

Interview with Terry Pittman
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Terry Pittman is responsible for identification and visualization of new product concepts for AOL's Product Division. Prior to joining AOL in 2003, Terry was President of Postmodern Media, a new product strategy firm, co-founder of Brightstreet.com, and General Manager of Online Advertising at Netcom/Earthlink. Before the Web, he was Group President of Claritas/VNU and developed new product strategies for TV, telecom and print.

Terry is a graduate of The School of Journalism and Mass Communication at the University of North Carolina. Terry is a pioneer in Internet privacy through Congressional testimony and pro-bono work. He is a Board member emeritus of TRUSTe.org. Terry can be reached at JosephTPittman@aol.com

Interview conducted by Doug Berger, INNOVATE LLC. doug@innovate1st.com

Doug: Terry, there were a number of topics that you were interested in sharing with our readers. Perhaps we can start with the one that is just starting to capture people's imagination - **word of mouth marketing.**

Terry: People talk about word of mouth marketing as if it's a new form of media; as if you can go out and buy word of mouth just like you can buy television ads, print, or banner ads online. I always talk about it from the other end - what makes a product worth talking about? It's really about the product and the experience that it delivers. If you want word of mouth marketing, it's a good idea to figure out if you have something about which people really want to talk.

People won't talk about what *you* want them to talk about. They're going to talk about the things that they care about ... that they want to share with their friends. From that starting point, it requires you to think about your product and break it apart - the whole experience of using your product and services and of understanding why people are using it ... why they're attached to it.

Doug: What are some of the products that exemplify this notion of being worth talking about?

Terry: The iPod is probably one of the greatest examples of a product worth talking about. It's almost been over used as a case in point, but it's an example that everyone gets. In the beginning, most people, even a lot of the folks who are really tech savvy and early adopter types, looked at it as another Walkman, and wondered "why would I need that?"

Now, if you walk through the streets of Manhattan or any other metropolitan area, you're going to see the white ear buds on every fifth person or so. In some neighborhoods, you can't take a step without running into someone wearing the white ear buds, which shows

that they're a member of the club. So, people talk about it literally and metaphorically by wearing the white ear buds.

Doug: What made the iPod worth talking about?

Terry: Steve Jobs at the Mac World introduction said of the iPod, "a thousand songs in your pocket." That's really concise and powerful. At first glance, it might not have appealed to everyone because people were not accustomed to the idea of carrying a thousand songs in their pocket, and therefore in their car, and therefore on a flight, or walking through their neighborhood, or through the streets of Manhattan.

Functionally, it also did some things which were worth talking about, but which often get less airtime - organizing music, for example. Most people have a vague awareness of having a CD or an album, but it's in a stack of hundreds or dozens of others. Well, whenever you load a CD into your iPod, it auto-magically organizes it by artist, by genre, by ear, by song, by album. That is a beautiful thing.

The shuffle, for example, has changed the way radio stations now are programming themselves. Some stations in big metropolitan areas are now trying to emulate the iPod shuffle effect. They arrange deep, sort of random libraries of music that never would have been put together on the same format before the iPod.

It begins to be a holistic eco-system. The whole idea of the Apple iTunes store, for instance, made it very easy for people to legally buy music, listen to it, etc. The idea of play listing, of album art, of short videos that accompany albums when you buy them from the store - all of these things made an intangible, digital product, which had zero value in the Napster days, have monetary value in today's world of iTunes. Once the store launched those things that made the products tangible and easier to share, it made them easier to talk about.

Doug: What are some of the other products that have really created word of mouth marketing?

Terry: The huge growth of AOL in the late 90's was driven by word of mouth, and AIM after that. Remember the "You've got mail!" voice that welcomed you when you started your PC? They even made a movie about it. AOL users told their friends how easy it was and got them signed up, and pretty soon, millions of people were chatting online about their kids, about love, hobbies and favorite products, and sharing photos. It became a global conversation.

Hasn't everyone made something with Lego blocks? Lego created a product a few years back called MindStorm. Initially they thought their market was 13-year-old children. It turned out that they had quite an avid consumer market of men who were actually hacking into the operating system of the MindStorm and re-writing some of the code. They were making parts, reselling them through informal groups of other avid users, and innovating on the product. So, there was a very active conversation going on, and to this day, there still is, among people who thought the MindStorm was far more than just a kids' toy. It was a great way to create little robots.

The Lego Company actually lost control of their product very quickly. Their customers were innovating faster than they were. It's my understanding that Lego felt as though these avid customers were infringing on some copyright issues and perhaps hacking into the code and reverse engineering things. They were concerned and as the story goes, had begun taking legal action. But they stopped themselves and said, "Wait a minute. These people are not our enemy. They're our most avid, loyal users." Lego completely reversed its position and started forming, encouraging and helping cultivate these user groups.

