

# Section I

## Getting Priorities Straight

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# 1

## The Theory behind Flipping the Funnel

It's time to go back to school and open up your Principles of Marketing textbooks, where you'll read about S.T.P. (Segmenting, Targeting, and Positioning), the three key roles for communication (informing, persuading, and reminding), and ultimately, the four pillars of marketing strategy: the four Ps of Product, Price, Place, and Promotion.

Now I'd like you to tear up those textbooks, forget those theories, and start anew with a blank sheet of paper.

Stereotypical demographics are no longer enough to paint a sufficiently rich picture of a prospective customer beyond a superficial outer layer of basic variables. Top-of-mind positioning has been replaced with top-of-page positioning (in other words, search-engine results). The advertising-biased roles of informing, persuading, and reminding are being usurped by involvement, demonstration, and empowerment. The commoditized four Ps have been updated with a new model: the six Cs of Content, Commerce, Community, Context, Customization, and Conversation (per *Join the Conversation*, which I'll reprise a little later in this book).

And now it's time to set our sights on the very foundation of consumer behavior itself: the marketing funnel, aka, A.I.D.A. (the theory, not the opera). A.I.D.A. stands for Awareness, Interest, Desire, and Action. It is widely held to be the simplest and most accurate way of describing the four states or behaviors that almost all consumers experience—from being blissfully unaware of a product, service, offer, or idea that they never knew they needed to the point at which they actually make some kind of commitment (usually monetary) to purchase, invest in, or acquire that item.

Allow me to delve into each stage in a bit more detail.

## AWARENESS

Perhaps *A* should stand for alpha male when it comes to the unrelenting hold that awareness has over us, the dominance it exhibits over our attention, and more important, our investment in awareness-led initiatives relative to the other three components. *A* could also stand for Advertising, because it is predominantly this—or, more specifically, paid media—that is deployed in order to deliver on an arbitrary awareness objective.

I'm still not quite sure where it is written that telling and selling<sup>1</sup> should eclipse all other steps in marketing acquisition to the point of dwarfing them in the process. To this day, there are still way too many companies that invest way too much money in efforts that have nothing more than a singular goal: create awareness. Don't take my word for it—take the test yourselves. Divide your marketing dollars into the following four buckets:

### Budget Breakdown Against A.I.D.A.

	Investment Dollars	Percentage of Total
Awareness (e.g. advertising)	\$	%
Interest (e.g. search)	\$	%
Desire (e.g. promotions)	\$	%
Action (e.g. e-commerce, POS, in-store)	\$	%
		100%

I wonder if it's nothing more than desperation—or perhaps I should say resignation—that motivates otherwise smart people to set a bar so unbelievably low that their entire success or failure hinges on a binary state of being aware or unaware. To be sure, if people don't know about you, your products, their benefits, and what makes them different and/or better than competing products, the odds are much lower that they'll actually purchase your product. Other than serendipitous or accidental encounters at the store, the bus stop, or the watercooler, there has to be some kind of formalized structure or process in place designed to seed, guide, or migrate customers from ignorance to enlightenment.

There *is*, actually. Read on.

<sup>1</sup> A phrase introduced by former Procter & Gamble Global Chief Marketing Officer Jim Stengel.

Knowing, however, is not the same as doing. Merely putting something out there in the hope that it will stick is naive, futile, and exceptionally unrealistic in today's fragmented, cluttered, and brand-wary world. Avinash Kaushik, author of *Web Analytics* and analytics evangelist for Google, refers to much of media communications as "faith-based initiatives." In other words, they are often futile attempts to bridge or reconcile the vast chasm between the two ends of the funnel—exposure and conversion—in order to prove the causal link and proportional relationship between communication (awareness) and commerce (action).

## INTEREST

Getting people to care these days is like climbing Mount Everest. People today are skeptical, jaded, cynical, and wary—and increasingly so, due to the hardships and hangover of the recession. And those are the good ones! The rest are apathetic, uninterested, indifferent, and detached. Most messages don't make it through the multiple layers of consumers' near-impenetrable defenses, and the ones that do are greeted with either a pitchfork or a pillow. It's a catch-22 of dire proportions.

As the funnel begins to narrow, what's left is a group of people who have some kind of reaction—positive or negative—toward a promise, value, or selling proposition. It's not guaranteed that they'll remain on the path toward purchase; they're not necessarily motivated to do anything about their raised eyebrow, chuckle, or head nod; and even if they are dead set on getting to the next level, there's no assurance of success, because of a variety of logistical curveballs, such as crashed browsers, closed stores, human error, or other uncontrollable forces.

