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**Can Corporate Repositioning, the Turn Around Prescription of the 1990s, Assist Dimac Direct in Regaining the Number One Position of Direct Response Agencies?**

Krista M. Mackin

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**THE COMPETITIVE INDUSTRY OF DIRECT MARKETING.  
CAN CORPORATE REPOSITIONING, THE TURNAROUND  
PRESCRIPTION OF THE 1990'S, ASSIST DIMAC DIRECT  
IN REGAINING THE NUMBER ONE POSITION  
OF DIRECT RESPONSE AGENCIES?**

Krista M. Mackin, M.S.

A Culminating Project Presented to the Faculty of the Graduate  
School of Lindenwood University in Partial  
Fulfillment of the Requirements for the  
Degree of Master of Science

1998

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## ABSTRACT

This thesis will focus on corporate repositioning within the industry of direct marketing — what is it, what it does, why it is necessary and how to develop and maintain it.

The term “corporate repositioning” is the latest on the world’s number one business strategy that was first studied and developed by Al Ries and Jack Trout in their book Positioning: The Battle for Your Mind. Corporate repositioning entails more than changing a company’s logo, creating images through advertising and generating hype for a company’s products or services. Rather, repositioning means that a company must create a “position” in the prospect’s mind. A position that takes into consideration not only a company’s strengths and weaknesses, but those of its competitors as well. Positioning is not what you do with the product or service; it is what you do to the mind (Ries and Trout 2-3). But how do you get into the mind that is already bombarded with thousands of communicated message? What if another company already owns your position?

Corporate repositioning is one element that will enable companies to succeed and eventually surpass the competition. Companies that are willing to take the great leap of faith and reposition

need to take inventory of their greatest asset that will make repositioning a success. And what is a company's greatest asset? Its employees. Employees need to understand the company's strategy, be a contributing member to the company's culture and enhance upper management's values of leadership.

This study will focus on corporate repositioning and its impact on companies, specifically direct marketing companies and their success or failure. To better understand the competitive industry of direct marketing, an overview of the industry will be discussed. In addition, an in depth review of what a company needs to do in order to successfully implement the number one business strategy — repositioning — and the assets that will have the greatest impact on that success.

The goal of this thesis is to highlight the importance of corporate repositioning in the context of surpassing the competition and ultimately being first in the prospect's mind. To successfully communicate this message, a St. Louis-based direct marketing company called DIMAC DIRECT, will serve as the case study in which this thesis will be developed. Ultimately, this thesis will answer the question: Should DIMAC DIRECT reposition itself in order to regain the number one position of direct response agencies?

## ACKNOWLEDGEMENTS:

To my parents, Bruno & Kathy, for their years of commitment as parents, unselfish love, never ending support, belief in my goals and the strength that will be carry me through the rest of my life;

To my grandma, otherwise known as "Nanny," for her 85 plus years of unselfish love that only a grandma can give to her grandchild;

To my brother, Ricky, for his strong shoulders that have made me a braver person and that knows no limits to what I can accomplish;

To my grandpa, otherwise known as "Poppy," may he forever watch over me from Heaven as my personal angel — you are the wind beneath my wings;

And a personal thank you to my mom, as she struggles to survive with cancer. Though sick and weak, she never put herself before me. She always put me first — and for that I will be forever grateful. I love you with all my heart!

DEDICATED TO

Mom & Dad,  
Nanny & Poppy  
&  
Big Brother Ricky

my inspiration, my support team, my family!

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## Chapter 1

### INTRODUCTION

We live in an overcommunicated society. There are just too many companies, too many products, too many media, too much marketing noise. The per-capita consumption of advertising in America is \$200 per year. If a company spends a million dollars a year on advertising, they are “bombarding” the average consumer with less than one-half cent of advertising spread over 365 days. It is a communication jungle for companies and the only way to score big is to be selective, to concentrate on narrow targets and to practice segmentation. For these reasons, it is imperative that companies understand what repositioning means and what it can do to the success or failure of the company (Ries and Trout 6).

Positioning has become the best known and most widely used advertising strategy of the past decade. But then why are companies closing up shop everyday? The answer — most companies do not understand what repositioning means. Companies are too busy worrying about their bottom line when they should be focusing their energy and effort on getting their name in the prospect’s mind first. Getting into the prospects’ mind first will ultimately increase the

company's bottom line because consumers will purchase products/ services they think of first. This thesis will focus on how to get into the prospect's mind first by using a St. Louis-based direct marketing company called DIMAC DIRECT as an example.

What is positioning? According to Ries and Trout, positioning starts with a product, a piece of merchandise, a service, a company, an institution, or even a person. But positioning is not what a company does with the product. Positioning is what a company does to the prospect's mind: that is, position the product in the mind of the prospect. Positioning comes to grips with the problem of getting heard in the overcommunicated society. Bottom line, the basic approach of positioning is not to create something new and different, but to manipulate what's already up there in the mind. It reties the connections that already exist (2).

DIMAC DIRECT is a company faced with a major positioning challenge. Hundreds of direct marketing companies have entered into the fast-paced world of communicating via direct mail. Companies who hire direct marketing companies, like DIMAC DIRECT, do so because direct mail is the tool that enables companies such as Blue Cross and Blue Shield, AT&T, Blockbuster Video, NationsBank, American Express, Hallmark Business Expressions and XEROX to target potential customers and reinforce relationships with existing

customers. The reason direct mail is a vital tool for companies is because the results of a direct marketing campaign can be measured. This means that companies can focus their time, energy and dollars on those marketing tactics that will reinforce their customer base: thus, gaining more market share, and ultimately, surpassing the competition.

In 1996, AdWeek listed DIMAC DIRECT as the number one direct response agency with 1995 revenues totaling \$126,196 (in thousands) (AdWeek). However, in 1997 DIMAC DIRECT lost its competitive edge. Advertising Age reported DIMAC DIRECT as the number two direct response agency and Rapp Collins Worldwide as the leader (Advertising Age). If DIMAC DIRECT wants to regain the number one position as a direct response agency, the company needs to concentrate on getting back into the prospect's mind. Not only does DIMAC DIRECT have to get back into the prospect's mind, but DIMAC DIRECT has to be first in the prospect's mind.

Direct marketing has always been a popular tool used to communicate with consumers, specifically through the use of catalogs, according to S.D. Warren Company. The roots of mail order date back to the Middle Ages. In 1498, Aldus Manutius of Venice, a publisher, introduced a catalog of 15 texts which he had published; these were the precursors of the paperback books of today. Perhaps this was

the seed of an idea for Book of the Month Club or Literary Guild.

Seed and nursery catalogs were in existence as early as 1667, when William Lucas, an English gardener, mailed a printed price list of available seed and plants. This phenomenon spread to colonies, where a catalog of fruit trees was published in 1771 by William Prince of Flushing, Long Island. Even our Founding Fathers began to participate at this point, as George Washington visited Prince's gardens in 1791 and Thomas Jefferson was a regular mail order buyer of plants, both in the American Colonies and in Europe.

Benjamin Franklin published a catalog in 1744 of nearly six hundred volumes in most faculties and sciences from his Library Company of Philadelphia. His catalog was remarkable because it used the concept of "satisfaction guaranteed."

Orvis, which is still a flourishing mail order company today, was one of several companies that began to sell sporting goods and fishing equipment through the mail in New England in the 1830's and 40's.

But the beginning of mail order was a result of the experiences of a traveling salesman in the Midwest, named Montgomery Ward. He published a catalog sheet that listed 163 items right after the Civil War. Within two years, the catalog grew from eight pages to 240 by 1884. Thus, began the modern era of mail order, and perhaps, the era of personalization, too.

Not only has mail order been flourishing since 1498, so has direct mail. The first known envelope was a Babylonian clay tablet wrapper from the year 2000 B.C. This gives some indication that some forms of direct business communications were in existence among Assyrians, Babylonians and Persians during ancient times.

In Colonial America, there were orders sent to England for books, tea leaves and musket balls. Pony Express and the stagecoach were vehicles for direct mail in the early West. By the 1870's, a number of firms were using direct mail to advertise their wares, aided by the advent of penny postage, which began in 1872. Direct mail was also made possible by the invention of the typewriter.

Between 1880 and 1930 there was a huge leap in the advancement of direct mail. The first lettershops, Business Address Company and R.L. Polk were founded. In 1891, the National Cash Register Company, one of the first users of the medium, mailed 4,000,000 direct mail pieces. These pieces were mailed to obtain qualified business leads for its salespeople.

Homer J. Buckley, the man who coined the term "direct mail" founded Buckley-Dement in 1905 as the first company to offer professional direct creative services. The Direct Marketing Association, originally known as the Direct Mail Advertising Association, was founded in 1917. And in 1928 came the most important event of all,

the establishment of the third class bulk mailing rate. The third class bulk mailing rate enabled direct marketers to mail pieces at a cheaper postal rate; thus, saving the direct marketer money.

The First World War brought many cultural changes to the United States, including waves of immigrants and an interest in philosophy, education, literature and art. After the Second World War, the United States economy boomed in an unprecedented fashion. A revolution of rising expectations bloomed along with the political alienation of the 50's and 60's. The growth of affluence of the middle class set the stage for the great direct mail boom.

During the 60's and 70's, direct mail continued to be the basis of the multimedia revolution, aided by the development of the computer, ZIP codes and census tracts, which were used for market segmentation. The first public use of the term "direct marketing" was in a speech by Lester Wunderman to the Hundred Million Club (now the Direct Marketing Club of New York) in 1961. He said,

I believe the term "direct marketing" is more appropriate than mail-order selling...Direct marketing is where the advertising and buying become a single action...Direct marketing is still on the debit side in most advertising and marketing forums...(But) the future of direct marketing is bright. It represents a significant - perhaps a revolutionary - transformation in our economy. (S.D. Warren Company 2-8)

Today, direct marketing continues to increase in quantity, quality



and variety of formats. As the demand for direct marketing continues to increase, so do growth opportunities and stiffer competition. The proportion of advertising dollars allocated to direct media is increasing in proportion to the allocation for general media. Direct marketing generated an estimated \$634.6 billion in consumer sales and \$543 billion in business-to-business sales in 1996. In 1996, more than 20.1 million U.S. jobs were related to direct marketing activity. Spending for direct marketing has grown 39.5 percent from 1991 while total advertising expenditures have grown 37.2 percent (Kutz 2-15). [See Figure 1 for direct marketing and total advertising expenditures.]

Direct marketing can be segmented into three types: direct order, lead generation and traffic generation. Direct order is any direct communication to a consumer or a business recipient that is intended to generate an *order*. Lead generation is any direct communication to a consumer or a business recipient that is intended to generate *a request for further information*. Traffic generation is any direct communication to a consumer or a business recipient that is intended to generate *a visit to a store or other place of business for purchase of one or more specific products or services*. Lead generation offers have been, by far, the largest and fastest growing component of direct marketing spending. Lead generation offers are expected to comprise 58.9 percent of the total direct marketing mix in 2001; up from 56.3

percent in 1996 (Kutz 2-15).

Direct marketing employment has grown at a compound annual rate of five percent between 1991 and 1996 versus total U.S. employment which has grown at 1.7 percent on a compound annual basis. Direct marketing has added 4.1 million jobs over the past five years. An additional 4.3 million jobs are expected to be added between 1996 and 2001. This growth environment creates intense competition for skilled resources (Kutz 2-15).

Not only is direct employment on the rise, but so is competition among direct marketing agencies. In 1996 AdWeek listed DIMAC DIRECT as the top direct response agency with 1995 revenues totaling \$126,196 (in thousands). DIMAC DIRECT was followed by: Wunderman Cato Johnson Worldwide with revenues totaling \$101,000; Rapp Collins Worldwide (\$80,088); Bronner Slosberg Humphrey (\$67,495); and Draftdirect Worldwide. (\$53,000). Though DIMAC DIRECT led the pack in 1996, intense competition from Rapp Collins Worldwide put the company in first place in 1997 with revenues totaling \$105,831 versus DIMAC DIRECT's revenues of \$88,778. DIMAC DIRECT was followed by Bronner Slosberg Humphrey (\$83,200) and Wunderman Cato Johnson (\$81,003) (AdWeek).

DIMAC DIRECT earned the number one position in 1996 by focusing and communicating to its consumers that the company was

vertically integrated. This means that all the management and production took place under one roof. The use of the term "vertical integration" was central to DIMAC DIRECT's positioning strategy. Again, positioning means getting into the prospect's mind first. And if a company wants to get into the prospect's mind first, then the company must focus on a service or a product that will make prospects think of that company from the initial onset. Hence, by using the term vertically integrated, DIMAC DIRECT was attempting to turn the selection process around. By focusing on the needs of consumers, rather than the company's needs, DIMAC DIRECT was simplifying the selection process. As a result, prospects were choosing DIMAC DIRECT over the competition. As the competition intensifies, companies need to revisit how they position the company in the mind of prospects.

Currently, DIMAC DIRECT, Rapp Collins, Bronner Slosberg Humphrey and Wunderman Cato Johnson are the top four direct marketing companies battling for the one number position of direct response agency. To understand the company's current "position" in the prospect's mind, the following material will provide a better understanding of how the companies want to be viewed (positioned) in the mind of prospects.

DIMAC DIRECT is headquartered in St. Louis, Missouri with offices in Boston, New York, Los Angeles, San Francisco and Seattle.

The company serves some of the largest and most sophisticated accounts in the business. Clients choose to do business with DIMAC DIRECT because the company controls every element of the direct marketing equation under a single roof. They integrate some of the best marketing, creative, research and database employees in the business with comprehensive production, information services and fulfillment capabilities. DIMAC DIRECT combines smart, effective marketing with fast, flawless execution. DIMAC DIRECT is retained by clients for one reason only: to achieve a single, specific positive result. Delivering on that promise requires focus and discipline, plus a keen understanding of markets, the mind of the consumers and the ability to translate insights into action and fast. Delivering on that promise also requires vertical integration on a significant scale. Vertical integration is the position held by DIMAC DIRECT. It entails a uniquely qualified plan and execution strategy in every step of the direct marketing program. The direct marketing program includes program planning, strategic marketing, creative, database development and management, research, list management, media and brokerage services, comprehensive printing and mailing services, response processing and fulfillment, program tracking, results and "next steps" analyses. (DIMAC DIRECT 1-2).

Rapp Collins, an agency founded in 1965 by Stan Rapp and Tom

Collins and acquired by Doyle Dane Bernbach in 1997, is today a company with over 1,000 people working out of offices in North America, Latin America, the United Kingdom, Europe, Africa, Australia and Asia. At the heart of Rapp Collins Worldwide is a single powerful idea. It is the idea that every customer is an individual and must be treated as such. This idea has transformed modern business, turning companies that made products into companies that serve customers. That is why Rapp Collins Worldwide is committed, not to mass marketing, but to mass customizations — one-to-one marketing on a mass scale. In addition, Rapp Collins Worldwide believes that change occurs faster today than ever before. For marketers, the pace of change can be intimidating, even overwhelming. It can also be an opportunity. By anticipating changes and embracing new technologies, Rapp Collins turns them to the customer's advantage. At Rapp Collins Worldwide, the company is positioned to help clients take advantage of the "changing landscape of marketing communications" (Rapp Collins Worldwide 1-10).