More importantly, these customers were actually making the product better and more useful in ways that Lego hadn't yet. What better place to look for innovations than among the people who are capable of modifying your product to be better. So, that conversation actually made MindStorm legendary in many peoples' minds, as one of the great conversations, which was born from word of mouth.

Doug: Let's summarize some principles embodied in what you are talking about. (1) The more something is talked about the more valuable it becomes. As in Lego MindStorm, the more people who are talking about, sharing and collaborating on MindStorm, the more valuable the product. (2) Coolness, as in the iPod: 'cool' appeals to a certain demographic who love to talk about and be on the edge. What are some other underlying principles that anyone could apply in their particular area of interest?

Terry: You said something about 'cool'. I think that 'cool' is the outcome. It's rarely, if ever, the objective. Now, maybe for the guy who made Silly Putty or the Slinky, things that are just fundamentally faddish, there was a drive just to be cool, but I really think that products and services must have superb design and they must be able to withstand the test of time. It's not about more features that are technical and functional; it's about having the right ones in the right place. Many, if not most products which really are talked about, have something about the design that really is just so right

Dramatically better than the alternative. Dramatically better means that the product is so *much* better, there is no question about it being better. It is so much better that a customer uses it once or maybe only a couple times, and then they can talk to someone else, and describe why it's better without thinking. That means dramatically better in ways that really matter to people.

Open and modifiable by customers. This is particularly relevant to the times of today, although it might not have been on this list ten years ago. Think of Wikipedia, for example. I asked someone recently about the push to move toward compact fluorescent light bulbs and away from incandescent bulbs. "How would you figure out what components make up compact fluorescents?" I was asking from the perspective of buying stock in these companies. They said, "Go to Wikipedia." I did and sure enough, there is a comprehensive description of the make up of these things!

I did a little research on the whole open source business model typically associated with software and technology, which, interestingly, has made its way into the food marketplace. It seems that recipes have always been open source. There is an open source beer in Scandinavia. They created a formula. They bottled this open beer and started selling it at local pubs. In fact, it was one of the top sellers. They opened the recipe up for anyone to tinker with and improve on and every six months they release a rev 1.0, 2.0, 3.0. They are on their third or fourth revision now and the customers are making it better. They are striking distribution deals across Europe. They may not be a threat to the Guinness Empire, but it makes for interesting thinking.

Support existing behavior. For the most part, if you want to have someone talk about your product, care about it enough to use it and then talk about it, it actually has to fit within the person's path of already existing behaviors, so that they don't have to learn how to do something with no context. Said another way, you can package something new to have a familiar feel and look making it easy for people to adopt without feeling as though they're doing something crazy.

Customer engagement is a hot buzz phrase right now in the media business. I would say that if people are engaged with your product then they are probably talking about it. If they're not engaged, it's probably not terribly important to them. If the product is not good enough to talk about, people won't.

Doug: Terry, the first part of our interview focused on a 'product worth talking about' as related to the notion of word of mouth marketing. Let's move on to our next topic. In the digital age, what infrastructure facilitates word of mouth marketing for companies that have traditional products, as well as companies that might have more of a 'wow' type product?

Terry: Ford trucks asked the general public to make a commercial that would air at the Superbowl. People who love pick-up trucks are probably more passionate about them than people who drive rather mundane, inexpensive Japanese cars. So, if you give people a way to tell a story about their passion and it happens to be your product, that's pretty clever. Give people a vehicle to explain why they're passionate about it, particularly in a way that is compelling and visual, then it becomes something that the company can positively exploit. Today, that story gets told over and over again through YouTube.

In terms of events, it's about creating opportunities for people passionate about the product to get together and recognize each other, particularly the folks who may have taken the product to another level, or may have modified it to make it better or more useful. Lego MindStorm has facilitated user and enthusiast groups who talk very actively among themselves. They innovate on the product, share those innovations amongst themselves and back to the company, which drives the growth of that business model.

Some industries have particular challenges because of legacy business structure, technology and culture issues – publishing, and media and entertainment, for example. These are hierarchical companies where the direction of content is all fairly top down and pushed through a process and distribution channel, ending up with a program or a magazine that comes out the other end. Incorporating real-time, dynamic feedback and inter-audience conversations into the medium is alien to the traditional broadcast model. When users or an audience begins to talk on-line, and they have a way to do that along side the content, it can ignite a huge success and a much faster growth of audience. For example, there are huge communities of avid viewers around Lost, the ABC television show, yet most are not affiliated with ABC.com. On the other hand, American Idol has managed to incorporate the two-way "conversation" naturally into the show by letting viewers vote through texting with their cell phones. People also love to talk about musical artists and they will put their comments on sites that cater to music. This drives the sale of digital downloads as well as CD sales.

