



Building Strong Brands
by Leveraging
Conversational Capital

INTRODUCTION

The increasing ubiquity of advertising, combined with technological advances and major changes in consumer behaviour have significantly reduced the potency of conventional advertising and promotions as true drivers of change in consumer behaviour.

As consumers are subjected to an overabundance of advertiser-generated brand messages and an exponential proliferation of new product offerings, they increasingly turn to independent third parties, or even better, to peers, for advice and guidance about which brands or products they should trust or be excited about. No longer restricted to water cooler conversations, this form of third party brand and product endorsement is made even easier by the advent of a slew of Web driven power applications such as e-mail, advocacy Websites and BLOGS.

Marketers and advertisers are responding to this phenomenon by paying a lot of attention to word-of-mouth marketing. Until now, a lot of people have talked or written about third party endorsement in general and word-of-mouth marketing in particular. However, very few marketing observers, practitioners or self-proclaimed gurus have provided true insight into how to engineer brand interventions and create new products that generate controllable, predictable, positive third party endorsement and word-of-mouth marketing. Rather than talk about the true drivers of word-of-mouth marketing, writers focus on ways of leveraging marketing communications channels to generate that phenomenon.

Diesel believes that word-of-mouth marketing begins long before any communication efforts can be considered; it actually originates at the product and experience inception phase of the process. In this document, we will discuss a powerful concept we call conversational capital. More importantly, we will suggest an approach to actually “engineer” conversational capital to deliver powerful word-of-mouth marketing.

DEFINING CONVERSATIONAL CAPITAL

Western economies have entered a new era many observers call the experience economy. In the experience economy, delivering quality, inexpensive and innovative products has become the price companies have to pay to remain in business. Consumers are more powerful than ever and companies can no longer buy their way into creating powerful, relevant brands. By simply investing in massive advertising campaigns, outstanding organizations now create value by transforming the mere consumption of goods and services into meaningful consumer experiences.

Diesel contends that in the experience economy, storytelling or the way people can talk about their experiences is as important for consumers as the actual consumption experiences themselves. Diesel's recent work in the tourism industry has showed that for a majority of travellers, a destination's bragging rights are as important in selecting a vacation destination as the actual expected value of the experience. For example, whilst Canada apparently offers everything American travellers could possibly want from a vacation destination (quality accommodations, great outdoor experiences and safe city adventures), it is not generally perceived as one of the world's premier travel destinations for the simple reason that it offers very few bragging rights – "Hey, I spent last weekend in Calgary" doesn't sound quite as good as, "We had such lovely weather in London last week". Quite simply put, people like to talk about their consumption experiences because it is the most effective way to tell other people who they are. Furthermore, given the very temporal nature of consumption experiences, storytelling has become the key residual value consumers take away from their encounters with products and services.

We call this conversational capital because this form of storytelling is a powerful currency that transforms the economic relationship between brand experiences and their consumers. In this new type of transaction, by successfully delivering outstanding and meaningful consumer experiences, marketers provide their clients with some valuable conversational currency that helps them effectively define themselves in their social interactions. In return, consumers who talk positively about certain products increase the value of brand experiences by becoming efficient, inexpensive and credible advocates.

The novelty of the concept of conversational capital is not the acknowledgement that bragging rights play a key role in consumer behaviour. Rather, it is the recognition that 1) "bragging rights" have a real economic value for consumers as well as providers of goods and services and that 2), these "bragging rights" can be engineered.

Conversational capital arises when organisations manage to deliver products/services experiences that are remarkable and meaningful enough to prompt consumers to want to talk about them. Before discussing the process of systematically engineering conversational capital, let us explore what best-in-class providers of branded products/services experiences have in common.

Cirque du Soleil (www.cirquedusoleil.com) has thrilled over 50 million spectators in almost 100 cities on four continents. From the twenty or so performers that the company featured when it all began in 1984, the Quebec-based organization has become a leading provider of quality entertainment.

Located on the top two floors of the MGM Grand, with expansive views of the Las Vegas skyline, Skylofts (www.skyloftsmgmgrand.com) offers the ultimate in luxury and impeccable taste. Within each of the 51 lofts, extraordinary custom amenities await each guest.

Founded in 1927, Schwartz (www.schwartzdeli.com) is the oldest deli in Canada. It is a true Montreal landmark situated on the historic "Main" (St-Laurent street) and is well known for its world famous original smoked meat (no preservatives, only tradition and smoked daily).