Bronner Slosberg Humphrey is a privately held company that prides itself on a positioning strategy that is "circular." The company offers strategic concepts for its customers and follows through with controls and tests and final analysis. In addition to offering its clients direct marketing services, Bronner Slosberg Humphrey manages a tele-

services, retail and advertising support (Stone).

Wunderman Ricotta Kline was founded by the “father of direct marketing,” Lester Wunderman in 1958. At the same time, Mac Cato and his partner John Johnson founded Cato Johnson, soon to become one of the world’s premier sales promotion agencies. In 1992 the two companies merged, creating the Action Marketing Agency known today as Wunderman Cato Johnson. Wunderman Cato Johnson is a global marketing and advertising communications agency that helps marketers build their business by creating and managing valuable customer relationships. Unlike traditional advertising agencies which focus on images and brands, Wunderman Cato Johnson considers every facet of a consumer’s brand experience, from distribution and packaging to word of mouth and after sale service. The company uses Brand Experience Management™ to help clients manage their most valuable asset — their customers — at every point of customer / product interaction. It is no longer enough to simply tell consumers why they should want your brand or provide them with marketing programs that stop at the point of purchase. It is vital to evaluate every point of contact where action marketing strategy could affect success. It means starting from pricing structure and distribution channels, moving through product features, advertising, point of sale, product use and after sale service. For these reasons, Wunderman Cato

Johnson position these views to customers as the “holistic” approach (Wunderman Cato Johnson 1-11).

DIMAC DIRECT, Rapp Collins Worldwide, Bronner Slosberg Humphrey and Wunderman Cato Johnson are each positioned uniquely in the prospect’s mind. Rapp Collins Worldwide is positioned as the largest mass customization agency. Bronner Slosberg Humphrey is positioned as the most effective strategic and implementation advertising agency. Wunderman Cato Johnson is positioned to create images and brands in all facets of a consumer’s experience. And DIMAC DIRECT is positioned as the largest and most efficient vertically integrated direct marketing company. The company’s position is too vague and it does not communicate the extent of DIMAC DIRECT’s customized direct marketing services. But as Ries and Trout have stated, we live in an overcommunicated society. And because we live in an overcommunicated society, the positioning message of one company may get blurred with that of another company. Is our overcommunicated society the reason DIMAC DIRECT lost the number one position as direct response agency? Following the guidelines of Ries and Trout, if DIMAC DIRECT wants to regain the number one position as direct response agency, DIMAC DIRECT has to sharpen the message communicated to current and potential prospects by cutting into the prospect’s mind. DIMAC

DIRECT has to jettison the ambiguities, simplify the message and then simplify it some more if the company wants to make a long-lasting impression. The only way to accomplish this task is by looking inside the prospect's mind and select the information that is most important to them — it is a selection project. DIMAC DIRECT must look for the solution to their current position not by what the company offers as a service to its customers but by what is already in the prospect's mind. By so doing, the company will be concentrating on the perceptions of the prospect not the reality of the product (8-10).

Anheuser-Busch, Inc. is learning that focusing on the product and not the prospect can have a severe impact on the sale of the product. Budweiser was first introduced to the market in 1876 and for the past 37 consecutive years has been the number one selling beer in America. The reason Budweiser has remained the number one selling beer is because of the beer's "position" in the beer market. Budweiser is and was positioned as the "King of Beers." However, as the competition within the beer industry increases, companies like Anheuser-Busch, Miller, Coors and the rapidly growing micro-breweries are struggling to develop new products that will distinguish them from the competition.

Anheuser-Busch thought the best way to combat the competition was to extend not only its line of beer products but to



acquire new companies. Such new beer products, under the Budweiser umbrella, included Bud Light, Bud Dry, Bud Dry Draft, Bud Ice, Bud Ice Light and Anheuser Light. Anheuser-Busch diversified its portfolio by purchasing a snack company and naming it Eagle Snacks. The company also owned the St. Louis Baseball Cardinals, Campbell Target (i.e. Iron Kids Breads and Grant's Farm Breads), Sea World, Busch Gardens, Sesame Place, Cypress Gardens and Anheuser-Busch Recycling Corporation. The company appeared to be an empire. However, the company soon realized that diversification was jeopardizing the company's "position" in the marketplace. Recall that Ries and Trout state that we live in an overcommunicated society and when messages get blurred, prospects lose sight of what a company is trying to communicate. For this reason, the position of Anheuser-Busch was no longer the distinguishing factor from that of the competition.

Currently, Anheuser-Busch owns 45 percent of the domestic beer market followed by Miller who owns 23 percent of the domestic beer market. In 1979, Miller High Life and Miller Light brands totaled 35 million barrels in sales. The basic Budweiser brand sold 30 million barrels. Wanting to increase its number of barrels sold, Miller added Miller Genuine Draft to its lineup. Their three brands sold 32 million barrels, or three million less! Meanwhile, the regular Budweiser had

risen to 50 million barrels. It is obvious the "position" of Miller was getting blurred. Instead of realizing that they had a good thing going, Anheuser-Busch responded to Miller Genuine Draft's debet by adding Bud Light , Bud Dry and Bud Ice. The result, the Budweiser brand slid from 50 million to 43 million barrels. According to Ries and Trout, the more brands a company has, the less focus on the positioning. The consequence, less sales (44).

In 1996, Anheuser-Busch realized that diversifying a product and company did not mean an increase in sales; it meant the direct opposite. For this reason, Anheuser-Busch has been drumming up its advertising efforts for Budweiser only. The company sold off its Eagle Snacks, the St. Louis Baseball Cardinals, Cypress Gardens and Campbell Target. The company realized that Anheuser-Busch is about beer. The brewery became an industry giant because of Budweiser, the "King of Beers." Pat Stokes, President of Anheuser-Busch said,

The company is at a crossroads. We must choose between trying to maintain our position, or taking bold steps to move to another level in volume and share growth. We could continue achieving a marginal increase of one-half to one percent per year...but this will not provide the level of volume and profit growth necessary to satisfy our objectives...Now is the time for Anheuser-Busch to attack the marketplace with renewed rigor...to initiate a new era of growth for A-B and its wholesalers. Anheuser-Busch is readjusting its focus and realigning its resources by placing a renewed concentration on the business of brewing and marketing beer, both domestically and aboard. Last 1995 will be remembered as the year A-B took a number of

decisive steps to define the company we want to be in the future...The response from the business and investment communities has been very positive, ranging from favorable press to a marked increase in our stock value. (Stokes 1-2)

In addition to drumming up the advertising efforts of Budweiser, Anheuser-Busch has also introduced "Born-On" dating and Budweiser Beer School as a means to get back into the prospect's mind first. "Born-On" dating and Beer School are two positioning tactics that will distinguish Anheuser-Busch from the competition. The reason these two tactics will distinguish Anheuser-Busch is because the company developed and instilled these ideas into the prospect's mind first.

"Born-On" dating is a major priority in the marketing efforts of the company. To support these marketing objectives, Anheuser-Busch has implemented various additions to the complimentary tour and hospitality experience. These additions include point-of-purchase displays (P.O.S.), modifications of the tour spiel, distribution of brochures and actual taste testing. The "Born-On" dating or Freshness Campaign is supported by P.O.S. including banners, table tents, counter cards and tap marker extensions that are placed at all brewery tour locations. "Freshness" brochures are available to all guests and "Born-On" dating is discussed in the brewery tour spiels. The tour guides and bartenders discuss beer freshness and "Born-On" dating with guests

and taste tests are conducted at all brewery locations. In addition, television commercials reinforce the "freshness" concept featuring "Gus" the advertising spokesperson (Greenspahn).

Budweiser Beer School is a public relations positioning tactic developed by Anheuser-Busch. The campaign is currently running at the six Sea World and Busch Gardens parks. The Budweiser Beer School is available to all guests who visit the park. During May 1997, more than 21,400 consumers attended Beer School classes at the theme parks. Anheuser-Busch public relations department reported that Budweiser Beer School has proven to be an effective vehicle for delivering Budweiser's key messages to consumers and most importantly, research shows that the program improves the quality image of Anheuser-Busch, Inc. Because Budweiser Beer School has been such a success, the public relations program has been rolled out nationwide with classes being offered at all brewery sites and theme parks, as well as to consumers and retailers across the country through the use of four Budweiser Mobile Beer School units. Bill Etling of Fleishman-Hillard proclaimed, "Public Relations plays a key role in the success of this program, and we want to ensure that we are delivering a consistent message to the media and the public" (News Release 1-3).

Etling summarized that Budweiser Beer School is an effort to further educate consumers about beer and brewing. Budweiser Beer

School is a 30-minute presentation that is conducted by Beer School instructors at the six Anheuser-Busch theme parks: Busch Gardens Tampa Bay, Busch Gardens Williamsburg, Sea World of Florida, Sea World of California, Sea World of Ohio and Sea World of Texas.

Trained by actual brewmasters, Beer School instructors teach visiting guests about tradition, art and science of Anheuser-Busch brewing.

“Budweiser Beer School enables us to demonstrate — on a very personal level — the great care we take in brewing our beers,” said August A. Busch IV, vice president of marketing for Anheuser-Busch. “We first brought the program to our theme parks at the beginning of 1997, and the response so far has been overwhelming” (1-3).

The Budweiser Beer School presentation is free of charge and available to guests 21 years of age or older. The presentation begins by introducing guests to beer, including a look at the malt beverages’ 6,000-year history around the world. Instructors describe all the natural ingredients Anheuser-Busch uses to brew its beers and participants get the chance to see fresh hops, barley malt, beechwood chips and other brewing materials. The presentation also gives an overview of the principles of brewing including malting, mashing and fermentation. Guests see the step-by-step process by which barley malt, brewer’s rice, hops, yeast and water are crafted into fresh Budweiser. After going through the steps, instructors guide the guests through a

tasting session of many popular Anheuser-Busch beers while discussing the benefits of brewery fresh beer. Chris Shea, vice president of marketing for Busch Entertainment Corporation said,

Beer enthusiasts who attend Budweiser Beer School have told us they have learned a great deal during the presentation and that the program adds a lot to the theme park experience. We have designed Beer School to be as informal and interactive as we can for our guests. The instructors encourage questions throughout the program and make sure the class is both educational and fun. (Etling 1-3)

Anheuser-Busch, Inc. is one example of a company using positioning to surpass the competition, and ultimately, being first in the prospect's mind. Two other companies, Salem cigarettes and MicroSoft are also re-evaluating their positioning strategy to rise above the competition. Owner of Salem cigarettes, R.J. Reynolds, is currently testing a new positioning campaign that aims to make Salem a "hip smoke." MicroSoft is hellbent on pursuing a strategy that will secure its position as the dominant force in techdom. [A further discussion of Salem and MicroSoft can be found in Appendix A and Appendix B.]

Industry giants have to come to the conclusion that positioning is the vital tool that will blow the doors off the competition. It is no longer enough to bombard consumers with thousands of messages. Companies need to develop a positioning strategy for the long haul. After all, companies will never get a second chance to make the first

impression. The objective is to say the right things to the right person at the right time. The campaign must find what the NASA people in Houston call "a window in space." Positioning is an organized system for finding windows in the mind. It is based on the concept that communication can only take place at the right time and under the right circumstances (Ries and Trout 21).

DIMAC DIRECT needs to understand that positioning will be the factor that will distinguish the company from intense direct marketing competition. Chapter 2 of this thesis will provide detailed information and concepts about positioning. It will also be the foundation of information that will answer the question: Will corporate positioning enable DIMAC DIRECT to regain the number one position of direct response agency?

In 1996, DIMAC DIRECT was the nation's largest direct marketing services company. The spirited and innovative company offers comprehensive marketing, creative and production capabilities. DIMAC DIRECT offers their national client base research, list brokerage, data processing, mailing, printing, fulfillment and telemarketing services. DIMAC DIRECT's clients include some of the leading names in the financial services, fund raising, retailing, telecommunications, manufacturing, technology, consumer products and automotive industries.

Founded in 1921 by Saul Osherow, DIMAC DIRECT came to be managed by his sons Jermone and Aaron, who joined the company in 1946 and 1956 respectively and remained with it until retiring in 1989. In August 1987, the company was purchased by members of the company's management group backed by Golder, Thomas and Cressey, a Chicago-based investment firm. Michael T. McSweeney was named President and Chief Executive Officer in 1988. In November of 1990, DIMAC DIRECT moved into a new 275,000 square-foot headquarters building in Bridgeton, Missouri, a suburb of St. Louis. In November 1993, McCown De Leeuw & Company, a New York based investment firm, purchased the majority of shares of stock in the company. In the early 1990's DIMAC DIRECT initiated an aggressive acquisition strategy and strategic growth plans to generate significant new business while continuing to increase its value and level of service to existing accounts. In total, DIMAC DIRECT made eleven acquisitions in May 1990 (DIMAC DIRECT 1-20).

In 1994, DIMAC DIRECT went public and was acquired by Heritage Media in 1996. That same year, News Corporation bought Heritage Media in August. In 1997, News Corporation announced that the company wanted to sell Heritage Media. News Corporation, the media conglomerate controlled by Rupert Murdoch, acquired DIMAC DIRECT as part of its \$1.35 billion acquisition of Heritage Media



Corporation. News Corporation bought Heritage Media because it wanted Actmedia, a \$350 million in-store couponing and product sampling company. Actmedia competed with News Corporation's coupon company, News America F.S.I. (VandeWater 29). DIMAC DIRECT distributed its portfolio to interested parties and by the end of May 1998, bids will be reviewed.

Since DIMAC DIRECT went public in 1994, the company has seen several owners. Each owner of DIMAC DIRECT has been very short lived. This lack of company based leadership has led the executives of DIMAC DIRECT to review its positioning strategy. The initial alert came in 1997 when Rapp Collins Worldwide took the number one position as direct response agency. DIMAC DIRECT wants to regain the number one position of direct response agency. In 1997, the executives and employees of the company decided it was time to reposition. It was no longer enough to say the company was vertically integrated. The term vertical integration has become a common term used to describe direct response businesses. DIMAC DIRECT knew it was time that the company make a bold stance if the name, DIMAC DIRECT, was to get into the prospect's mind first.

Some positive steps have been taken. The company is currently reviewing its tagline and logo. The creative team at DIMAC DIRECT has come up with the new tagline, "Direct to Your Bottom Line." The

company is also reviewing the logo. The creative team suggests a bull's-eye with arrows pointing in North, South, East and West directions. The new logo suggests to DIMAC DIRECT's customers that the company will work aggressively to target the right customers, to increase the bottom line for its customers — an increase in profits.

The creative team is also creating new ads for industry related publications. This is the first time that DIMAC DIRECT has taken such a bold advertising move. The first round of ads reviewed showed that DIMAC DIRECT wants to make a lasting impression in the prospect's mind by using humor. One ad featured an older gentleman with a huge cigar hanging out of his mouth. The tagline read, "Ever Notice Lawyers Have Really Big Butts? (And occasionally they even have a valid issue.)" The ads feature direct mail news with direct mail lessons, direct marketing truism, mailing factoid and direct marketing tips (DIMAC DIRECT Creative Department).

