

CONVERSATIONAL CAPITAL

HOW TO CREATE STUFF
PEOPLE LOVE TO TALK ABOUT

BY BERTRAND CESVET WITH TONY BABINSKI
& ERIC ALPER A SID LEE
PROJECT

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FOREWORD BY HERMANN DEININGER

What makes an individual move from a mere consumer of products to a loyal customer or even a brand ambassador? As contemporary marketers, our goal is to secure advocates who present our brand for us.

In this day and age, people don't care about brands by virtue of the fact that they're merely satisfying. Indeed, in a market with healthy competition and high expectations, brands must look at what they offer far beyond the product itself. People care because some, better than others, create an intense, enduring and meaningful sense of connection and emotion that shapes their own identity. This phenomenon, very much evident in fashion, is driven by a deceptively simple quality: meaning. This is the added value that can be crafted and subsequently leveraged to endear, convert, or compel the individual to embrace one brand over another with more than just a passing whim. Brands colour our characters, our stories, our values, and at their very essence, our identities, which is why smart brands give people something to colour with.

The identity-shaping power of brands is amplified by intensity—a sense of dynamism, discovery and, importantly for our work at adidas, integrity that reinforces deep meaning. Intense brands are those that create experiences that connect with people; that reach, touch, and engage the values and attitudes of a particular audience. Layering intensity on top of meaning results in cascading word-of-mouth.

At adidas, we are fortunate to be able to draw upon a wealth of diverse and rich artifacts—both past and present. Our story, from our heritage and commitment to sport, to our iconic sense of style and connection to global pop culture is rooted in a humble and open sense of inclusiveness which fosters new connections to people daily. The lesson implicit in this book is how to make this happen; how to make stuff [and experiences] people love to talk about.

Rather than presenting a how-to on exploiting word-of-mouth, the authors of *Conversational Capital* empower you with the tools to engineer conversations, from the ground up. They lay out a clear path to creating powerful, relevant brands that get talked about.

Conversational Capital is a challenge to marketers everywhere to engage consumers and play a meaningful role in their lives. It marks a fundamental schism in the marketing world between brands that scream from the rooftops and those that create a meaningful, intense, and sustained connection with global citizens. This call to arms is universally relevant, whether you sell commodified widgets or craft shoes for bobsledders.

Hermann Deininger
Chief Marketing Officer
Sport Style
adidas AG

INTRODUCTION

This is a book about why certain brands outperform the competition. Through close observation, we've determined how market leaders inject intensity into their products and services and turn them into experiences that truly matter to consumers. This is the "stuff" we refer to on the cover of this book. These highly charged experiences provide incendiary fuel for conversations that consumers engage in to define who they are. Because they have so much identity defining and affirming significance, having the power to shape such experiences is the new Holy Grail for businesses bent on leadership. And, like the Holy Grail, it is ultimately mysterious and elusive.

Or is it? We've written this book because we believe that creating such experiences is a process you can influence. It's not as mysterious as you may think. It is something you can manage through observation, insight, and, most importantly, creativity.

Our belief isn't just a matter of opinion. It's rooted in our direct experience with one of the biggest conversation-generating successes of the last quarter century: Cirque du Soleil.

In 2001, Cirque du Soleil asked us to redesign its website. The company was already an international live entertainment giant. With eight ground-breaking shows running in various traveling and permanent installations around the world, Cirque had achieved gross annual revenues of over 500 million dollars a year and counting. At the time, before user-generated content began maximizing the Internet's potential to create thriving

online communities, Cirque already had a fan club boasting 300,000 dedicated members.

We soon became Cirque's main marketing communications agency and have been with the company ever since. Cirque du Soleil now has five permanent shows in Las Vegas, one in Orlando, one in Macao, and nine shows on tour. They have expanded into television, film, music, and, more recently, lifestyle products and experiences. Their business keeps growing—and perhaps the most amazing thing about the company's remarkable evolution into a cultural icon is that *it took place with almost no mass marketing to support it*.

Before we began working on the new site, we had to come to terms with just how much the Cirque du Soleil brand meant to its fans. Almost everyone who had ever seen a Cirque show liked it. Many of them *loved* it and became repeat fans. Perhaps more importantly, a significant number of Cirque fans described the shows as *life-changing* experiences and became brand ambassadors, carrying the Cirque torch with them wherever they went.

All of this happened without even a nod of recognition to how things are supposed to work in conventional marketing practice. For decades, the accepted wisdom in industry circles has been that brands succeed only if a ton of money is thrown in the direction of mass marketing. Want to be noticed? Spend big on media. Make sure that television and print ads with a simple, easy-to-understand message about your brand get out there in front of as many people as possible, over and over and over again. Combining maximum reach with maximum frequency is the only way to go.