The one-two punch of Awareness-Interest is a good start, but it falls painfully short of being able to completely close the gap between exposure and conversation. To get to the next phase of the funnel, companies need more follow-through and staying power. However, they typically run out of steam (or budget) in the graveyard of wasted and/or ignored impressions that bleed them dry as they attempt to repeatedly hammer home their message in order to get this far in the first place.

That's where search came to the rescue, hitting the ground running with a presupposition of some kind of qualification of relevance, resonance, and/or interest. With search, consumers travel a two-way street, often initiating a journey or dialogue with a potential

brand suitor as opposed to the other way around. Science trumps faith—especially when performance-based pricing ensures that marketers get what they paid for in a transparent package of perfect information.

But search has its shortcomings as well; it cannot exist in a vacuum. For starters, it presupposes baseline knowledge or, dare I say, awareness. Put differently, people don't know what they don't know. Furthermore, as efficient as it might be, search—like awareness—is not a guaranteed direct path to the checkout counter.

Interest is essentially a road sign that says, "You're in the right place" or "You're on the right track." It's the refreshment stand in a marathon race, but it's not a guarantee of a medal, or even an assurance of finishing the race at all.

## DESIRE

Brand messaging teaches us that there needs to be a reason to believe, whereas a tactical hook offers a reason to behave. If the former answers the question, "why should I care?" the latter addresses the "what's in it for me?" part of the equation. And don't underestimate the power of "intent" on the part of our consumers or "incent" on the part of ourselves (as sellers), because it's huge. There's simply too much choice in the marketplace for us to foolishly believe that our special brand of secret sauce is so good that all other options pale into obscurity. When the funnel narrows even further at the desire phase, everybody left in the running has some kind of varying state of readiness to make a financial commitment—that is, purchase.

Intent to purchase is 95 percent of the battle won. Being motivated (or even self-motivated) to satisfy a want, need, or desire to purchase a product or service implies a sense of pull that needs to be helped with a final nudge or push to help a consumer get over the hump of best-laid plans. Promotions are probably the best tactic in our marketing toolbox for allowing us to offer up an incentive for consumers to get to that 95 percent mark.

That said: wanting to buy and actually *buying* can be worlds apart. As the saying goes in golf, "99 percent of all short putts never go in the hole." Customized offers and calls to action, incentives to act (now!), and packaging redesigns or modifications—including (but not limited to) "*now with 20 percent more toothpaste*"—are all designed to help overcome the final hurdle that separates consumers from customers.

## ACTION

There is light at the end of the tunnel (or rather, funnel.) Where was once a sea of suspects or an army of prospects, we now have a fraction of the mob that made it to the store—physical or online—and committed a portion of their hard-earned salary in exchange for our wares. At the point of purchase (what is referred to in retail as the “final three feet”), the ink is pretty much dry, and there’s really not much marketers can do to change a consumer’s mind.

Or can they?

With point of sale, couponing, digital signage, and in-store television networks—and on the not-too-distant horizon, RFID, GPS, mobile social networking, and Wi-Fi—the storefront is going to become the new battlefield. For some it will be the last stand, and for others a second chance at (coupon) redemption.

The final few steps of the marketing funnel may seem like a *fait accompli*, but it’s a lot harder than it sounds. Walls of competing SKUs, diversions and distractions from in-store displays, and gondola ends designed for that change of heart (a place to dump your unwanted goods) or to make an impulse purchase are all difference makers. It’s exponentially magnified online, where pretty much anything and everything is only a click away, and where self-imposed ADD in the form of a Twitter chirp, Outlook ding, or IM ping is enough to reverse several carefully constructed steps of migration from one side of the funnel to the other.

Warts and all, this is the marketing funnel in its simplest terms and definitions: a linear, standardized, and otherwise predictable process of defining, segmenting, and describing consumer behavior from marketing management, communications, and even sales perspectives.

It is a funnel that has stood the test of the time . . . or has it?

Today, the once-shiny funnel is dinged and dented, rusted and dusted. It relies on masses of quantity in order to arrive at a manageable end point of quality; it is a methodology that takes protracted time, endless reserves of energy, and (though not endless) a ton of money. The marketing funnel is synonymous with—and probably should just be called—an acquisition funnel, and it is a funnel of futility when it is an end unto itself.