In addition to the new tagline, logo and advertising efforts, DIMAC DIRECT has established five Initiative Committees. Following are the five committees: Training and Development, Balancing Professional and Personal Life, Corporate Communications, Rewards and Recognition and Community and Charitable Work. The Initiative Committees were established to address areas of concern for both the company and the employees. For example, the Charity Committee was

established so DIMAC DIRECT's name would be visible in the community. In addition, the committee was developed in hopes of fighting the high rate of attrition. The executives thought employees would feel good knowing that they are employed by a company that cares about the community. When employees feel good about their company they are less likely to leave the company: thus, reducing the high rate of attrition. Other committees are reviewing the flow of communication, balancing work and personal life and employee rewards and recognition.

Though DIMAC DIRECT realized that repositioning could possibly help them in regaining the number one position as direct response agency, the executives of the company must take inventory and understand that their greatest asset to repositioning is their employees. Employees need to understand the company's strategy, be a contributing member to the company's culture and enhance upper management's values of leadership.

The objective of this thesis is highlight the importance of corporate repositioning in the context of surpassing the competition and ultimately being first in the prospect's mind. DIMAC DIRECT will serve as the case study in which this project will be developed.

Ultimately, this thesis will answer the question: Should DIMAC DIRECT reposition itself in order to regain the number one position of

direct response agencies?

Figure 1

Direct Marketing and Total Advertising Expenditures  
(billions)

Channel	DM Expenditures	Total Advertising Expenditures	DM Expenditures as a Percent of Total Advertising Expenditures
Telephone	\$57.8	\$87.9	65.7%
Direct Mail	\$34.6	\$34.6	100.0%
Television	\$15.5	\$39.1	39.6%
Newspaper	\$13.9	\$38.3	36.3%
Magazine	\$7.2	\$13.2	54.5%
Radio	\$4.7	\$12.0	39.5%
Other	\$10.9	\$22.7	47.8%
<b>Total</b>	<b>\$144.5</b>	<b>\$247.8</b>	<b>58.3%</b>

SOURCE: Kelly Kutz. Exhibit from "Overview of the Direct Marketing Industry." DIMAC DIRECT (1998): 2-15.

## Chapter 2

### LITERATURE REVIEW

This Chapter will explore, expand and highlight the thinking of several experts in the area of positioning, strategy, importance of employees, corporate culture and upper management's value of leadership.

Positioning: The Battle for Your Mind  
Al Ries and Jack Trout

We live in an overcommunicated society. There are too many companies, too many products, too many media, too much marketing noise. The per-capita consumption of advertising in America is \$200 per year. This means the average person is bombarded with less than one-half cent of advertising spread out over 365 days (6).

Ries and Trout state that positioning is the first body of thought to come to grips with the problems of communicating in an overcommunicated society. Companies must create a "position" in the prospect's mind. A position that takes into consideration not only a company's strengths and weaknesses, but those of its competitors as

well (i).

Several companies have realized the importance of positioning and its vital importance to a company's success. To understand positioning, following is a list of products/services. Read the name of the products/services and then see if you can identify the name of the company that produces the products/services. Ries and Trout contend that if you know the name of the company, that company has done their job at positioning because they were first in the prospect's mind.

The products/services are as follows:

Budweiser	Tissues
Cigarettes	Rental Cars
Copy Machines	Greeting Cards
Soda	Tampons
Film	Internet

Trout and Ries ask, "Did you know what company produces these products/services?" Following are the corresponding companies:

Budweiser - Anheuser-Busch  
 Cigarettes - Marlboro  
 Copy Machines - Xerox  
 Soda - Coke Cola  
 Film - Kodak  
 Tissues - Kleenex  
 Rental Cars - Enterprise  
 Greeting Cards - Hallmark  
 Tampons - Tampax  
 Internet - America On Line

Essentially, positioning is being first in the prospect's mind. Being first in the prospect's mind means consumers are more likely to purchase the "positioned" company's products/services over the competitors' products/services. To put this to the test, when a traveler is on an airplane and he asks the airline attendant for a cola, inevitably, the cola offered will be a Coka Cola.

Positioning: The Battle for Your Mind, gives an inside look at how the mind works in an overcommunicated society. Why less is often more. The importance of the name. The need to get into the mind first.

What is positioning? According to Ries and Trout, positioning starts with a product, a piece of merchandise, a service, a company, an institution, or even a person. But positioning is not what you do to a product or service. Positioning is what you do to the mind of the prospect. That is, marketers position the product in the mind of the prospect. A distinction needs to be made between actual positioning and cosmetic changes. Cosmetic changes are modifications to a company's product, price name or logo. Though important for securing a worthwhile position, these cosmetic changes do not combat the problems of getting heard in our overcommunicated society (2-3).

Positioning is about reality. To be successful, companies must touch base with reality. And the reality that really counts is what is



already in the prospect's mind. For example, to a St. Louis-based direct marketing company, called DIMAC DIRECT, reality is that the company's clients view the direct marketing company as a full scale lettershop/production house. DIMAC DIRECT should focus on that reality and communicate it clearly and concisely. It would not benefit DIMAC DIRECT to create a new position. Rather it should manipulate what is already in the current and potential client's mind, to retie the connections that already exist. Bottom line, the mind accepts only that which matches prior knowledge or experience.

When companies retie the connections that already exist, they are sharpening their message. A sharp message enables companies to cut into the prospect's mind, thus, eliminate ambiguities. Ambiguities arise when companies focus their attention on their product and not the prospects. Resolution of ambiguities are arrived at concentrating on what is inside the prospect's mind. Turning the process around and focusing on the prospects rather than the product reduces the selection process. It also greatly increases the effectiveness of communication (8, 10).

Positioning has been defined, and though it may seem impossible to achieve, Ries and Trout contend that with communication nothing is impossible. Communication means saying the right things to the right person at the right time. Ries and Trout

say the easiest way to get into a person's mind is to be first. Being second in the person's mind will get companies nowhere. If a company does not get into the mind of the prospect first, Ries and Trout contend a company has a positioning problem. It is better to be a big fish in a small pond than to be a small fish in a big pond (23, 25). To put this concept to the test, Ries and Trout have designed a few questions:

- 1) What's the name of the first person to fly solo across the North Atlantic? Charles Lindbergh, right? Now, what's the name of the second person to fly solo across the North Atlantic? Not so easy to answer.
- 2) What's the name of the first person to walk on the moon? Of course, it's Neil Armstrong. What's the name of the second?
- 3) What's the name of the highest mountain in the world? Mount Everest. But what's the name of the second highest mountain? (22)

Ries and Trout believe companies build loyalty the same way you build mate loyalty in a marriage. The man/woman must get there first and then be careful not to give him/her a reason to switch. Anheuser-Busch's Michelob brand is a perfect example of brand loyalty. The Michelob Brand Managers launched Michelob as a premium priced American-made beer. In only a few years, Michelob has become one of the largest-selling beers in the United States, and at a premium price

too. Anheuser-Busch was able to create and maintain the premium position because they heighten consumers' expectations. The company created the illusion that the product would perform miracles. Ries and Trout contend that if you create miracles, presto... they come true in the mind of the consumer. Create the opposite expectation and the product is in trouble (30, 34).

Ries and Trout warn companies of two positioning errors that could harm a company's positioning strategy. One, the "against" position. Two, the "F.W.M.T.S." trap. The "against" position means that companies striving to be number one in the prospect's mind have to also be aware of the competition's position. An early success in the positioning era was the famous Avis campaign. This campaign will go down in history as a classic example of establishing the "against" position.

The Avis case history: For 13 years in a row Avis lost money. Positioned as the number two rent-a-car company, Avis was trying to take the number one position away from Hertz. Realizing that they would be unable to combat Hertz, Avis admitted openly in its advertising campaign, "Avis is only No. 2 in rent-a-cars, so why go with us? We try harder." Once Avis admitted this to the public via its advertising campaign, the company made substantial gains in sales. In fact, within the first year, Avis made \$1.2 million; the second year, \$2.6

million; and the third year, \$5 million. Avis was able to make substantial gains because they recognized the position of Hertz and did not try to attack them head on. The "against" position can be confusing to understand. To better understand way the Avis campaign was successful, marketers should look inside the mind of the prospect and imagine the product ladder marked "rent-a-car". On each rung of the product ladder is a brand name. Hertz is on the top rung, Avis is one rung down and National is the third down. Avis was not successful because they tried harder; the company was successful because it related itself to Hertz. The "against" position means that if a company cannot be number one, it has to be number one to occupy the number two position (38-39).

Though successfully implementing the "against" position, Avis fell victim to the F.W.M.T.S. trap. The acronym means, "Forgot what made them successful." Shortly after Avis was sold to ITT, Avis decided that it no longer was satisfied with being number two. The company ran ads saying, "Avis is going to be No. 1." According to Ries and Trout, Avis was advertising their aspirations. This is wrong psychologically and strategically. The only way Avis was destined to be number one is if the company could find a weak spot in Hertz and exploit it. Avis was not exploiting a weak spot in Hertz, the company was simply bragging. Avis fell victim to the F.W.M.T.S. trap because

the company failed to remember what is in the mind the prospect: "Hertz number one and Avis number two." Not only did the company not remember the simple rule of positioning, they gave up the right to capitalize on the natural sympathy people have for the underdog. If Avis wanted to be successful, the company should not have ignored Hertz's position. Joan Didion said it best, "Play it as it lays" (40-41).

Another positioning error often made by companies is that they do not know how to get their ideal positioning strategy. Ries and Trout quote an old story about a traveler who asked a farmer for directions to a nearby town.

The farmer replied, Well, you go down the road for a mile, turn left at the fork.

No, that won't work. You turn around and drive for half a mile till you hit a stop sign, then turn right, the farmer continued.

No, that won't work either. After a long pause, the farmer looked at the traveler confused and said, You know what, son, you can't get there from here!  
(43)

This is the fate of many companies — they cannot get to their positioning strategy. Avis is a perfect example. The company will never be number one. Wishing will not make it happen and neither will millions of advertising dollars.

Companies can get there if they position themselves as the leader. According to Ries and Trout, the first brand into the brain, on the average, gets twice the long-term market share of the number two brand and twice again as much as the number three brand. And the relationships are not easily changed (5). DIMAC DIRECT can get there from here and regain the number one position as direct response agency if they communicate their strongest positioning strategy — the position that is already in the prospect's mind. Clients of DIMAC DIRECT view the company as a full scale lettershop/production house. DIMAC DIRECT's competitors are not viewed in such high regard, so the company needs to get there first with the most. Though DIMAC DIRECT can take the lead, the company must never let the competition get out from under its sails and into the open water. Companies cannot predict the future, so they must always watch the way the wind blows.

One way DIMAC DIRECT can protect its position is by its name. Ries and Trout contend that a name change will help bridge the gap from one era to the next. By broadening the name, it enables companies, such as DIMAC DIRECT, to make a mental transition in the prospect's mind (62). For example, the Direct Mail Association changed its name a number of years ago to Direct Mail-Marketing Association, a recognition of the fact that mail was only one of the ways

for a company to do direct marketing. DIMAC DIRECT should consider changing its name to one that focuses on the company's position — lettershop/production house. The ultimate objective of a positioning program should be to achieve leadership in a given category, such as production. Once the leadership has been obtained, the company can count on enjoying the fruits of leadership for many years to come. Getting to the top is tough. Staying there is much easier.

To ensure that a company, like DIMAC DIRECT, stays at the top, the company must look for open spots in the prospect's mind. William Benton, founder of Benton & Bowles advertising agency put it this way, "I would look for the soft spot in the business structure of the great corporations" (66). The French have a marketing expression that sums up Benton's belief called "cherchez le creneau." It means look for the hole. Once a company finds the hole they need to fill it (66). DIMAC DIRECT has found a hole. Most advertising agencies do not have a full scale production house. Rather, the agencies out-source jobs which require additional time and money. [See Figure 2 for typical direct marketing agency versus DIMAC DIRECT.]

Some marketing people reject the *cherchez le creneau* concept, because they do not want to be tied down to a specific position. They believe a specialty position limits their sales and potential

opportunities. Basically, they want to be all things to all people. As Ries and Trout explain, companies need a position because there are too many products in this vast product arena. Companies need a position if they want to stay far ahead of the competition (76).

The New Positioning  
The Latest on the World's #1 Business Strategy  
Jack Trout with Steven Rivkin

Trout along with Rivkin expand upon the findings in Ries and Trout's book in their sequel, The New Positioning. This book is the first new body of thought in more than a decade on one of the world's most successful business strategies. Their book is packed with keen insight, penetrating analysis and irreverent advice. The authors believe companies must learn the five most important mental elements in the positioning process and they are as follows:

1. Minds are limited. People can't handle the mountains of information being generated.
2. Minds hate confusion. Over-simplification is the only way around over-communication.
3. Minds are insecure. People tend to be emotional, not rational.
4. Minds don't change. Once the marketplace makes up its mind, the discussion is over.



5. Minds can lose focus. That's why, long term, line extensions destroy a brand. (i)

Trout and Rivkin reiterate the core concept of positioning established in Ries and Trout's book. The core concept established is that positioning is not what companies do to the product, but what companies do to the mind. The ultimate battleground is the mind and the better companies understand how the mind works, the better companies will understand how positioning works (ix). Trout and Rivkin explore two types of problems faced by today's companies. One, companies are losing their focus in the mind of the marketplace. Companies lose their focus through line extensions and diversification. Chevrolet is an example of a company that has lost its focus. Chevrolet was once America's family car. Today, Chevrolet is a big, small, cheap, expensive sports car, sedan and truck. The company is no longer "the Heartbeat of America." Two, companies are failing to acknowledge that the market is changing. To survive, they have to find a new idea or position to carry them forward. Lotus Development noticed that the market was changing and has reached great success with their spreadsheet business (x). Bottom line, companies need to continually reposition.

In Chapter 1, Trout and Rivkin elaborate that we live in an overcommunicated society. Overcommunication has changed the

whole game of communicating with and influencing people. To put their point into perspective, they claim that if one reads 18 hours a day, at a speed of 500 words per minute, it would take 18 days to read everything in one newspaper (5). With all this communication, the mind cannot cope. The basic problem is clutter (7). Companies can be understood in the prospect's mind if they focus on the five positioning processes mentioned earlier.

The remaining Chapters provide an in depth discussion on the five positioning principles. The five principles are minds are limited, minds hate confusion, communicate bite-size information, oversimplification can be powerful and minds can lose focus. First, minds are limited. Marketing people believe that if they create carefully crafted arguments on the behalf of their product(s), consumers will relish the information. However, this is not the case. In fact, consumers are not dealing with all this information. Their perceptions are selective and so is their memory (9). Companies have to be selective in what they communicate to consumers. Fifty years ago, Harvard psychologist George Miller, proposed that only seven "chunks" of information, like seven different brands in a category, can be easily held in short-term memory. This is why there are seven digits in a phone number, because we can only hold the information for only a few seconds if not repeated. Trout and Rivkin call this the

Rule of Seven (10). For companies to hold a position in the prospect's mind, they need to concentrate on transferring their message into the prospect's long-term memory. Otherwise, the communication will be lost forever. One way to transfer information into a prospect's long-term memory depends in large part on what a company is selling. For instance, an advertisement for footwear is much more interesting than an advertisement for floor coverings (12). Emotions also play a big role in a memory. Simply, material learned when one is happy is better recalled when one is happy, and material learned when one is sad is better recalled when one is sad, according to an article in the American Journal of Psychiatry (13). "Slice of life" analogies are equally important for memory. This type of communication works because it helps to supply the prospect with experiences. This enables a person to better connect with the new information. The final way to overcome the mind's short-term memory is by communicating and presenting the new information as important news (15). Direct marketing companies have an advantage over television or print, because the outside of the envelope can read, "Important Document Enclosed."