Except that didn't happen with Cirque du Soleil. Instead, the company's success grew organically, through *word-of-mouth*. Cirque is a success because people have taken it to heart, and made it part of their own personal narratives—something they not only talk about with others, but that also defines who they are.

Nothing is more powerful than when consumers make your story part of their story. This is especially true today, in a fragmented media market that's spilling over with branded communication efforts. Obviously, mass-market communications *can* be meaningful and memorable, but it's getting harder than ever to break through the clutter. Even if a breakthrough happens, consumers who've grown up in the media age view "top-down" communication with suspicion and skepticism. When a message does succeed in getting across, it carries little weight.

Highly charged consumer advocacy through word-of-mouth communication represents the exact opposite. Unlike mass marketing, it's carried "horizontally" from peer to peer, so it has more power and authority. Consumers who believe in certain brand experiences and are vocal about their belief are the carriers. Like a virus, it spreads on contact fast.

Over the last several years, we've observed that, like *Cirque du Soleil*, the best products and experiences owe their success to word-of-mouth communication.

Data from a recent study by The London School of Economics titled "Advocacy Drives Growth" makes this clear. The study was conducted in the U.K., but its findings have universal implications. It found that positive word-of-mouth predicted sales growth for retail banks, car manufacturers, mobile phone networks, and supermarkets. It also revealed that companies with higher levels of word-of-mouth advocacy grew faster than their competitors and generated greater sales.¹

Word-of-mouth is valuable currency. Like any currency, we believe that its value can be managed. Build it properly and you have an asset that increases the value of your brand. Ignore it or spend it unwisely and you have a liability—even if you've invested millions above the line.

¹ Marsden, P., Samson, A., and Upton, N. "Advocacy Drives Growth." *Brand Strategy*. Nov/Dec 2005.

Because word-of-mouth advocacy is organic and democratic and because consumers control so much of its power, it can appear scary and unpredictable to marketers. It shouldn't be. What we've seen, time and again, is that positive word-of-mouth happens when a certain number of key factors are present in a brand story. We call these factors the engines of Conversational Capital. By becoming aware of and managing these engines properly, you can turn Conversational Capital into a toolbox that builds value into your product or service.

People are talking. We're writing this because we want you and your brand to be part of the conversation.

WE'RE COMMITTING SUICIDE HERE

We're advertising people, yet, in stumbling upon Conversational Capital, we have unearthed a truth about the branding process that boots the cornerstone of our business right out from under us. The discomfiting thing about Conversational Capital is this: When word-of-mouth works well, traditional advertising and design become much less important. When the engines of Conversational Capital are built into your consumption experience, positive word-of-mouth is likely to follow. So we're stuck with a quandary: Do we spill the beans or shut our mouths and keep billing for the same old same old?

Too bad—Mom always told us to share.

NO, NEVER MIND: WE'RE TOO LAZY!

On second thought, self-immolation requires too much energy. The truth is, advertising people are lazy by nature (otherwise, we'd be novelists, nuclear physicists, or whatever). The second truth about Conversational Capital is that it makes our jobs easier because it turns consumer experiences into tight, compelling stories. And the better the story, the simpler it is to write a great brief, come up with a killer strategy, and produce award-winning creative.

So let's work on that story together. It may be against our essential nature, but we'll do the heavy lifting (promise).

EXCUSE ME, BUT YOU'RE CALLING A LITTLE LATE

We consider ourselves storytellers by trade. We take your consumer experience and distill it into a narrative that's relevant to your target market. Most of the time, however, clients call us too late. By the time they do, they come to us with products and experiences that are already designed and with fully developed stories. And those stories...well, sometimes they're not as compelling as they could be. It's the curse of our business. Conversational Capital enables us to rework with you the narrative that informs your consumer experience, and it helps make that story one that people want to tell.

So, we don't have to spend a lot of time turning the sow's ears into silk purses.

SUMMING UP

- *When products and services become intense experiences, something powerful happens. They become fuel for conversations that consumers engage in to define who they are.*
- *That process turns brands into market leaders. More importantly, what we've observed about market leaders like Cirque du Soleil and others tells why and how it happens.*
- *Turning that process into something you can manage and control is what this book is about.*

QUESTIONS FOR DISCUSSION

Is this just another book about word-of-mouth?

We don't think so. Although this book acknowledges the fundamental importance of word-of-mouth in today's economy, it goes further than anything we've read in describing why and how word-of-mouth happens in the first place.

We think most people will agree, but this book is not intended as a closed discussion. We know there are intelligent and perceptive doubters and nay-sayers out there, and we welcome their points of view. Conversation about Conversational Capital can and will extend outside of this book!

Find out what other people are saying and tell us what you think at www.conversationalcapital.com.

WHAT IS CONVERSATIONAL CAPITAL?

