loyalty programmes in the years ahead.

More importantly, once a community is established, the cost of marketing is dramatically reduced, as illustrated by Apple. As noted earlier in this article, Neil Patel contends that one of the outstanding characteristics of Apple has been its capacity to build a brand with a very small advertising budget.

In 2017, Apple spent just USD1billion worldwide on advertising and related activities against a turnover of USD200 billion plus. That is a budget of only 0.5%, compared with as much as 20% for many similar businesses. By comparison with Apple, Telstra spends 7.14% of revenue on advertising.

PREMIER LEAGUE CLUBS

There are perhaps no better examples of communities built with commercial objectives in mind than the English Premier League football clubs, in particular the larger clubs such as Liverpool and Manchester United. These clubs have made an artform of using connection and community to build ongoing sales and revenue. Connecting emotionally with members builds worldwide communities which may be leveraged to sell everything from sporting memorabilia to television subscriptions without the need for general consumer advertising, the promotion of brands (beyond the community brand) or a loyalty programme.

Consider these statistics for Manchester United:

- Membership:
 - 650,000
- Revenue (2017)
 - \$753 million (US)
- Revenue sources:
 - Match day – 19%

- Broadcasting – 33%
- Commercial – 48%
- Broadcasting:
 - Live content subscriptions
 - Global television channel
- Commercial:
 - Sponsorship
 - Retail goods
 - Mobile content
- Retail goods include:
 - Club uniforms
 - Vintage fashion
 - Baby and infant wear
 - Memorabilia and souvenirs
 - Homewares
 - Sports equipment and kits

This summary highlights the fact that football per se, is almost a secondary part of the Manchester United business model. Manchester United is a global community, emotionally connected through football. Manchester United taps into this global community through United Direct, generating hundreds of millions of pounds in sales, year after year.

While an extreme example of connection and community, Premier League Clubs demonstrate what can be achieved. Some of the larger European clubs provide even better examples. AFL clubs including Collingwood (90,000) and Adelaide (90,000 members) are further evidence of this, given the wide range of goods and services being sold to committed, loyal members.

CONNECTING AND BUILDING COMMUNITY

Seth Godin refers to a community as a 'tribe', and it is!

Godin defined a tribe as - "... a group of people connected to one another, connected to a leader, and connected to an idea. For millions of years, human beings have been part of one tribe or another. A group needs only two things to be a tribe: a shared interest and a way to communicate."

In his book 'Tribes' Godin describes building a tribe (or community) as the process of creating a movement, a movement that can and will change or manage the behaviour of a target audience.

According to Godin, the factors essential for the development of a tribe include:

- A mission
- Shared values
- An audience
- A leader
- A message
- A means to communicate

Also helpful are:

- Time
- Language
- Uniqueness

A mission is, in effect, the reason for the tribe or community existing. The reason for existing, in turn gives rise to the reason for joining.

Tribes and communities have shared values. In relation to the matters at hand, they share a common worldview, as evidenced by Manchester United supporters and Harley Davidson riders.

A tribe requires an audience, a group of people who relate to the mission and share the values. That audience in turn needs a leader (possibly the organisation, and in the case of Apple – Steve Jobs).

The leader needs to have a message, which is communicated consistently and is aligned with the mission, values, and expectations of the audience.

Without communication, there is no connection and no community. This is where social media and forums have proven so valuable. Every community needs to be able to communicate.

It takes time to build a tribe or a community. If a business needs a sugar hit, then advertising might be a better option. Where there is time, connection and community will deliver a better result.

Seth Godin was very adept at building his tribe or community (3 million people read his blog each day) by developing and using his own language, and coining terms like 'purple cow' and 'meat ball Sunday'.

Having a unique element or offering is important if one tribe or community is to be differentiated from another tribe or community. There needs to be added value.

These are all important elements of a strategy to connect people, connect *with* people, and build a community. More importantly, they are important elements of a strategy to address the basic human need for connection and satisfy the marketer's need to maximise sales while minimising costs.

IN CONCLUSION

Society is changing faster than ever. Community is breaking down and human beings are actively seeking ways to connect. Addressing the basic human need for connection has the potential to be a business differentiator.

Marketing is changing faster than ever. Many strategies that have worked well in the past are not working so well today. One of the most potent strategies for 2018 and beyond is to build a community.

Building and leveraging a community will facilitate permission marketing and, more importantly, offer a more cost-effective approach to communicating with purchasers and potential purchasers for an increasingly wide range of products.

Helping consumers feel connected is a potential competitive advantage. Creating communities has the potential to drive marketing costs down and profits up.