The second principle is minds hate confusion. Humans rely more heavily on learning than any other species that has ever existed. According to experimental psychologist Lynne Reder, we use memory to see, understand language and find our way around. Memory is very

important, and there are several secrets to making a memory memorable. One, keep it simple. Professional communicators, like network broadcasters, understand this principle very well. They keep their word selection very simple (18). DIMAC DIRECT's message would be complicated if the company communicated all the facets involved in the direct marketing process. However, the company keeps it simple by communicating to prospects that the company is vertically integrated. Two, companies should not communicate confusing concepts. Some products fail simply because they do not make sense. For example, Mennen presented a new brand of deodorant called Mennen's Vitamin E deodorant. That's right, spray a vitamin under your arm. Present this concept to a group of consumers, and guaranteed, they will laugh. The product and the message do not make sense (21).

Trout and Rivkin's third principle is communicate bite-size information (23). DIMAC DIRECT encourages its clients to create simple direct mail packages. The executives believe that a package stuffed with letters, pamphlets and brochures will merely frustrate prospect's to the point that they will throw the package in the trash can. In fact, the average time a package has to hold a prospects interest is three seconds.

Oversimplification can be powerful is the fourth principle. In

Ries and Trout's book titled The 22 Immutable Laws of Marketing, they suggest that some of the most powerful advertising programs are those that focus on a single word. For example, AT&T fought back against MCI by planting the word "true" in the mind of its customers and prospects (23). DIMAC DIRECT is also learning the power of oversimplification. The company has developed a new tagline, "Direct to your bottomline." The word "direct" is the power word.

Trout and Rivkins' last principle is minds can lose focus. Remember the example of Miller Brewing Company and Anheuser-Busch. When the companies extended their beer lineup, the companies sold fewer barrels of beer. Trout and Rivkin suggest that brand extensions give a company little advantage to the release of new product. They suggest a strategy called the "specialist weapon." First, the specialist can focus on one product, one benefit, one message. This will enable marketers to put a sharp point on the message that will quickly drive into the prospect's mind. For example, Duracell Battery focuses on long lasting alkaline batteries, whereas EverReady Battery has to focus on flashlights, heavy-duty, rechargeable and alkaline batteries. Another weapon of the specialist is the ability to be perceived as the expert or the best (45). DIMAC DIRECT tries very hard to communicate to clients that they are the best vertically integrated direct marketing company. Finally, the specialist can become the "generic"

for the category. Kleenex has become the generic word for tissue.

For companies to stay on the "positioning" track, they cannot lose sight of change. Companies that do lose sight of change suffer the consequences and quickly. The danger of losing market position is important for four reasons:

1. The fast pace of changing technology.
2. The quick and unpredictable shifting of consumer attitudes.
3. The increase in competition within the global economy.
4. The increase in competition among creative executives in U.S. companies (they are getting good at the competitive stuff).

Trout and Rivkin contend that it is not so much time for positioning as it is for repositioning (51-52). Companies are repositioning by getting back to the basics. For example, Anheuser-Busch has spun off some of its companies so they can concentrate solely on beer. The Mead Corporation has spun off its very successful Lexis/Nexis business to reposition themselves back to paper products (53). Companies need to realize the importance of repositioning before a company's products, image and revenues greatly suffer. Having a strong brand identification gives a company an immense edge over the competition. It is more efficient to market one successful concept to one large group of consumers than 50 concepts to 50 separate groups

(54). How does a company know what products to market? Ask the consumers of the product.

Another important element in repositioning is not what is seen by the eye but what is heard by the ear. In fact, people remember more words if they hear them rather than if they see them. Maybe a picture is not worth a thousand words after all. The point Trout and Rivkin are communicating is that a company's name will be the hook that hangs on the brand product ladder in the prospect's mind (107). The best names are linked directly to a product's benefit or a selling position. If you pair the name and the need, the positioning process will be locked into the prospect's mind every time they hear or read the company's name and/or its products. Over time, the name and the position will become almost synonymous. DIMAC DIRECT may want to consider changing its name. After all, the first part of the name DIMAC is "die". This may have a negative connotation for consumers which may lead to a negative position in the mind of prospects. Simply, DIMAC DIRECT should choose a name that starts the positioning process (120).

For the most part, companies rely on advertising to communicate its position. Trout and Rivkin contend that public relations is just as important (145). Public relations can be effective if each press penetration supports and reinforces the position of the

company. According to advertising guru David Ogilvy, "Roughly six times as many people read the average article as the average advertisement. Editors communicate better than ad men" (146). To make positioning work in public relations, the emphasis has to shift from "getting your name in the paper" to achieving marketing objectives. The general rule is: public relations first, advertising second. Public relations plants the seed. Advertising harvests the crops. Samuel Adams beer was a small business that could not afford advertising but could position itself as a high quality local brew. The company's position was acknowledged by consumers because Samuel Adams relied heavily on publicity (147).

The Turnaround Prescription  
Repositioning Troubled Companies  
Mark R. Goldston

Ries, Rivkin and Trout have developed what positioning means and its importance to the survival of companies. But how does a company know when it is time to reposition? In Goldston's book, he identifies several symptoms to alert companies that they are in need of such a strategy. He addresses several key symptoms as well as the prescriptions that will help them. The turnaround process, according to Goldston, can be very different for companies than it is for the truly



troubled businesses which are fighting a combination of problems. Some of these problems include high interest payments, declining revenues, increasing costs due to manufacturing and/or manpower inefficiencies and a product line or technological capacity that is rapidly becoming obsolete. Businesses do not decline on their own. They are managed into and through the process. Although a decline of the product or service itself may signal the need for remedial action, many times it is personnel, manufacturing, financial or marketing problems that have a negative impact on the company. Therefore, before conducting a marketing turnaround and total repositioning, the business team charged with reengineering that feat must determine whether the symptoms yield total turnaround and ultimately repositioning (4). Following are the symptoms that yield a total turnaround:

1. *Market share has declined steadily over a twelve to twenty-four month period.* When a product line or company market share is allowed to decline unchecked over a twelve to twenty-four month period, the company may be facing a shrinking core and the inherent cost of doing business as usual becomes excessively high. Goldston contends in cases where the overhead structure of the company is predicated on the unit volume production level and the volume drops below that level for an extended period, the company will experience a

situation known as negative manufacturing variance. When this situation occurs, the overall profitability of the entity may be threatened (8-9). DIMAC DIRECT, the St. Louis-based direct marketing company, does monitor the product and the overall company market share. What the company fails to acknowledge is the amount of dollars allocated to resolving errors. For example, an Account Services employee placed a printing order for 64,000 generic letters. The order was placed through DIMAC DIRECT's internal printing department. The Print Shop employee transposed the numbers and only printed 46,000 letters. This meant that the order came up short. To resolve the error, the remaining 18,000 letters were rescheduled for press time. When the Account Services employee went to pick up printed samples of the remaining 18,000 letters, she discovered that the Print Shop employee had scheduled the wrong letter to print, a letter that was not needed to fill the customer's request. This error cost DIMAC DIRECT approximately \$5,000.00. This situation is minor. However, errors like this one occur everyday. DIMAC DIRECT needs to check its internal finances if the company wants to avoid steadily declining market share. After all, the company is battling it out with Rapp Collins Worldwide for the number one direct response agency position. The agencies are ranked according to revenues.

*2. Quality managers are departing from the firm with a degree of*



*regularity.* Human capital is perhaps the single most valuable asset any company has, but all too often it is the most neglected and worst maintained asset of all. Some managers leave because of four factors. One, the "guilt" factor. This is where managers believe they were instrumental in causing problems. Two, the "blame" factor. Managers fear that they will be blamed for the problems of the company and they do not want to wait around for what they perceive as their termination from the company. Three, the "frustration" factors. This causes managers in a tough business situation to feel that there is no successful solution to the company problems. Four, the "neglect" factor. This is where managers believe that the firm no longer cares about things such as succession planning, career growth, cross-functional training and the like (10-11). For the most part, employees of DIMAC DIRECT leave the company because of frustration and neglect. The employees are frustrated because of repeated mistakes and because upper management does not exhibit any degree of caring attitude for its employees. In fact, the joke around DIMAC DIRECT is that twice a year there is a mass exodus of employees. Though a joke, this is reality.

3. *Company pride has greatly diminished and individual initiative seems to be at lower levels, resulting in problems to idea generation and information flow.* Upper management needs to realize

that morale is a powerful component in the effective operation of any company. The tangible results of the firm play a major role in how the employees feel about themselves and their employer. When employee morale is down, the flow of ideas will be reduced and, ultimately, the company's information operation will decompose (12). Employee morale at DIMAC DIRECT has been low for years. And until recently, upper management did nothing. Upper management realized something had to be done when they acknowledged the time and money being spent on training new employees. The steps taken by DIMAC DIRECT to combat low employee morale will be discussed in Chapter 4 of this thesis.

4. *The company facilities appear to be run down. Overall cleanliness and quality standards seem greatly diminished and manufacturing equipment is only repaired after breakdown.* Most manufacturing companies, like DIMAC DIRECT, will often try to milk the entity in the short-term to avoid making value improvements in the near term. By so doing, the company is reducing both its capacity base and its overall asset value. Clearly, the quality, appearance, functionality, fit and finish of a company's product(s) make a very strong statement to the retail and consumer public (13). DIMAC DIRECT is in desperate need of an appearance overhaul. The office part of the building is in desperate need of new carpeting, larger work

stations and furniture. In fact, furniture has become so scarce at DIMAC DIRECT, that employees are having to fight for file cabinets, book shelves, desks and chairs. When employees request such items, inevitably their request is denied. The manufacturing part of the building is equally in need of a face lift. The machines are old and need constant repairs. The mechanics have to "rig" the equipment in order for it to work as intended.

5. *In the case of a consumer product, the item is no longer the "brand of choice" — it may be part of a consumer's purchase wardrobe, but usage may be sharply reduced from previous levels.* Companies need to perform market research to determine levels of purchase among targeted population, penetration, awareness and usage levels if the company wants to prevent consumers from shopping more than one brand (24). Direct marketing has become a vital tool for companies to reach their targeted audience. For this reason, the competition within the direct marketing industry has become very intense. If companies, such as DIMAC DIRECT, want to remain the "brand of choice," the company will have to position themselves as the primary brand.

6. *The company's manufacturing facilities are operating at less than 60 percent of capacity and future projected increases in the unit volume base are less than 10 percent of the current year volume.* The

cost of running at 60 percent capacity is not much different from running at 100 percent. The cost of senior management, rent, property, taxes, machinery, depreciation, amortization and the like are relatively fixed within the company's budget. For this reason, the more a firm can defray its fixed expenses, the more profitable it will be. When a firm begins running at 60 percent or less of capacity, it must quickly re-evaluate whether the entity needs to be downsized or whether the unit volume level is normal (27). DIMAC DIRECT, at times, does not operate its Printing Department at capacity. For example, for two weeks the company's five color sheet fed press was shut down due to lack of work. Though the press was available for printing, the company jobbed out projects to other printers. Not only did the company not utilize one of its own pieces of printing equipment, but overtime charges were incurred by jobbing out the projects.

To manage these symptoms, Goldston suggests the following prescriptions:

1. *Stop the bleeding* The key operating heads of functional areas must be summoned for a review of departmental expenditures to determine where the outflows are occurring and the importance of each outflow to the revenue/earnings stream. Improvements in expense control and deficiencies need to be identified and corrected immediately. Companies can save millions of dollars by adopting the

stop-the-bleeding process. Effective implementation of this strategy set the new corporate tone for the way things will operate (32-33).

2. *Accumulate data.* The turnaround team must talk to everyone in the firm who can supply needed information. Employees will provide a powerful insight as to what really needs to be addressed versus what is actually being considered for implementation. The accumulation of data is a skill that is foreign to many high-powered managers and that is the ability to listen to others. It is critical for the turnaround team to make every employee feel their input is valuable and will be viewed with a nonjudgemental eye. The turnaround team can do this while at the same time maintaining the sense of urgency and authority that is required to lead the troops through this difficult process (36-37).

3. *Determine who is going to play.* Goldston says it is important to create a venture-team environment, whereby traditional interdepartmental barriers are broken and the cross-flow of information is facilitated and encouraged. The venture-team concept operates under the belief that two or more heads are better than one, and that bright, informed workers in an organization may have more to offer than their specific job function allows them to contribute. This new culture of the company and interaction between co-workers creates a sense of mutual accomplishment at having guided the firm

through a troubled period (38-39).

4. *Assess manufacturing capabilities.* The manufacturing facilities in many corporations are the most valuable and underutilized assets. A company in a turnaround mode can tap into unrecognized products based upon the analysis of the existing manufacturing base. The employees doing the manufacturing may provide the best insight (41).

5. *Create the playbook.* According to Goldston, the playbook is the master plan that the organization will use to execute the turnaround. The playbook holds the information that must be part of the overall plan. Unless every employee in the company understands what he or she is expected to do, the plan cannot succeed no matter how well conceived it is. The playbook includes several components. First, is a mission statement explaining where the company is, where it is going and its ultimate objectives. The mission statement should also include a clear statement of strategies and tactics. The second component of the playbook is a value analysis. Third is manufacturing procedural changes. Critical timetables for key projects is the fourth component of the playbook. Fifth, clear assignments of responsibilities to specific individuals along with specific completion dates (44).

6. *Set realistic goals.* The management group must set realistic goals to build confidence in the work force and in the overall plan.



Management and the employees are more likely to participate in a company's goals if they are motivated. Goldston identifies three ways to motivate employees: one, increase employee compensation; two, an increase in responsibility via a promotion; and three, public or managerial recognition of a job well done that was a direct result of individual achievement. The turnaround team must attempt to build confidence and momentum quickly if the playbook is to be properly translated and executed. Any ambiguity or unanswered frustration on the part of the managers or employees regarding expectations/reward structure associated with the turnaround task can prove to be devastating to the effort (49-50).

7. *Create an idea generating process.* One of the most valuable assets in successful companies is the ability of people, at all levels, to use their knowledge, creativity and experience to generate ideas. Goldston believes that idea generation enables everyone in the company to believe he or she has a direct voice in determining the organization's future. Ideas that are implemented should be rewarded and the employee involved in the execution should be compensated. The idea generating process should have a clearly defined system that all employees understand. The system should outline the means by which ideas should be submitted and the method in which an idea will

be evaluated, along with an approximate time frame for the employee to expect a response. The means of compensation should be clearly defined (48-49).