THE SOURCE OF CONVERSATIONAL CAPITAL

We began our study to better understand the source of conversational capital by identifying and analysing branded products and services that consumers apparently like to talk about: Cirque du Soleil, Skylofts at MGM Grand and Montreal's Schwartz's smoked meat restaurant. These three organisations operate in completely different businesses. Schwartz's is 80 years old, Cirque du Soleil is 20 years old and Skylofts at MGM is less than a year old. Skylofts and Cirque du Soleil are premium products, while Schwartz's sells its smoked meat sandwiches for less than \$8. All three, through different combinations of flair, talented leadership, perseverance and a great deal of integrity have create branded products and services that consumers generally love to (positively!) talk about.

By combining personal insights to our research results we came up with a list of eight variables that play a key role in the creation of conversational capital.

Icons

Consumers notice icons. Some icons have a strong physical presence (the Cirque du Soleil's yellow and blue big top) or a high level of recognition provided by familiarity (the classic Coke bottle). Other icons are graphical by nature, a product of marketing communications efforts (Nike's swoosh) to make otherwise banal products/experiences memorable. Historically, advertising has been obsessed with the creation of such icons, primarily for sponsor identification rather than conversational capital purposes.

Rituals

Consumers also pay attention to rituals. Whilst icons are physical, rituals are behavioural. Asking consumers to perform or witness certain behaviours ("when I go Schwartz's, I always get seated with strangers) is in fact increasing their level of involvement and their sense of "doing something special". Because rituals tend to remain unchanged overtime, they are somewhat reassuring and help improve the consistency of consumer products/ services experiences.

Tribalism

People like either to associate with like-minded people or to be onlookers to certain groups of people they may find interesting. Because of the very tribal nature of Berlin's Love Parade, participants to that event are more likely to use this experience as conversational capital rather than their last visit to their local grocery store. Consumers use the tribal elements of an experience to enrich their conversational capital because it helps them signal to others that they belong to a specific community of interest.

Endorsement

Products and services are a lot more interesting if they are associated to interesting people. For consumers, associations make a positive contribution to conversational capital because they act as a risk reducer. For example, Skylofts strongly benefits from the fact that Hollywood A-listers like to call this property their Las Vegas home. Some associations don't have to be so formal. For example, simply knowing that when Leonard Cohen visits his hometown (Montreal), he always returns to Schwartz's, provides this venue with relevant conversational capital. Finally, some associations come in the form of a person lending his reputation to the actual design or delivery of the product/service experience per se. This is the role played by Frank Ghery for the Disney Centre or by Alain Ducasse in several super premium eateries.

Associations have historically been the best-understood, most deliberately used driver of what we call conversational capital. Unfortunately, associations have two major flaws. First, associations are sometimes expensive. Asking Philippe Stark to design a hotel may generate conversational capital, but it will most certainly cost a lot of money. Second, associations that are positive and relevant today can become irrelevant or negative tomorrow (Who would like to be associated to Kobe Bryant now?)!

Reputation

A great reputation is, first and foremost, the product of positive conversational capital. In this virtuous cycle, a good consumer experience leads to positive conversational capital, thus improving a product or service's reputation, which in turn improves its conversational capital value! Because this process typically doesn't happen overnight, marketers try to accelerate this process by promoting and advertising their branded product /service experiences.

Diesel believes that whilst advertising remains an effective reputation enhancement tool, marketers overestimate its potency as the universal panacea for reputation improvement. There are three reasons for this. First, consumer research has shown that advertising is more effective at improving branded product/service awareness than likeability. Second, for reasons that are abundantly documented in the literature, advertising's overall effectiveness as a brand-building tool is in decline. Finally, over-relying on advertising has significant economic ramifications.

Relevant Sensorial Oddity (RSO)

RSO is everything to do with senses: space, taste, sound, smell and touch. For most developer of products and services, creating different sensorial experiences is a key focus of efforts. In our opinion, just being different is not enough: the “really different” that remains relevant, what is odd, whether it is in design, architecture, music or taste, creates a harmonious tension that makes a very positive contribution to conversational capital. For example, in the Cirque du Soleil’s O show, spectators are absolutely smitten when the sight of performers actually running on water confronts their senses.

Of course the big potential trap with RSO is the lack of relevance. In order to mitigate this potential pitfall, we suggest that developers of sensorial experiences pay more attention to consumer insights in the development of their solutions. In a study of what makes restaurants and hotels successful, Diesel discovered that tensions (e.g. combining a baroque décor with high tech projections) and surprises (e.g. discovering a super premium restaurant in the basement of a building situated in a back alley) are very effective ways of creating RSO.