By studying the activities of category-defining **brands**² such as Cirque du Soleil, Apple, adidas, Red Bull, IKEA, method cleaning products, and many others, we've come up with a series of observations that can help generate and spread positive word-of-mouth.

We call these observations Conversational Capital, and they're not just limited to big brand names and international marketers. Some of the world's best word-of-mouth examples are small, local success stories—such as Schwartz's, a much-loved Montréal **smoked meat** restaurant, or an independent artist with a video on YouTube.

What they all have in common is that they are fully endorsed by consumers who share their enthusiasm with their peers. Because word-of-mouth is peer-mediated, it has more authority—this much we know already. However, what Conversational Capital reveals to us is *why* peers talk about an experience to their friends, families, and coworkers.

The short answer is that the experience *means* something to them. This is our first major **insight**. When consumers discover something meaningful in a consumption experience, they are prepared to make the consumption story their own.

This naturally leads to our second major insight. For some time now, marketers have talked about how brands have become

² All words highlighted in bold italic in this book are defined in the Glossary and are more extensively discussed in the Blog on www.conversationalcapital.com.

identity markers. What our observations about word-of-mouth tell us is something more: Stories about consumption experiences have become identity *shapers*.

Today's consumers are increasingly developing their own personal narratives, creating and recreating identities for themselves. What they consume and how they consume it are important parts of that *identity-shaping* process. Consumption experiences are substories that they incorporate into their own narratives—the stories they tell that define who they are and how they relate to the world. The more intense and meaningful the substories are, the more likely they are to become part of the larger, personal story.

We call our series of observations Conversational Capital because this storytelling process is a form of powerful currency that transforms the relationship between brand experiences and consumers. In this new type of transaction, marketers provide consumers valuable conversational currency by successfully delivering outstanding and meaningful experiences that help consumers define who they are and where they stand. In return, consumers talk positively about certain experiences and, by extension, increase their value.

You've encountered the process many times. We've all met people who like to talk about their consumption experiences (some at greater length than others). Rather than merely filling gaps in conversation, they are, in essence, talking about themselves. By saying how much they enjoyed Virgin Atlantic's Upper Class service or how delicious Pastis' oysters are, they actually convey that they are interesting jet-setters.

This may all sound very esoteric, but how esoteric can we be? We're marketers! So, as marketers naturally do, we've broken our insights down into an easy-to-understand list of eight "engines" of Conversational Capital: Rituals, Exclusive Product Offering, Myths, Relevant Sensory Oddity, Icons, Tribalism, Endorsement, and Continuity. When some or all of these engines are incorporated into your experience, the result is Conversational

Capital—fuel for stories consumers want to spread to others, the most valuable currency any marketer could hope for.

WE ARE TOTALLY UNORIGINAL

It would be monumentally pretentious of us to claim that we've invented anything new with Conversational Capital. Conversational Capital has been happening for years. We've just given it a name. Great entrepreneurs, such as Cirque du Soleil's Guy Laliberté, have been living by it intuitively long before we came on to the scene. This book is merely the outcome of trying to understand what the truly original have done well already.

So, we're not exactly innovative. Can we still make the claim that we are humble?

SUMMING UP

- *Consumers are likely to become vocal, committed advocates of a consumer experience when it means something to them. If they find the story or brand is telling them something meaningful, they tend to make it part of their own personal narratives.*
- *Personal stories are currency in the modern world. Consumers rely on them to define themselves and project themselves to others. When a brand story becomes part of that currency, the brand's value increases exponentially. That's the "capital" part of Conversational Capital.*

QUESTIONS FOR DISCUSSION

What is the value of Conversational Capital to your business?

You may already wonder what Conversational Capital has to do with you. The answer is that it provides insight into what makes brands have more of an impact and what makes them more memorable across every field of business activity. At this stage, it may sound esoteric, which is why we dig deeper in the following chapters.

We believe our findings are universal. Do you agree or disagree?

Please let us know at www.conversationalcapital.com.

What are you guys talking about?

Throughout this book, we use terms that may be confusing or unclear. To a certain extent, this may result from the fact that we are sailing uncharted waters. Following is a helpful list of terms to make some of the concepts more clear:

- **Salience**—*What do we mean when we speak of salience? It's not a term we've used to sound intellectual. The Oxford English Dictionary defines salience as indicating that which is "the most noticeable or important." In our view, brands and the experiences they render derive their power from salience—from being noticeable and important by virtue of the fact that they hold deep meaning for individuals.*

- **Resonance**—*Resonance occurs when sound vibrates more deeply. Resonant experiences are those that strike a deeper chord with consumers because they provoke us to explore, think, act, and talk. They have **residual value**.*
- **Residual value**—*Interactions typical of Conversational Capital demonstrate residual value—that is, a quality of being at the forefront of thought even after the immediate encounter ends. That value is leveraged as a currency in the form of conversations that color the identities of their participants.*

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