8. *Create a war chest.* Generating cash is the most vital element in the process, because the cash can be used to pay bills, fund new ideas and create the flexibility to respond to specific needs and trends as they present themselves. The war chest creates an image of a firm that has money to spend at a time when the market has judged it to be in trouble. This is a very effective means of changing both investor and trade opinions. According to Goldston, this strategy will help firms achieve the following:

- a. Immediate market presence/penetration in a particular business segment where the product characteristics are similar to those currently manufactured by the firm.
- b. Realization of manufacturing efficiencies and overhead recovery through the increased volume in the plant against a fixed burden rate.
- c. Ability to get to the market quickly without the usual timing constraints associated with the new product development process.
- d. Investment of live cash into a known entity with a proven track record as opposed to investment in an entirely new product that may never be successful.  
(50-52)

9. *Show demonstrable progress.* Goldston contends the last

prescription is the most vital element in the entire turnaround process because it involves showing measurable headway against predetermined performance objectives. The credibility of the turnaround team rests with their ability to motivate the organization through the creation of a winning feeling and the notion that troubled times are behind and better times are ahead. It is important to the success of the project that specific measurable criteria for evaluating the progress be agreed to before executing the plan. It is imperative throughout the turnaround period that weekly or biweekly meetings are held by senior managers to keep all employees involved and up-to-date with the company's progress. Only when all members of the organization begin to see clear signs of progress and achievement of stated business goals will they begin to feel that the plan is sound, viable and moving along on track. This will gradually dissipate any tension and fear with a new entrepreneurial spirit (53-54).

### Corporate Cultures

#### The Rites and Rituals of Corporate Life

Terrence E. Deal & Allen A. Kennedy

As the repositioning process takes shape and upper management commits itself to such a strategy, it is apparent that without the support of the company's employees, the new positioning will not work. For

this reason, it is extremely important for the company to create a corporate culture that ties together and gives meaning and purpose to the employee's day-to-day lives. Deal and Kennedy said,

Every business—in fact every organization—has a culture. Sometimes it is fragmented and difficult to read from the outside—some people are loyal to their bosses, others are loyal to the union, still others care only about their colleagues who work in the sales territories.... On the other hand, sometimes the culture of an organization is very strong and cohesive; everyone knows the goals of the organization, and these goals set the pattern for people's activities, opinions, and actions. Whether weak or strong, culture has a powerful influence throughout an organization; it affects practically everything—from who gets promoted and what decisions are made, to how employees dress and what sports they play. Because of this impact, culture has a major effect on the success of the business. (4)

All companies, not just those that are repositioning, need to learn from the early leaders of American business such as Thomas Watson of IBM, Harley Procter of Procter & Gamble and General Johnson of Johnson & Johnson. The early leaders believed that the lives and productivity of their employees were shaped by where they worked. These men saw their role as creating an environment, in effect a culture, in their companies in which employees could be secure and thereby do the work necessary to make the business a success (5).

Deal and Kennedy contend that there are four elements of

culture. The first element is the business environment. This is the single greatest influence in shaping corporate culture: simply, the environment in which a company operates determines what it must do to be a success. Second, companies need values because values define success in concrete terms for employees. Values establish standards of achievement within the organization. Heroes are the third element of a company's culture. These people personify the culture's values and provide tangible role models for employees to follow. They show every employee "here's what you have to do to succeed around here." The last element is rites and rituals. These are the systematic and programmed routines of day-to-day life in the company. They show employees the kind of behavior that is expected of them (13-14).

Employees need to know what is expected of them. If employees know this, they will spend less time on deciding how to act in given situations and more time on being productive. In fact, Deal and Kennedy estimate that a company can gain as much as one or two hours of productive work per employee per day (15). Not only will a strong corporate culture increase productivity among employees, but it enables people to feel better about what they do. As a result, they are most likely to work harder. According to psychologist Fredrick Herzberg, employees feel cheated by their jobs. Employees allow special interests to take up their time (family, home, hobbies); their values are

uncertain. They are blameful and cynical and they confuse morality with ethics (15-16). Companies must focus on the point that in culture there is strength!

The standard culture at DIMAC DIRECT is frustration. The Account Services employees are hired as either an Account Associate, an Assistant Account Executive, an Account Executive or an Account Supervisor. Though the responsibilities appear to be spelled out during the interview process, it is not uncommon for the different levels of responsibilities to overlap. Granted, this is a good thing because the employees are gaining new experiences. However, the employees are frustrated when their raises and promotions do not reflect their new accomplishments. As a result, employees spend a lot of time around the water cooler talking about the culture of the company and its values. The result is less work is being produced.

Goldston says that values are the bedrock of any corporate culture (21). As the essence of a company philosophy for achieving success, values provide a sense of common direction for all employees and guidelines for their day-to-day behavior. If employees know what their company stands for, if they know what standards they are to uphold, then they are much more likely to make decisions that will support those standards. They are also more likely to feel as if they are an important part of the organization. They are motivated because life

in the company has meaning for them. Values are also important to the company. Managers need to shape and enhance those values. Successful companies place a great deal of emphasis on values. Goldston states three characteristics of companies that place an emphasis on company values:

- 1) They stand for something—that is, they have a clear and explicit philosophy about how they aim to conduct their business.
- 2) Management pays a great deal of attention to shaping and fine-tuning these values to conform to the economic and business environment of the company and to communicate them to the organization.
- 3) These values are known and shared by all people who work for the company—from the lowest production worker right through to the ranks of senior management. (22)

Values provide motivation for employees, and motivated employees produce excellent work. Excellent work needs to be recognized, and one way to do this is by rituals and ceremonies. An example of a ritual is an old Navy back-patting presentation. The presentation includes an "Attaboy" plaque. When someone receives five "Attaboys," they are eligible for one "Gotcha," which is a still higher tribute, personally signed by the head of operations. The presentation of each "Attaboy" plaque is accompanied by a big

ceremony. All work comes to a halt as a manager marches out into the hallway and rings a bell. Everyone files down from the executive suite and other offices, interrupting whatever they were doing to gather around. With a great flourish, the manager announces that another "Attaboy" is to be awarded. The manager reads, "I hereby announce, by the power vested in me, the award of one big Attaboy to \_\_\_\_\_ in return for his/her exemplary service in the \_\_\_\_\_ program." Attaboys are a symbol of recognition, and there is enough humor in the process to make it more fun than competitive (61). Furthermore, "Attaboys" are serious and important because they are signs of belonging to the culture (62).

Goldston states that there are different kinds of company cultures. The culture that reflects DIMAC DIRECT's culture is the process culture. The employees in this type of culture get virtually no feedback. The employees have no idea how effective they are until someone blames them for something. This lack of feedback forces employees to focus on how they do something, not what they do. For this reason, employees develop a "cover your ass" mentality. The most trivial event becomes the subject for a memo. They describe the incident in minute by minute detail, giving the best explanation for their actions. Then they copy the world with it. Those fellow sufferers



who receive the memo do not want to acknowledge that they have missed anything. So they send an answer, often as detailed as the original. Everything goes into a file so that they can prove that they did not make the mistake should someone mention it five years from now (120). DIMAC DIRECT knows the “cover your ass” mentality all too well. In fact, all the project coordinators are equipped with a special button called a Project Procedure Request (PPR). The purpose of a PPR is to place blame. The PPR states who is responsible, how much of the blame that employee is responsible for and an explanation area.

Values-Based Leadership  
Rebuilding Employee Commitment, Performance, & Productivity  
Susan Smith Kuczmariski & Thomas D. Kuczmariski

The ideas expressed in the Kuczmariski's book elaborate on Goldston's belief that a company culture brings value to employees. When employees have value within the organization, productivity increases. According to the Kuczmariskis, employees need values they can believe in. Without a reason to believe, that is based on a common set of organizational norms and values, profits and productivity will decline — the company's competitive position will erode (v).

The rationale behind the Kuczmariski's book was developed by a French sociologist Emile Durkheim in 1893. He coined the term

“anomie.” Durkheim observed that in the wake of the Industrial Revolution, increased specialization of labor left individuals isolated from one another. Without human interaction, people found it impossible to develop and nurture group norms and values. According to Durkheim, anomie was caused by the lack of clear cut norms and values that guide individual aspirations and group behaviors. The term anomie explains the reasons for the growing dissatisfaction resident within U.S. corporations and organizations. The importance of each individual is overlooked; norms and values are not recognized and leaders have been unable to develop a value-ful mind set within their companies. Most employees, from CEOs to mid-level managers, are fed up with their organization’s failures, top-down directives and downsizing endeavors. Employees are ready for an alternative to the “that’s just the way it is” style of management (vi).

Values-less organizations perpetuate a feeling of helplessness because many employees feel isolated, deceived and alienated at work. Employees literally do not believe in their work. How can this situation possibly continue? Simply, it cannot! The Kuczarski’s believe that value-less organizations are the root cause of companies suffering from falling revenues and domination by foreign competitors. Without shared norms and values, the work place cannot bring its employees together to achieve a common goal (6, 8). The

Kuczmarisks suggest five guidelines that will serve as the platform for building a value-based organization.

First, they suggest pluralize the work place. Organizations need to support, endorse and appreciate the differences in people.

Expressions of diversity need to be appreciated, not judged and categorized. Leaders in the organization must cultivate and leverage diversity to maximize the effectiveness of the organization (11).

Second, the Kuczmariski's contend managers should serve as employee advocates. Leaders need to establish a mind set of serving employees rather than employees serving their organization's leaders. Leaders need to change their own mind set to understand that their new role is to help and support employees in every way possible. Leaders need to be an advocate for employees. An advocate is defined as a person who argues for a cause; a supporter or defender; a person who pleads on another's behalf; an intercessor. Simply, leaders must help employees ignite their potential, unfold and expand their intelligence, determine their most effective roles, make their jobs meaningful and self-satisfying and endorse agreed-upon norms and values (12). DIMAC DIRECT greatly lacks in this area, especially in the production part of the company. For example, the employees who run the printing press have an overwhelming knowledge of the most efficient and cost-effective ways to run the printing press. However, the employees are

never asked for their input on how to combat the ever-increasing costs that are incurred in the Print Shop. The employees receive top-down orders from upper management. The employees were told that their job is to come to work and run the press, nothing more and nothing less. Third, they suggest leaders be Socratic teachers. In order to provide a learning-ful work environment, leaders need to become teachers. The key to a learning-ful organization is to have employees apply their skills, knowledge, experiences and intelligence to solve problems. The role of leaders as Socratic teacher is to help employees learn through self-discovery. This form of learning has "staying power." It provides the ability to use learning over and over again, applying it to different problems, decisions and situations (13). The Kuczumski's fourth guideline is bridge people to a mission. Leaders must connect or link each employee to the organization. All employees need to design and build a bridge from their values to that of the organization. These values will ultimately enable an entire work force to understand why they go to work in the morning and feel good about it (13). Last, they stress the need to evoke professional passion. Leaders must convey excitement, warmth and emotion in what they do, how they speak and how they act in all they communicate. Leaders need to help employees get excited about their work, take pride in their jobs and feel emotionally committed to their

colleagues. Leaders need to re-energize the work force in order to make companies more productive, effective, competitive and, ultimately, profitable (14).

Before leaders can build value-ful organizations, they must understand why employees are dissatisfied. The Kuczmarisks contend that there are ten areas that employees cite most frequently as factors that reduce their job satisfaction within their organization [See Figure 3 for factors that decrease employee satisfaction.] Following are the factors that decrease employee satisfaction. First, is the value gap. This refers to a disparity between the values of management and the values of employees within the same organization. This disparity leads to company confusion (53). The second major satisfaction reducer is theory versus practice. Many of the norms and values that are nurtured and developed within the organizations are not positive. Rather, they are negative forces that act to create tension between management and the employees (53). There is defiance between the employees and management at DIMAC DIRECT. The employees hear the preaching of upper management. However, what upper management preaches does not seem to be reality. The leaders say that they are committed to helping each employee achieve excellence. However, when the employee does achieve a goal, the employee's efforts go unrecognized. The latest talk around the water cooler, is a

comment that was made by the CEO. He stated in a meeting that he wanted DIMAC DIRECT to be on the "100 greatest companies to work for" list. Though this sounds like a great idea, the employees do not take him seriously. The reason the employees do not take him seriously is because management does nothing to help foster a positive work environment. A third negative factor cited by the Kuczmarisks involves insufficient feedback, rewards and recognition. To understand the impact they are making, employees depend on feedback and view it as an incentive. Management does not do a good job of letting employees know specifically how they are performing, nor do they acknowledge the contributions of their employees. There are few nonfinancial rewards at most companies. Descriptive praise and nonmonetary recognition are rarely used by management (54). Again, DIMAC DIRECT greatly lacks in this area. Non-union employees must wait for their yearly review to find out if they are performing well or not. On the other hand, union employees never receive feedback about their performance unless they did something wrong. The Print Shop manager stated to his union employees that reviews are not necessary because they get a standard raise no matter what. A fourth cause of dissatisfaction is lack of trust. Many employees are frustrated because they feel management does not trust them. Employees perceive that they are not given enough responsibility. They are

“ordered” to do monotonous tasks and quickly tire of them (55). Fifth, the Kuczmarisks cite low self-esteem. Employee job satisfaction is low in many organizational settings because individual self-esteem and perceptions of self-worth are low. Personal values are important to employee job satisfaction. Leaders need to give employees more responsibility. This gives employees the feeling that they are contributing to the needs of the client (55). The sixth negative factor is minimal teaching and mentoring. There is less confusion among employees about their organizational norms and values if leaders are willing to help teach new members how to do their jobs well. However, very little teaching occurs within most organizations. Mentoring is almost nonexistent. Yet, it has the power to transmit knowledge about norms and values to employees and to increase feedback and job satisfaction (56). The teaching style at DIMAC DIRECT is to let the employees teach each other. If the employees cannot teach each other, it is up to the employees to seek the answer to their question(s). Granted, this does make employees think and solve issues independently. However, managers will not assist employees until there is a major crisis. Also, the employees at DIMAC DIRECT are extremely frustrated when they have to train new employees. The frustration is not about training or teaching new employees. The frustration and resentment come about when a lower level employee,

such as Assistant Account Executive, has to train a higher level employee, such as an Account Executive. A seventh negative factor is when personal values are disconnected from those of the organization. If norms and values are established within the work place, they have the potential to empower employees. If work organizations can get their employees to tie their personal goals to those of the work place, then they will nurture long-term relationships together (56). The eighth cause of dissatisfaction is minimal professional impact and growth. Employees seek to make an impact and are happier when they feel they do so. Employees want professional growth, whether it takes the form of increased responsibility or project ownership. Employee empowerment motivates individuals and gives them a sense of purpose (56). Though the Account Services employees at DIMAC DIRECT are given the responsibility to manage their own projects, there is minimal professional impact. The Account Services employees often times have to threaten to leave the company before being promoted. The Kuczmarisks identify the ninth factor as lack of commitment to values. Many organizations are making efforts to create norms and values but are falling short in demonstrating commitment to the norms and values. Many employees detect a divergence between their organization's stated norms and values and the mechanisms to reinforce them. Specifically, employees recognize



that their organizations manage to uphold some of the values, but are still aspiring toward others. For example, many organizations express a commitment to professional growth and development, but they do little to instill trust in their employees, provide training or reimburse development courses (57). DIMAC DIRECT has a tuition reimbursement program. However, if an employee completes his Bachelor's or Master's degree, it is not recognized by the company in the form of increased responsibility or a promotion. The final job depressor cited by the Kuczarskis is value-less leadership. The leadership within the organization does not convey the values that the organization espouses. If positive norms and values are exemplified by managers within the organization, then employees can believe in them. When managers demonstrate the desired norms and values on a daily basis, they lend credibility and authenticity to them. Trust is present. On the other hand, if managers nurture a competitive, self-serving and uncooperative environment, there will not be shared norms and values in the work place (58).