Myths

Myths are traditional narratives usually involving supernatural or imaginary persons. Very often a company’s strong culture and rich history (e.g. Microsoft’s hippy beginnings) are the fabric of its mythology. Myths are probably the most powerful tools to generate conversational capital. However, in trying to create a product/service mythology, the key pitfalls must be avoided. First, whilst myths can be fairly manufactured, they must be rooted in values and principles that are relatively embraced by organisations. For example, Red Bull’s Dietrich Mateschitz’s somewhat eccentric behaviour (his love of speed and everything extreme) greatly contributes to the conversational capital, only because no one doubts about his authentic interest for these matters. Second, myths need time to become... mythological! So any marketers attempting to use myths to fuel conversational capital must be patient.

Personal Stories

The last element to contribute to positive conversational capital is the actual personal stories consumers actually derive from certain branded products/services experiences. For obvious reasons, personal stories are very hard to engineer.

ENGINEERING CONVERSATIONAL CAPITAL

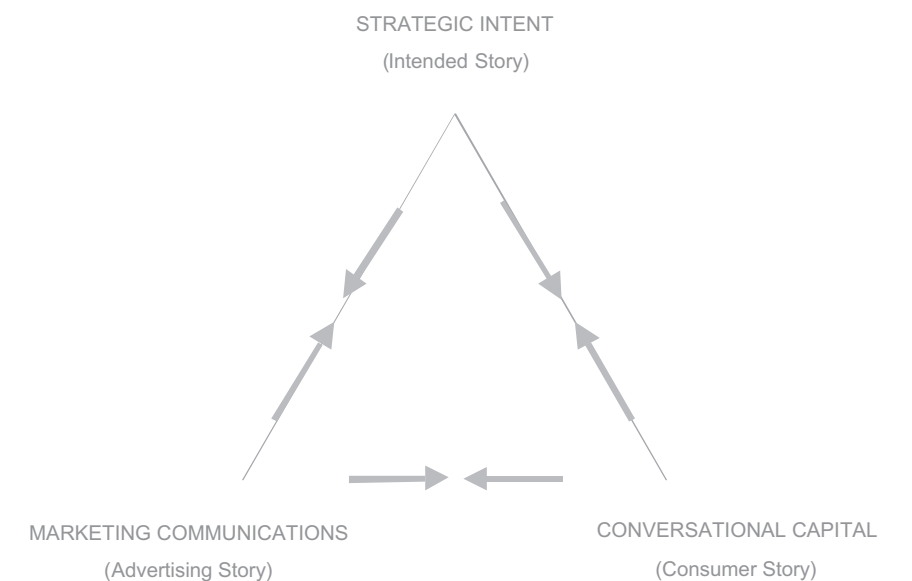
The authors of this white paper believe that marketers can actually engineer relevant conversational capital by carefully managing the seven manageable variables (personal stories are considered unmanageable) that create conversational capital.

In order to effectively manage conversational capital, organisations must revisit their products/services inception process as well as rethink the way they intend to create awareness for them. Here are some suggestions to help organisations effectively engineer conversational capital.

Focus on the stories

Companies interested in leveraging the full potential of conversational capital must, first and foremost, look beyond consumer satisfaction, and start paying attention to how consumers tell the stories of their interactions with their branded products/services. For such organisations, strategic intent and value propositions take the form of narratives told from both an inside (organizational) and outside (consumer) perspectives. As shown in figure 1, these companies attempt to minimize that “conversational capital gap” that is formed by telling stories from three different perspectives: what they want their product/service conversational capital to be (strategic intent), how marketing communication efforts reinforce conversational capital (communication), and more importantly, what kind of conversational capital is yielded by users of the branded products/services experiences (results). The bigger the differences between these three variables, the less efficient will a company be at leveraging conversational capital.

Fig.1-Conversational Capital Gap



Create a no border organisation

As we discussed before, conversational capital arises from both product development and marketing communication efforts. A mix of science and art, conversational capital can only be engineered in an environment where a great deal of lateral thinking takes place. For example, developing an outstanding property like Skylofts requires concerted thinking for architects, interior designers, operations specialists and marketers who are all focused on creating a consumer experience that will yield rich consumer stories.

For a majority of organisations, the most important border to remove is the one that separates product development from the marketing communications function. Typically, these two functions are separated from one another: product development people develop the products and marketing communications specialists are then called in to craft the stories. Unfortunately, product development people are often unaware of the importance of storytelling and uncomfortable with this subject matter, which results in satisfying consumer experiences that fail to generate any conversational capital. Marketing communications people, on the other hand, are handed the very difficult task of crafting meaningful consumer stories that lack what advertisers call “reasons to believe”.