## WHAT’S WRONG WITH THE FUNNEL?

This book hypothesizes that there’s something inherently out of whack with the traditional marketing funnel and that there are better ways to

optimize it. Most of this book concentrates on the latter approach, the “flipping” part. However, it is worthwhile to spend a little bit of time calling out several shortcomings associated with the incumbent theory in order to provide a base level of context for the suggested alternative.

### **It’s Out of Date**

Come on; people aren’t predictable, linear, rational, or sequential beings. They probably never were. Though the four steps make sense in theory from a logical or even chronological standpoint, the buying game is very different in reality. In a word-of-mouth and word-of-mouse led world, the process of researching and buying is decidedly *nonlinear*, and it’s likely that some steps are skipped altogether in an always-correcting, efficient, and evolving marketplace.

### **It’s Lopsided or Out of Proportion**

The reason the funnel is wider at one end and narrower at the other is not *only* because of the number of people that are theoretically present at each step but arguably because of the amount of money spent or available at each step. If you think about it, shouldn’t we be spending more money against qualified prospective buyers versus shots in the dark at bagging a random stranger? Of course we should. It’s a complete no-brainer.

### **It’s Oversimplified**

There’s a fine line between simplifying something complex down to a root or core state and *oversimplifying* it to a fault. The marketing funnel does not factor in at least three critical components associated with the qualification process, and even more intriguing is that all three are consumer driven or initiated, starkly contrasting against the incumbent steps, which are all marketing-centric or oriented. These steps are as follows:

1. **Research**—Search is just the tip of the iceberg, a portal into an aggressive and proactive due-diligence process. Consumers today are indefatigable researchers; they will do what they can to make informed decisions that disintermediate marketing misdirection, hyperbole, overpromise, and hype. They’ll also spend

increasing amounts of time talking with peers, colleagues, friends, and family members, as well as interacting with newly formed acquaintances in the social networking and digital community arenas.

2. **Trial**—*Try before you buy* is a crucial solution to hesitation, inability to commit, or indecision. And just like search was the tip of the research iceberg, so, too, is couponing or sampling the tip of the trial step. Oftentimes, trial is indirect or inferred; for example, a movie review today is independently and representatively vetted, endorsed, and validated by a community of “me’s” and “you’s.” When trial becomes an existential experience, there’s no danger in seeing a bad movie anymore.
3. **Satisfaction**—Interestingly enough (if we’re using Wikipedia<sup>2</sup> as the gold standard), “satisfaction” is the only missing component of A.I.D.A. that tends to make it into conversations about the consumer-qualification process. Perhaps it’s because it slots neatly into an acronym (A.I.D.A.S.), and who doesn’t love the convenience of a neat-sounding acronym? Satisfaction is the one clue that the funnel is not quite done yet.

### It’s Linear

Human beings are increasingly unpredictable mammals. Expecting them to go through any kind of process (especially one WE created for THEM) with a degree of standardization and/or certainty is a dangerous assumption to make. With incessant distractions, constantly new propositions, and exciting ways of transacting with a company, it’s no longer valid to bank on a predictable path to purchase. Instead, witness a more realistic behavior, mixed with accelerated, skipped, and even repeated steps or pathways to purchase.

### It’s Open

What happens to the chosen few who make it through to the other end of the funnel? They fall to their grisly deaths in the vertical drop of attrition. Put less grandiosely and more pragmatically, the funnel is purely an acquisition process and does not continue to retention. Perhaps if there were a bucket underneath, we’d be a little more

<sup>2</sup>[http://en.wikipedia.org/wiki/AIDA\\_\(marketing\)](http://en.wikipedia.org/wiki/AIDA_(marketing)).

reassured that there was some kind of safety net built into an incredibly costly (or risky) game of conquering.

### **It's Incomplete**

Even if the funnel were closed insofar as there was a destination or goal, it would still be *incomplete*; the end point would still be a dead end. The marketing funnel produces customers—but then does nothing with them. With so much effort expended to produce a priceless transaction, it is almost inconceivable that we all but abandon our intensity thereafter. Perhaps we're locked into a cruel version of *Groundhog Day*, when we immediately are taken back to the beginning, only to have to repeat our entire marketing mating dance with (as history has shown us) barely any new lessons learned and diminishing success rates.

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