What does a value-less organization cost a company? According to the Kuczarskis, there is premium price to pay for broken employee morale, rattled loyalty and shaken employee motivation. The missed opportunity costs of anomie are profound and far more costly than most organizations care to realize or certainly even want to measure.

A value-less organization can mean high employee turnover. A high employee turnover means higher recruiting and training costs, organization instability, erratic customer service, low morale, less productivity and stifled creativity (64). In a meeting held at DIMAC DIRECT, the vice president of marketing reported that the attrition rate is 30 percent each year. The employee turnover rate is part of the "hidden costs" that account for 80 percent or more of tangible out-of-pocket turnover costs. Hidden costs include:

1. Inefficiency of incoming employees.
2. Disruption and confusion to existing employees from incoming ones.
3. Departing employee inefficiencies.
4. Negative work efficiency of employees affected by departing employees.
5. Negative impact on project completion. (65)

There are ten ways to increase employee job satisfaction. The Kuczmarisks suggest the following ten ways. One, hire managers who set the example. Norms and values must be consistently activated if they are to be understood and adopted by employees. Leaders who set the example provide a role model for other employees to follow (67). Two, norms and values must be visible and practiced. For this to

occur, all norms and values must be written and communicated to not only the managers but to the employees. This prevents fewer discrepancies between what management puts forth as norms and values and what is actually practiced by the employees (67). Three, give managers and employees greater responsibility (69). Four, a lower turnover rate. Employees who work for companies who communicate the norms and values seem more satisfied because the turnover rate is lower. Employees want and need working relationships with co-workers. They need consistency (69). Five, more direct, yet constructive confrontation. Employees want to know "where they stand." Employees expect confrontation and especially want to see it happen with co-workers who are under performing or negatively impacting the effectiveness of a work team (69). Six, employees want to see a greater connection between their individual personal values and those in the work place (69). Seven, increased motivation and trust. Employees who feel and believe that their bosses trust them are far more motivated and perform more effectively. The norms and the values serve as a magnet for motivation (70). Eight, values and training discussion. It is not enough to post the norms and values of an organization, but discussing them and acting upon them does (70). Nine, recognition and fairness of treatment are paramount to nurturing contentment and commitment (70). Last, pluralism and

diversity demonstrated. Recruitment and promotion practices need to support and reinforce a belief in pluralism and demonstrate support for diversity (70).

Culture is shared information that tells employees how to act (norms) and what is important to the group (values). So, how do leaders in the organization build effective manager/employee relationships? Leaders need to cultivate the following characteristics and attributes:

- Listen actively
- Empathy
- Attitudes that are positive and optimistic
- Delivering on promises and commitments
- Energy level is high
- Recognize self-doubts and vulnerabilities
- Sensitivity to others' needs, values and potential. (190)

The managers at DIMAC DIRECT have a very high energy level. The work environment is very fast paced which places stress on managers and employees. Because the environment is fast paced, managers tend to overlook the importance of listening, displaying positive attitudes and showing sensitivity to their employees. For this reason, employees spend a lot of time being frustrated because they are not receiving the professional support from their managers.

Employees and managers need to have total participation in the organization. Total participation in a company will not only make a

company stronger, but it will make customers feel better about doing business with a company. The Kuczmarisks define this as "values marketing." Values marketing communicates to consumers. It pulls on their heartstrings, invades their inner sense of values and makes them feel good about themselves in buying the product or service. Customers ultimately buy the values of a company and its products or services (269). As it is becoming more and more difficult to differentiate products and services, one way companies can keep from becoming just another me-too product or service is by creating a "value-image" association with their product or service (270). For example, customers have recognized the need to start taking care of the environment. This is a cause that has stamina and endurance. Environmental consciousness in the United States has established a strong and growing presence. Roper Starch Worldwide, Inc., a research organization, found that fifty-five percent of Americans consider themselves environmentally active (268). DIMAC DIRECT could relish in this cause. The company recycles 2,850,032 pounds of paper over a six month period; this equals 1425.02 tons. Seventeen trees are saved for every ton of paper recycled; for a six month period, DIMAC DIRECT saves 24,225 trees! However, the company does not communicate this message to its customers for fear that their customers will think that DIMAC DIRECT is making a profit from

their purchased paper products. Companies need values marketing. One way to embark on a values marketing campaign is through the medium of advertising and communications (271).

The Marketer's Guide to Public Relations  
How Today's Top Companies Are Using the New PR to Gain a  
Competitive Edge  
Thomas L. Harris

Values marketing is a belief held by Harris as well. The term he uses is "marketing public relations" or MPR. According to Harris, the 1990's will mark an era of intense competition, both domestically and globally. Small companies, large corporations and mega corporations will compete vigorously for the consumer's dollar. To win the consumer's dollar, these companies must first win a share of the consumer's mind and heart. They must know how to build strong consumer awareness and preference. Marketing public relations delivers a strong share of voice to win a share of mind and heart. Messages are more effective when they come across as news rather than advertising (v). There are many uses for MPR and following are some of the advantages:

1. Position companies as leaders and experts.
2. Build consumer confidence and trust.

3. Introduce new products.
4. Cultivate new markets.
5. Extend the reach of advertising.
6. Distinguish companies and their products from the competition.
7. Interpret the impact of emerging issues on the marketplace.
8. To revitalize, relaunch and reposition mature products.
9. To build or maintain interest in a product category.
10. To complement advertising by reinforcing messages and legitimizing claims. (7)

Marketing public relations, according to Harris, is coming of age. Public relations has become a big and profitable business. Public relations is an \$8 billion industry and is growing at an annual rate of around 20 percent (8).

To understand the elements of marketing public relations, it is important to first define public relations. Harris draws on other sources to establish the foundation for his discussion. According to the Public Relations Institute,

Public relations is a distinctive management function which helps establish and maintain mutual lines of communication, understanding, acceptance and cooperation between an organization and its publics; involves the management of problems or issues; helps management keep informed on and responsive to

public opinion; defines and emphasizes the responsibility of management to serve the public interest; helps management keep abreast of and anticipate trends; and uses research and sound and ethical communication techniques as its principal tools. (11)

It is equally important to understand the elements of marketing.

According to Philip Kotler marketing is:

The business task of: (1) selecting attractive target markets; (2) designing customer-oriented products and services; and (3) developing effective distribution and communication programs with the aim of producing high consumer purchase and satisfaction and high company attainment of its objectives. (11)

Marketing public relations can be defined more precisely than the larger concept of public relations because of its relevance to marketing, specifically, to helping an organization meet its marketing objectives. Harris offers his definition:

Marketing public relations is the process of planning, executing and evaluating programs that encourage purchase and consumer satisfaction through credible communication of information and impressions that identify companies and their products with the needs, wants, concerns and interests of consumers. (12)

Many companies are realizing the importance of marketing



public relations. Companies, such as McDonald's, the Limited and IBM are taking steps to coordinate their communication planning so that it is consistent, impactful and synergistic (35). DIMAC DIRECT is a marketing driven company. However, the executives of the company do not fully realize that public relations plays a major role in combating the ever-increasing competition within the direct marketing industry. All companies, including DIMAC DIRECT, can maintain current clients and stimulate interest from potential clients if they implement a community relations program. Simply, clients want to do business with a company they know and trust (38). One way to communicate to consumers is through the four P's of marketing. The four P's encompass all the activities which the company uses to communicate the product's attributes to consumers in order to persuade them to purchase it. This is where marketing public relations fits in, along with advertising, direct marketing, sales promotion and personal selling (39).

Marketing public relations works because it adds value to products through its unique ability to lend credibility to the product's message (44). The marketing public relations plan must begin with a clear understanding of the company's mission. The mission statement defines the company's business in terms of the industries the company operates in, the customers it serves and its geographical scope. The

mission statement focuses on the company's distinctive values and competitive domain (61). DIMAC DIRECT needs to revisit its mission statement. The company's mission statement is vague and could apply to any direct marketing company, advertising agency or public relations company. [See Figure 4 for DIMAC DIRECT's mission statement.]

Harris states several marketing public relations techniques that companies can use to reinforce the company's message to the public. First, chotchkes are widely used in public relations to entice press and public alike. Billions of t-shirts, sweaters, caps, aprons, umbrellas, sunglasses and tote bags are walking promotions for brands and branded sponsorships (80). Anheuser-Busch definitely knows the concept and importance of chotchkes. The company's St. Louis-based brewery sells over \$10,000 in Anheuser-Busch paraphernalia a day. Harris's second marketing public relations technique is the use of exhibits because they provide great visibility in high traffic areas (81). Twice a year the Direct Marketing Association holds a convention for direct marketers in St. Louis. Exhibits and booths are set up to display the companies' products and/or services. More than one hundred direct marketers attend the convention. Therefore, it is an excellent vehicle for direct marketers, printers, envelope converts and postal regulators to get noticed. Though this is an excellent vehicle, DIMAC DIRECT has failed to participate for the past five years. The third

technique cited by Harris is key issues. Key issues can help build loyalty when the company takes a stand on issues that show that it is on the consumer's side (82). As stated earlier, consumers are concerned with the environment. DIMAC DIRECT could cash in on this key issue. Through the company's recycling efforts, they save 24,225 trees every six months. Fourth, Harris recommends the use of newsletters. Newsletters are used to communicate news and keep products, places and personalities top-of-mind among consumer and trade audiences (83). DIMAC DIRECT is in the initial stages of realizing the importance of keeping consumers informed. The company is creating advertisements for trade journals. The advertisements feature direct marketing lessons, a direct marketing truism, the top ten direct hits and a mailing factoid. Fifth, Harris contends consumer sampling of products is a long standing weapon in the marketing arsenal. New products are mailed to residences in selected zip codes, given away in stores and on street corners and packed with established products (87). DIMAC DIRECT could have a major impact in establishing new business in this area. The company has already mastered the details of direct marketing. So, why doesn't the company create a vibrant and enticing direct mail package and mail it to marketing executives of large corporations that may need direct marketing assistance? The direct marketing package would serve as a great conversation piece

when the DIMAC DIRECT sales associate makes contact with the potential customer. The sixth marketing public relations technique is symbols. Harris believes symbols are highly visible and personalize a company to consumers. McDonald's definitely knows the importance of a company symbol. The golden arches are the second most recognized figure to the children of the world, outranked only by Santa Claus (88). This is another area where DIMAC DIRECT is realizing the importance of what a symbol can do for a company. The company's current symbol is a diamond. The diamond has no meaning and, therefore, does not communicate a message to the company's current and potential customers. DIMAC DIRECT is in the initial stages of developing a new company logo. Seventh, Harris calls attention to the value of tours as a public relations marketing technique. Tours are a proven way to obtain exposure for established products in key markets (89). In addition to conducting client tours, DIMAC DIRECT has given tours to the American Marketing Association and area schools.

Marketing public relations is most effective when it works strategically with advertising and promotion to meet marketing goals. It can extend the advertising message by delivering different but complementary messages to the same mass audience (93). In addition, it is the only management function that is uniquely able to build consumer trust. Trust is built over time and the only way to build that

trust is to communicate and be involved with consumers. Companies must be responsive to consumer concerns, provide help to consumers in terms of information and service and proactively participate in programs that benefit the community (105). Finally, Harris contends that marketing public relations can be used as a positioning strategy. He introduces the views of Kenneth Lightcap, vice president of corporate communications of Reebok International, on the subject. Lightcap believes that marketing public relations should be used by companies as a positioning tool to gain "share of mind" with consumers and other publics over time. He contends that a gradual build up of impressions forms a lasting impression that causes consumers to value the company's products and be more receptive to product publicity. "The one-two punch of public relations in the marketing sense is to position first, followed by or in some cases simultaneously with the product publicity — then advertising. This sequence is important, because to move first with advertising is to pay dearly for stealing your own thunder," Lightcap said.

#### Up the Loyalty Ladder

#### Turning Sometime Customers into Full-Time Advocates of Your Business

Murray Raphel and Neil Raphel

In implementing an effective marketing public relations

campaign, customers will ultimately have trust in the company and its products and/or services. The Raphels contend that consumers will become full-time advocates of a company if the company has a customer satisfaction program and if the company delivers what they promise.

There is a big difference between customer service and customer satisfaction. Customer service brings the customer in the first time. But customer satisfaction brings them back. Customer service is doing all the things you promise you will do, whether its mailing packages on time, delivering flowers or not having to wait endlessly for the doctor when you made an appointment. Poet Robert Service said it well, "A promise made is a debt unpaid." That's service! Customer satisfaction is making customers so happy with your goods or services that they run around the community bringing more people to buy a company's goods or services. This satisfaction is a critical link to repeat and future business (203).

According to the Raphels, companies will lose about 20 percent of their customers. That is a national average. One out of five customers is so upset with their present business that they will do business with someone else, anyone else, if they can find a reasonable alternative. So, why do customers leave? The easiest way to find out why customers left a company is by asking them. It could be the exact

same reason others have left, good service, but lousy satisfaction. Satisfied customers offer free advertising for a company. Management consultant Pete Tost said, "More and more customers are deciding to do business with companies that satisfy their requirements rather than just talk about it." In order to stay in business you need 20/20 vision. Simply, cut down the wandering 20 percent who leave a company because of poor service. Add to the 20 percent of a company's customers who give a company most of its business by having them find you more customers. Bottom line, if a company does not climb aboard the "Satisfaction Express" they might find that their competition has already left the station.

Advertising Age reported, "Customer satisfaction research has grown to an estimated \$100 million industry in the U.S." It is simply not enough for companies to provide customers with a service, companies must provide satisfaction (204-205).

Why do customers buy where they presently buy? According to the Raphels, the major overriding, specific reason clients come back again and again to do business with a company is best explained by the letters DWYPYWD, meaning "Do What You Promised You Would Do." This will make a world of difference between competing companies (209). DIMAC DIRECT needs major improvement in DWYPYWD. More often than not, managers at DIMAC DIRECT will

make promises to customers that are not realistic. For example, DIMAC DIRECT states in its proposal to prospective clients that they can mail a project within 24 hours. This deceives customers. DIMAC DIRECT can only mail a project within a 24 hour time frame if the project is a fulfillment program. A fulfillment program means that the client supplies the inserts for the package and the mailing quantity is small enough that it can be inserted by hand. This deceives clients because they believe that the 24 hour turnaround time applies to all programs. However, this is not the case if a direct mail program includes creative, printing, list selection and quantities of 5,000 or greater.

If companies provide customer satisfaction and deliver what they promise, they can turn customers into full-time advocates for the company. The Raphels define an advocate as someone who tells everyone how great your business is. There are several appearance factors that will bring a customer to be a full-time advocate for a company. One, the appearance of the company. Four out of ten customers form an opinion about who a company is by the exterior appearance of the building or store (242). From the outside, DIMAC DIRECT appears to be a clean and contemporary building. However, from the inside, the appearance is quite different. The carpet is soiled, the walls are painted battleship gray, little sunlight enters the building



because of lack of windows, the wallpaper in the restrooms is peeling off the walls, the cubicles are crowded and for those who have an office, the furniture does not match. The appearance is sloppy and disorganized. The Raphels also contend that companies must be dust free. Companies who have dust on merchandise cost the company 6 percent to 12 percent in sales every year. Dust is present in DIMAC DIRECT's production areas. The Print Shop, Mail Plant and Fulfillment Departments have mounds of material and sometimes material will sit there for weeks and even months. As a result, dust builds up.