Cirque du Soleil, a best practice word of mouth marketer, has managed to avoid suffering from conversational capital deficiencies by bringing product (show creators, set designers and architects) and marketing communications people (on both the client and the agency side) together at the very beginning of a creative venture. It is at that stage that both constituencies sit down together to discuss three distinct stories. The story of the show (led by the show creators), the story that will be told to consumers to build anticipation for the show (led by the marketing team) and the residual stories or conversational capital patrons will tell after seeing the show (led by everyone involved). By implementing this process, Cirque du Soleil consistently delivers outstanding products that enjoy a considerable amount of conversational capital.

Gather insight on consumer stories

As we said before, most marketing research efforts focus on ensuring that consumers’ needs are fulfilled. This mindset leads to insights about whether consumers will like or even love their experience with a given product/service experience. Very often, this kind of thinking leads to perfectly satisfying, yet unmemorable branded product/service experiences. For example, what kind of stories could arise from perfectly satisfying tales of commercial air travel experiences where the plane was on-time, the flight attendant said hello and luggages weren’t lost?

In our opinion, thoroughly researching if and how consumers will tell the story of a given brand experience is the starting point to creating conversational capital and leveraging word-of-mouth marketing. This process will help identify conversational capital deficiencies that can then be corrected through product and marketing communications improvements.

Create meta-stories

Simply aggregating drivers of conversational capital such as myths, icons and relevant sensorial oddities cannot guarantee positive conversational capital. To maximize their potential for conversational capital, storytelling elements must be aligned into coherent meta-stories that can be discovered by consumers. The meta-story is the strategic intent that drives the engineering of conversational capital. For instance, an airline using conversational capital as the basis for the redesign of its first class service, may use an idea like “creating the most surprising air travel experience in the world” as its starting point of meta-story. Designers, operations, products, and marketing communications specialist would use the eight drivers of conversational capital to create the experience that will ultimately lead clients to say something like: “My last flight to Paris was the most surprising air travel experience I have ever had, etc, etc.”

Embrace conversational capital as subjective

Meta-stories are no more, and no less than strategic intent. The conversational capital paradigm recognizes and even cherishes the fact that consumers are in control. Consequently, meta-stories are only suggestions and consumers are free to create their own personal stories about their consumer experiences. For example, certain people may come out of a Cirque du Soleil show talking about the iconic costumes, whilst others may discuss the ritual of having the clown managing the crowd before the show. Marketers have to let go, they must be willing to let consumers take full ownership of their conversational capital and they mustn't expect it to remain the same overtime.

Intensity matters

Marketers seeking to create conversational capital for their brand experiences must take calculated risks and execute violently! Our research shows that, for instance, rituals, icons and sensory oddities that are too subtle, remain simply unnoticed by consumers!

Authenticity matters

Consumers are very good at spotting marketing ploys that are either not genuine or over-engineered. Creative, authentic and sincere efforts to create orchestrated storytelling elements of a consumer experience are a lot more likely to make a positive contribution to storytelling capital.

Consistency is good...and bad

Storytelling elements and meta-stories cannot be constantly changing. Without a certain amount of consistency in the crafting of icons, rituals and other drivers of conversational capital, positive contribution to conversational capital is very hard to achieve. On the other hand, experiences that are not marginally renewed can become dated. The authors of this article believe that effective management of conversational capital in a lifecycle perspective is a major challenge that requires a lot of attention from marketers and product development specialists.

CONVERSATIONAL CAPITAL CAVEATS

We believe that conversational capital is an extremely powerful tool to promote strong branded products/services experiences...as well as to destroy them. We all remember Planet Hollywood. When the concept got introduced it appeared to have all the right ingredients necessary to enjoy strong conversational capital: strong endorsement, rock and roll icons, odd use of space, just to name a few. At the beginning, this concept did enjoy a great deal of positive conversational capital, allowing it to become, without any significant advertising and/or promotional efforts, a commercial success. Unfortunately, consumers soon discovered that the Planet Hollywood experience lacked authenticity, intensity and, quite frankly, good food! As soon as these facts became known by a large enough number of patrons, its conversational capital became negative just as quickly as it had become positive, thus killing the concept in a very short period of time.

Momentum appears to play a key role in the development of conversational capital. Using Mr. Gladwell's terms, conversational capital must reach some kind of "tipping point" before it becomes a fully potent driver of word of mouth. Once that tipping point is reached, it is difficult to control or even influence how consumers use their conversational capital. Even though we have yet to empirically investigate conversational capital momentum, we have a fairly good sense that branded products/services experiences that enjoy strong conversational capital face significant lifecycle management issues.

CONCLUSION

The idea that conversational capital has an economic value and can be engineered is still in its infancy. However, we believe that in today's experience economy, this concept can become a primary driver of brand development.