At Amazon, it's the sale of books, and at Expedia, it's the booking of particular hotels, which is heavily driven by word of mouth. People may not literally be speaking, as we know, we read reviews, but I consider users' comments to be word of mouth.

Creating a forum for customers to have conversations with each other about your product and your company is really a good idea and probably the most threatening to traditional companies. Here is a great example - I was looking for a place to vacation a couple months ago. I was looking at hotels and inns online. I noticed that most travel sites today give people the ability to leave comments about their experiences and to rate the places. I noticed that some places had many comments and some places had none at all. I began to conclude that if a place had no comments it must not be worth going there. A place might have had some strong, positive comments - great hotel; great views; they treated me well at the front desk; they were really prompt and courteous when I asked for room service. You might also have a couple of negative comments about the same place. It seems like there is an honest conversation going on and a lot of conversation, so that's a place I might want to stay.

This infrastructure of openness goes completely against the culture of traditional business, which is much more accustomed to having all contact with customers handled through their channels. A company, which enables its people to actively engage in a conversation about a company's product right there on the company site, even when a customer may be disgruntled, is actually making it possible for that person to have a voice. This is

considered by a lot of companies to be risky. Yet, when the product is a good product, customers tend to neutralize unfair or biased comments on website blogs and in discussion groups. Increasingly, companies understand that this is a requirement to be a vital company going forward.

Doug: What would you like to add to bring our conversation on this topic of the infrastructure and tools or tactics of facilitating word of mouth marketing, to a close?

Terry: In five years, it will be very uncommon for any business, which has a web presence that is critical to the business, not to have an open, word of mouth function.

Doug: Let's shift to the third topic: market research in the digital era and the very different ways that companies can go about doing market research.

Terry: I love this topic. There are particular types of online research that are more trustworthy than others. A powerful application is in testing ideas - testing visual concepts and testing in front of people on-line, and through virtual technology. We've shown people how concepts or an application would workhow a software or web service would work, for example, or a new function in video or video search. Once we've got it in good shape, we put it online in front of a lot of people who are sitting at their computers, in the context of them actually being able to use the service that we are developing. Then, getting feedback from them is extremely useful.

On the fringes of this sort of online research is the online virtual world Second Life. It's worth going to www.Secondlife.com. When you go there for the first time, you create a persona, an online person or entity for yourself. It may be something that looks like a person, an animal ... whatever or whoever you want to be. Then you have a very rich and interesting virtual world in which to roam around and interact with other people.

Starwood Hotels is one example of how organizations are using Second Life to test new ideas. They are opening a new chain called Aloft Hotels, targeting slightly younger, more budget conscious travelers, than were their more prestigious hotel chains. They opened the first 'Aloft Hotel' in Second Life. You can go there, go to the bar, check out a room, and look at the views. The traditional researcher might not even consider that research, but it is my view that any time you are facilitating conversations between potential users and the company, you are going to learn something.

Doug: Terry, you live in this digital world but many of our readers do not. Is there anything else, from a marketing research point of view that, while it is somewhat obvious to you, may be anything but common to people today who do market research?

Terry: I appreciate you asking the question in that way. Two things are increasingly discussed but still are not as widely used as they ought to be or will be in five years.

First, is Observational research, otherwise known as ethnography - literally watching someone do what they do. Let's say you are trying to innovate in a particular area, internet video or in our digital photo service, AOL pictures, for example. We recruit 20 to 30 people in a few cities who actually do the very thing that we are trying to understand. We spend part of a day with them and we watch how they use video or how they use pictures. We ask them questions about why they did what they did. We find that if people care enough about doing something, and if it can be done, they will have all kinds of novel workarounds for solving problems that we could better solve as developers of software and web services. The starting point is identifying unmet needs that users have difficulty articulating and of which users are frequently not conscious.

Secondly, many companies focus solely on the technology or features and functionality, and frequently miss what really makes people love their product, feel good and want to

share it. If we all focused on the needs first and then the solutions, we would create better products. We would create products that people want to talk about and in fact do talk about and share.

Velcro Points

1. If you want word-of-mouth marketing create something worth talking about.
2. The more it is talked about the more valuable it gets. Build the forums for customers to converse and engage ... physical space and internet.
3. Market research in the digital era is at the early stage of entirely new tools for discovering unmet needs and the true customer experience.

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