Two, create ads that customers will recognize immediately. Most customers say all consumer ads look the same. A company's ads should make people know who it is from by the illustration, typeface and layout (244). As stated earlier, DIMAC DIRECT is currently creating advertisements for trade journals. The new ads have offered flair to direct marketing. The ads also appear to be newsworthy. Also, once DIMAC DIRECT incorporates its new logo, customers will be able to identify the new logo with DIMAC DIRECT and its mission.

Once a company has established full-time advocates, they must keep those advocates informed about what is going on with the company. The best way for companies to inform their full-time advocates is through direct mail. Dollar for dollar, nothing returns as

much to a business as direct mail. There are two advantages to direct mail — it is selective and measurable (148). DIMAC DIRECT should take the Raphels' advise and send mailings to their customers. After all, the company is in that line of business. DIMAC DIRECT should consider using its new creative advertisements by converting them into a reasonable, but spectacular, direct mail piece that lets its customers know what is going on at DIMAC DIRECT and the direct marketing industry.

Reengineering the Corporation  
A Manifest for Business Revolution  
Michael Hammer

Companies are repositioning, investing time and energy to developing a corporate culture and adding value to their organizations. However, there are some companies that are too far gone. Their position in the marketplace has deteriorated, the culture has dwindled to nothing and the value in the company's products and services is no longer apparent to its customers. Hammer contends companies are in need of "business reengineering." Business reengineering is not about fixing anything. It means starting all over, starting from scratch (2). Business reengineering is a process. A process is a set of activities that taken together produce a result of value to a customer — developing a

new product, for example. Simply, it asks the question, "Why do we do the things we do?" (3-4).

If American companies want to become winners again, they will have to look at how they get their work done. It is as simple and as formidable as that (26). Hammer formally defines reengineering: "Reengineering is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service and speed (32). Reengineering is a new beginning.

Reengineering eliminates not just waste but non-value-adding work. Most of the checking, reconciling, waiting, monitoring, tracking — unproductive work that exists because of boundaries within an organization and to compensate for process fragmentation — is eliminated by reengineering, which means that people will spend more time doing real work. After reengineering, work becomes more satisfying since workers achieve a greater sense of completion, closure and accomplishment from their jobs (69). DIMAC DIRECT may have already passed up the opportunity to reposition. The employees feel entangled in management's web of rules and regulations, yet the company functions in chaos despite the rules and regulations. Essentially, the employees are merely there to put out fires. Putting out fires gives DIMAC DIRECT employees little sense of accomplishment

because they hit rock bottom before resolving a crisis. Once that crisis is handled, a new crisis is already in the works. DIMAC DIRECT could combat the theory of "putting out fires" if they change the role of their employees from controlled to empowered. According to Hammer, companies that have reengineered do not want employees who can follow rules; they want people who will make their own rules. Also, as part of the process, employees are both permitted and required to think, interact, use judgment and make decisions (70).

There are several factors that can turn employees from controlled to empowered. The first factor is job preparation changes from training to education. Training increases skills and compensation and teaches employees the "how" of a job. Education increases their insight and understanding and teaches the "why" (71). DIMAC DIRECT teaches the "how" instead of "why". Because the company operates by "putting out fires," there is little time to understand the "why." In addition, employees who do want to become educated by furthering their education are not encouraged by the company. In fact, the company does not even recognize the accomplishment of a Master's degree. For this reason, it is not unusual for employees to earn their Master's degree and leave the company for greener pastures. The second factor that can make employees empowered is by focusing on performance measures and

compensation shifts from activity to result. Worker compensation, in traditional companies, is relatively straightforward. People are paid for their time. Paying people based on their position in the organization — the higher up they are, the more money they make — is inconsistent with the principles of reengineering. Contribution and performance are the primary bases for compensation (72-73). The third factor identified by Hammer is changing values from protective to productive. Reengineering demands that employees deeply believe that they work for their customers, not for their bosses (74). The employees of DIMAC DIRECT work for their bosses. Employees try hard to make an impression with their boss in hopes that come review time they will get promoted. For this reason, employees spend a lot of time including their bosses in all that they do. However, this strategy often backfires on the employees during review time because managers do not want to be accountable to their higher ups for their employees' errors or mistakes. The last factor that can turn employees from controlled to empowered is changing executives from scorekeepers to leaders. In traditional companies executives are divorced from operations. Their perspective on the company they run is primarily a financial one. Leaders that have reengineered move closer to the real work. In shaping processes and providing workers with motivation, they are intimately concerned with how the work gets done (79).

DIMAC DIRECT functions on the belief that they must watch their financial side and not the operations side. This has had a negative effect for DIMAC DIRECT. As the managers are more concerned with the financial side, mistakes are being made on the operations side which ultimately cuts into the company's financial gains. DIMAC DIRECT could get out of this vicious cycle if they reengineer the work the people in the operations department do (120).

The key to successful reengineering lies in knowledge and ability, not in luck. If a company knows the rules and avoids making mistakes, they are extremely likely to succeed. However, most companies perform the mistakes time and time again because they are more concerned with only patching up the problems. It is like the old saying, "hanging a sign on a cow that says, I am a horse, doesn't make it a horse" (201). Companies can avoid making mistakes by communicating with their customers. The best place for the reengineering team to begin understanding a process is on the customer end. What are the customer's real requirements? What do they say they want and what do they really need? What problems do they have? What processes do they perform with the output? The best way to acquire information about what customers do is to watch them do it (130-131).

### Other Works Consulted

Many other works were consulted in the formulation of this thesis. The in depth ideas expressed by the authors mentioned are echoed by Henry Mintzber, James Brian Quinn and John Voyer's book, The Strategy Process. The authors state, corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of businesses the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and noneconomic contribution it intends to make to its shareholders, employees, customers and communities; Ries and Trout's book The 22 Immutable Laws of Marketing highlights the laws of leadership, brand categories, the mind, customer perceptions, focus, climbing the ladder, line extensions, sacrifice, attributes, candor and resources; Regis McKenna's book Relationship Marketing explains the five guidelines to marketing and the dynamic positioning process; Tim Morton's article "Use Corporate Positioning to Show Strategic Intent" defines corporate positioning as a representation of how a firm wants the public to view it. He contends that corporate positioning is not just about a new slogan or product. A company's corporate position accurately reflects

its strategic intent and guides how the corporation will behave in the marketplace and toward its employees; John M. Murphy's book Branding identifies why purchasers recognize brands; Kimberli & Company Public Relations Consulting base their work objectives from a quote by Elizabeth Drew, "The world is not run by thought, nor imagination, but by opinion; Glenda Shaso Jones' article "Solving the Identity Crisis" provides thought as to why direct marketers need a solid brand identity to be recognized symbolically; Andrew Fletcher Consulting states the key to a brand positioning statement is to unite the elements of the brand into a coherent consistent totality and precisely target the relevant customers needs; John Case's article "Corporate Culture" discusses why both customers and employees will remain loyal if a company's culture is right; Lester Wunderman's article "Wunderman's Commandments" lists the 19 things all direct marketers should know; Target Marketing's article "The Direct Marketing Book of Rules" highlights the 234 secrets of direct marketing; Katie Muldon's article "Take A Chance" discusses the risks and rewards of starting up a direct marketing division; Denise Dulaux's article "Direct Mail Creatives Soar in 1997" contends marketers will need to do more to get consumer attention if the company is to remain a persistent competitor; Thomas Watson's Article "Updating Skills In Marketing Communication" states limited

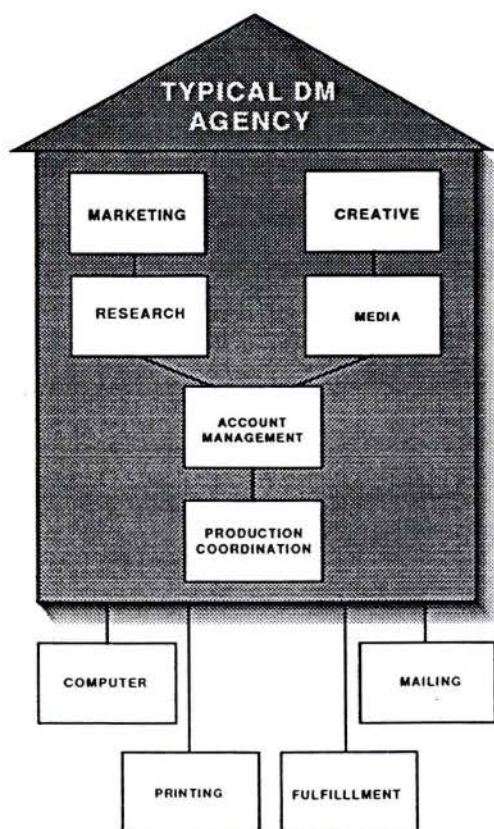


qualified personnel, new technologies, increased competition and ever-changing consumers' attitudes are only a few of the issues that demand a new level of management; Tom Letourneau's article "Carrot Programs" concentrates on incentive programs. He contends incentive programs provide the tools that can subsequently increase sales by connecting employees with their employer — thus, making the employees more customer focused; and Andrea Nierenberg's article "Rewarding A Job Well Done" discusses incentive programs and the great way to motivate a company's staff.

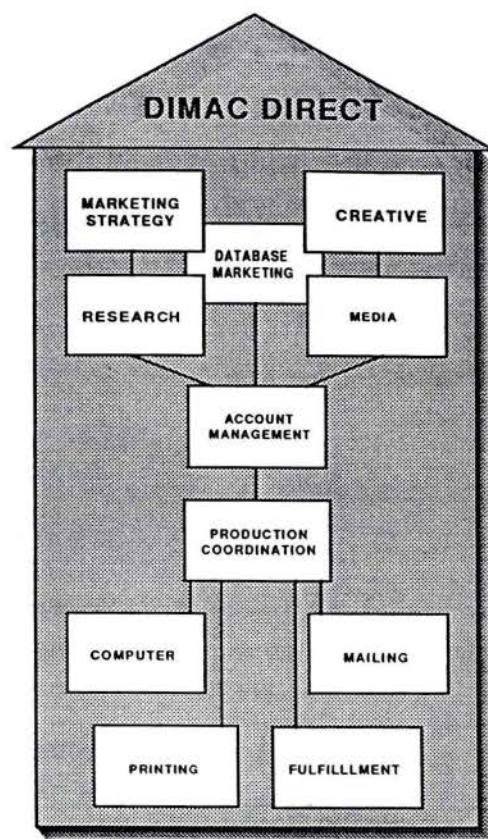
This thesis is not limited to the authors mentioned above. The definitions and explanations of key terms like positioning, corporate culture, employee recognition, public relations, training and development of a strategy, are all strikingly similar and yet each author uses a somewhat varied approach toward the development of each area. The authors quoted and those not used a somewhat strategic approach in the development of their approach. The common thread is that all the authors utilize the same tools, blueprints and raw materials, but each builds a slightly different structure. The following chapters will utilize the tools and blueprints presented to mold the raw materials for DIMAC DIRECT into a workable corporate repositioning plan.

Figure 2

### Typical Direct Response Agency



### DIMAC DIRECT



SOURCE: Kerkemeyer, Lynn. "Direct to Your Bottom Line." DIMAC DIRECT (1998): (n.p.).

Figure 3

Factors that Decrease Employee Satisfaction  
Informal, Unwritten and Unclear Norms and Values



SOURCE: Kuczmariski, Susan Smith & Thomas D. Exhibit from Values-Based Leadership. Englewood Cliffs: Prentice Hall, Inc., 1995.

Figure 4

### DIMAC DIRECT's Mission Statement

DIMAC DIRECT is dedicated to developing solutions to our clients' marketing challenges. We accomplish this by applying our full range of direct marketing services in an integrated fashion.

While some of these services, separately, may be offered by competitors, our appropriate application of each in a coordinated manner is unique within the direct response marketplace. Our product is neither mail nor advertising.

Our product is solutions.

Fulfilling our promise to clients requires employees who share in this commitment. DIMAC DIRECT will continue to provide a work atmosphere in which that dedication is readily fostered and appropriately rewarded. DIMAC DIRECT recognizes that our greatest asset is the people at all levels and in all disciplines who strive to make our promise of superior service a reality.

DIMAC DIRECT also believes that the enhancement of our stockholders' value and our employees' well being will be the inevitable outcome of fulfilling our mission.

DIMAC DIRECT believes that an uncompromisingly good product will always be sought by those clients for whom finding marketing solutions is not an expense but an investment.

SOURCE: DIMAC DIRECT. Annual Report. (1997): 1-20.

## Chapter 3

### SELECTIVE REVIEW AND EVALUATION OF RESEARCH

The current positioning of DIMAC DIRECT can be evaluated by applying Mark Goldston's six symptoms that yield a company for total repositioning. As the following information will explain, DIMAC DIRECT is out of the boundaries for establishing a new position. The company is in need of a total turnaround. In addition to applying Goldston's six symptoms that yield a company for total repositioning, a survey designed by Susan and Thomas Kuczarski was distributed to 14 DIMAC DIRECT employees. Though the survey was an informal sampling whose results, due to the limited number surveyed, cannot be regarded as conclusive, the results of the surveys does indicate that DIMAC DIRECT may have anomie and is a "value-less" organization.

How do companies know that they are in need of total repositioning? According to Goldston, there are six symptoms that will alert companies that they are in need of a total turnaround. The first symptom is that the company's market share has declined steadily over a twelve to twenty-four month period (8-9). DIMAC DIRECT's market share has declined over the last twelve months. In 1996 DIMAC

DIRECT reported revenue totaling \$126,196 (in thousands). A year later, the company's revenue decreased to \$88,778. That is a \$37,418 difference. On the other hand, DIMAC DIRECT's current competitor, Rapp Collins Worldwide, reported an increase in revenue from 1996 to 1997. The company experienced an increase in revenue of \$25,743 (AdWeek & Advertising Age).

Goldston states that if DIMAC DIRECT is to sharpen its revenues, the company needs to address the overhead structure of the company (8-9). Companies like DIMAC DIRECT face shrinking revenues because the company fails to check and predict the unit volume of production. As a result, the company will experience a situation known as negative manufacturing variance. Bottom line, the overall profitability of the entity may be threatened.

DIMAC DIRECT's profitability is definitely being threatened. Production is the main area DIMAC DIRECT needs to address in order to increase the company's revenues. The production departments such as lasering, printing and mailing are the major revenue makers for DIMAC DIRECT but the company and its employees make costly mistakes, mistakes that should have been caught through quality control procedures. For example, it is not uncommon for the lasering department to laser letters on the wrong form. Not only does DIMAC DIRECT have to reimburse the customer for the damaged forms, but

the company has to use its resources to correct the error. Hence, the company is doing double the work and spending double the money. Print Shop is another production department in which costly mistakes are made. When a job, like a brochure, is ready to go to press, it is not uncommon that the pressmen receive damaged or incorrect plates. For example, a five color brochure was scheduled to print for DIMAC DIRECT's largest client AT&T. The press was fired up and ready to go. However, it took the Pre-Press Department five times to get the plates right. The company lost money making additional plates, experienced down time on the company's largest press, wasted hourly wages and the pressman were waiting for the plates to be corrected. Finally, DIMAC DIRECT experiences costly mistakes in Mail Plant. Each inserting machine is equipped with inserting instructions for the machine operators. But inevitably, mail will get inserted incorrectly. For example, a package may have the wrong letter. When mail is inserted incorrectly, the machine operators must go through the mail, by hand, and correct the mistake. This is a very long, tedious and expensive process.

Granted, mistakes will occur. However, if DIMAC DIRECT follows its strict quality control procedures, then the mistakes could possibly be caught before they occurred. And if the mistakes cannot be caught before they occur, it is possible that the mistakes could be caught

in enough time to reduce the amount of time and money needed to correct them.

The second symptom that alerts companies that they are in need of total repositioning is that quality managers are leaving the firm with regularity. Goldston states that human capital is the single most valuable asset any company has but all too often it is neglected. In fact, it is the worst maintained asset of all (10-11). Within the last two years, DIMAC DIRECT has lost its Chief Executive Officer, Chief Financial Officer, Vice President of Marketing, President of Creative Services and many other valuable key managers. In addition to losing some of the company's top executives, the company is losing its employees. The main reason the managers and the employees are leaving the company is neglect. The executives and the employees believe the company no longer cares about things such as succession planning, career growth, cross-functional training and the like (10-11). Since the company is losing top executives and its employees, a turnaround plan needs to be implemented. One reason a turnaround plan needs to be implemented is because DIMAC DIRECT is losing its executives and employees to some of the company's major competitors. The company also needs a turnaround plan because it is costing the company time and money to train new personnel.

Company pride has greatly diminished and individual initiative



seems to be at lower levels, resulting in obstacles to idea generation and information flow is the third symptom that indicates company is in need of a turnaround (12). Again, this area needs to be addressed immediately by DIMAC DIRECT. Employee morale is at its lowest levels. Employees are questioning why they should work hard for a company that does not appreciate their work. Following the six symptoms that will alert companies that they are in need of a total turnaround are the results of a survey that was randomly distributed to DIMAC DIRECT's executives and employees. The results of the survey demonstrate that employee morale has diminished. Because employee morale has diminished, it has caused a negative impact on the flow of information. The negative flow of information may be a contributing factor as to why the company has seen a decline in revenues. After all, when employees do not communicate and generate clear and precise instructions for the production departments, errors are bound to occur.

The fourth symptom that a company needs to be totally repositioned is the company's facilities appear to be run down. The overall cleanliness and quality standards seem greatly diminished and manufacturing equipment is only repaired after breakdown (13). The philosophy at DIMAC DIRECT is why buy new when the existing manufacturing equipment can be repaired. This philosophy works in the short-term. But if the company adds up all the times when the

inserting, lasering and printing equipment needed repairs, the company could have purchased or leased a new piece of equipment that is faster, more reliable and dependable. In addition to the manufacturing equipment needing repair, the office part of the building is equally in need of a face lift. The carpet is soiled, cubicles are cluttered because they are too small and the furniture does not match. When trying to increase revenues, a company may cut corners by not purchasing and/or leasing new equipment or up-dating the appearance of the office. However, according to Goldston, companies should take value in their appearance. A company's appearance makes a very strong statement to the public (13). A company should take advantage of every opportunity to make a positive impression on the public that is requesting the products or services of the company, lest a negative impression will turn the public away.

The fifth symptom that a company needs a total turnaround is when the item is no longer the "brand of choice" — it may be part of a consumer's purchase wardrobe, but usage may be sharply reduced from previous levels. Many years ago, DIMAC DIRECT was the brand of choice for direct marketing needs. The company was one of a few companies that offered vertical integration under one roof. In addition, DIMAC DIRECT offered their clients response rate tracking — response rates that could be measured; meaning, DIMAC DIRECT's

clients could track what offers proved most profitable through consumer purchase. As more and more companies were shifting advertising gears from mass advertising to targeted marketing, direct marketing companies/agencies were becoming more plentiful and consumers had more choices. With the increase in direct response agencies, DIMAC DIRECT will have to reevaluate its current position as "vertically integrated." Though vertical integration is beneficial to the needs of the client, the term is no longer a differentiating factor for DIMAC DIRECT. Too many other agencies contend that they are vertically integrated as well.

The last symptom that alerts a company that they are in need of a total turnaround is that the company's manufacturing facilities are operating at less than 60 percent of capacity and future projected increases in the unit volume base are less than 10 percent of the current year volume (27). DIMAC DIRECT operates at less than 60 percent of its capacity. The company operates at less than 60 percent capacity because of unrealistic promises made to their clients. When unrealistic promises are made to clients, it requires the company to "job out" projects. Though DIMAC DIRECT is more than capable of handling the work, an unrealistic promise pushed the company into a corner and the work must get done and now. Getting timely projects through the company is a strong benefit DIMAC DIRECT offers its

clients. However, when unrealistic promises are made it requires other jobs to be sacrificed. According to Goldston, when a company does not utilize its operating departments to its capacity, the company needs to reevaluate whether or not the current unit volume is normal (27). After all, the cost of senior management, rent, property, taxes, machinery, depreciation, amortization and the like are relatively fixed expenses (27). DIMAC DIRECT should address the promises they make to their clients. The company needs to implement a standard turnaround time for projects, so the company can maximize its current operating facility at 100 percent.

Another area DIMAC DIRECT needs to address is the way upper management supports their employees. If DIMAC DIRECT does not take a vested interest in the employees, repositioning will not work according to Terrene Deal and Allan Kennedy. It is extremely important for companies to create a corporate culture that ties together and gives meaning and purpose to the employees' day-to-day lives (4). The following surveys, offered by the Kuczmarskis, reveal that DIMAC DIRECT is in desperate need of a corporate culture (29, 98-99). If DIMAC DIRECT fails to acknowledge that a corporate culture is a vital element to the success of the company, it is inevitable that the productivity of the organization will decrease. The result, the company's competitive position will erode.

To evaluate the corporate culture at DIMAC DIRECT, 14 surveys were randomly distributed to the employees of the company. The survey was completed by top executives, supervisors, account executives, assistant account executives, account associates, administrative assistants and union employees. The first survey was distributed to determine if DIMAC DIRECT has anomie. As stated previously, anomie was a term coined by French sociologist Emile Durkheim in 1893. An anomie is caused by the lack of clear cut norms and values that guide individual aspirations and group behaviors. The term anomie explains the reasons for the growing dissatisfaction resident within U.S. corporations and organizations (vi). Following are the statements and results of the Kuczmarksis' first survey. The survey was scored: 0 - incorrect, 5 - partially correct, 10 - correct.

**Does Your Organization Have Anomie?**  
(Kuczmarksis, Exhibit 2-1)

1. Loyalty is not rewarded by my organization.

*Score: 2 - incorrect, 6 - partially correct, 6 - correct*

2. Compensation does not reflect individual performance or accomplishments but rather company performance.

*Score: 3 - incorrect, 6 - partially correct, 5 - correct*

3. Effective communications and meetings among employees and management are infrequent.

*Score: 2 - incorrect, 7 - partially correct, 5 - correct*

4. Profit achievement represents the priority "value" within my company.

*Score: 1 - incorrect, 6 - partially correct, 7 - correct*

5. Caring for and consideration of others if not a visibly employed value. Few people ask personalized questions of each other.

*Score: 5 - incorrect, 8 - partially correct, 1 - correct*

6. Values and norms are rarely, if ever, discussed within my organization.

*Score: 2 - incorrect, 9 - partially correct, 3 - correct*

7. My fellow employees often appear frustrated, angered, or apathetic about their work or managers.

*Score: 0 - incorrect, 4 - partially correct, 10 - correct*

8. People tend to keep to themselves and bolt out the door at the end of the day.

*Score: 5 - incorrect, 8 - partially correct, 1 - correct*

9. Personalized recognition and positive reinforcement are not management's usual style.

*Score: 2 - incorrect, 4 - partially correct, 8 - correct*

10. My fellow employee turnover is relatively high because people don't particularly like working at the organization.

*Score: 0 - incorrect, 5 - partially correct, 9 - correct (29)*

The majority of the results indicate that DIMAC DIRECT does have anomie. The major areas in which the executives, the managers and the employees need a total turnaround plan are effective communication, employee morale and turnover rate.

The second survey was distributed to determine if DIMAC DIRECT has a "value-ful" organization. As stated by the Kuczmarkis, a value-ful organization gives employees something they can believe in (v). Employees are ready for an alternative to the "that's just the way it" style of management (vi). Following are the questions and results of the Kuczmarkis second survey. The survey was scored: 5 - always, 2.5 - sometimes, 0 - never.

**How "Value-Ful" Is Your Organization?  
(Kuczmarksi, Exhibit 6-4)**

1. Management and employees jointly develop annual and long-term financial goals and strategic objectives for our business.

*Score: 0 - always, 2 - sometimes, 12 - never*

2. Our mission statement is commonly known, understood and adopted by all employees.

*Score: 0 - always, 9 - sometimes, 5 - never*

3. Our organization has a commonly agreed-upon and understood People Pledge or values statement that defines what's important to each member of the organization.

*Score: 0 - always, 3 - sometimes, 11 - never*

4. Our People Pledge or values doctrine is visibly displayed in our office.

*Score: 0 - always, 2 - sometimes, 12 - never*

5. Individual employees have objectives that describe their personal and professional goals for the next year.

*Score: 4 - always, 4 - sometimes, 6 - never*

6. Policies, procedures, regulations and rules exist, but are not an overstated, overused part of our organization mind set.

*Score: 2 - always, 9 - sometimes, 3 - never*

7. Our culture is highly supportive of and greatly respects individual differences, needs and issues.

*Score: 2 - always, 8 - sometimes, 4 - never*

8. Our organization adopts a totally pluristic hiring philosophy.

*Score: 2 - always, 7 - sometimes, 5 - never*

9. Our organization endorses and schedules at least five social events annually for employees and their spouses/friends to better understand the non-working side of employees.

*Score: 0 - always, 4 - sometimes, 10 - never*

10. Our management and employees effectively know each other personally.

*Score: 4 - always, 8 - sometimes, 2 - never*

11. Our organization encourages change and realizes that short-term failure may have positive long-term consequences.

*Score: 1 - always, 8 - sometimes, 5 - never*

12. Our organization accepts a shared leadership construct; that is, each



individual takes on a leadership role in some dimension, with very little hierarchy present.

*Score: 0 - always, 6 - sometimes, 8 - never*

13. Individual employees are rewarded for creativity, innovation and teaming.

*Score: 2 - always, 4 - sometimes, 8 - never*

14. Our leadership style incorporates conflict resolution and interfunctional teaming.

*Score: 0 - always, 6 - sometimes, 8 - never*

15. There is a strong message throughout the organization that consideration of others is appropriate, even encouraged.

*Score: 2 - always, 7 - sometimes, 5 - never*

16. Emotions, feelings and personal beliefs are not locked inside but are openly communicated.

*Score: 3 - always, 7 - sometimes, 4 - never*

17. Compensation incentive systems are tied to risk-taking and to performance criteria — with high returns for high performance and risk taking.

*Score: 0 - always, 4 - sometimes, 10 - never*

18. Employees feel a strong sense of mutual trust, fairness and consistency.

*Score: 0 - always, 7 - sometimes, 7 - never*

19. The value of the individual is an integral and meaningful component of our organization.

*Score: 2 - always, 4 - sometimes, 8 - never*

20. Intuitive thinking is encouraged in the decision-making process.

*Score: 3 - always, 5 - sometimes 6 - never (98-99)*

The majority of the results indicates that DIMAC DIRECT is becoming a "value-less" organization. The major areas in which the executives, the managers and the employees need a turnaround plan is in developing long-term financial goals and strategic objectives, clearly defined values, social events for employees and spouses/friends, rewarding individual creativity, compensation incentive systems for risk-taking performance and value of the individual as a meaningful component of the organization.

The executives and managers of DIMAC DIRECT need to evaluate the organization as a whole. In other words, look at the big picture. By focusing on individual areas of concern, the executives, the managers and the employees may lose sight of the total turnaround plan. Once DIMAC DIRECT has developed a specific turnaround plan, within a specific time frame, the different areas of concern can be addressed. However, it is apparent that the employees of DIMAC DIRECT may be losing a battle and that executives of the organization

may win the war. The survey, "Does your organization have anomie?" and "How value-ful is organization?" were randomly distributed to the employees, the managers and the executives of the organization. However, one key executive of DIMAC DIRECT felt obligated to respond to the surveys. She said,

Krista, I just finished your survey, and really feel that I need to comment on it — unless I'm totally misreading it, it sounds like the underlying assumption is that it's the responsibility of a company to fill all the needs and wants of its employees, and if that is not accomplished it's the company's failure. My view is that a company has a number of different "masters" it must serve, only one of which is the employees. While the company should attempt in every reasonable way to foster job satisfaction, nothing it can do will make an unmotivated person motivated or an unhappy person happy — those are matters of personal values. The wording of the survey suggests to me to be bias — and I've designed surveys — that the employee has no responsibility for his/her work experience.

Her comment was disturbing because the tone is such that employees are solely responsible for their happiness. Granted, an organization cannot spend all its efforts on increasing employee satisfaction. However, there are minor steps a company can pursue to increase employee satisfaction. For example, employees should discuss with their managers the long-term financial goals and strategic objectives not merely receive orders from their managers. The turnaround steps to make an organization "value-ful" will be

discussed in Chapter 4 of this thesis. Granted, a company cannot make an unmotivated person motivated or an unhappy person happy. But employees may not be motivated because they work in a “value-less” organization. The reason her comment was disturbing is because these words came from the Vice President of Marketing — the key executive at DIMAC DIRECT who is responsible for developing a “value-ful” organization.

There may be several reasons why DIMAC DIRECT is not perceived by the employees to have “value”. These reasons include:

1) *DIMAC DIRECT functions using crisis management.*

As jobs become more complex and clients demand a faster turnaround time on their projects, the organization functions by “putting out fires.” The employees get frustrated because they were not involved with the timeline required to meet the client’s needs. Instead, employees are given orders from their managers about what must get done. Many times managers will promise an unrealistic timeline to the client before looking at the big picture (i.e. can the organization guarantee a tight turnaround given the current production capacity?).

2) *DIMAC DIRECT is a lettershop/production house not a direct marketing agency.*

Though the organization positions itself as a direct marketing agency, more than 90 percent of the work desired by clients is production oriented. For this reason, employees may feel frustrated because they think they are hired to manage marketing projects when in fact they are hired to manage production projects.

3) *DIMAC DIRECT needs to invest in the latest production technology.*

The majority of DIMAC DIRECT's production equipment (i.e. lasering machines, printing presses, mail inserters and inventory tracking system) is out-dated. The company needs to invest in new equipment in order to stay competitive with dedicated production houses. The company also needs to hire qualified production experts to implement a cost- and time- saving production plan and schedule.

These problems could spell disaster for DIMAC DIRECT. Unlike many direct response agencies who job out production orientated projects to qualified production vendors, DIMAC DIRECT needs to sharpen the production blade and hire skilled employees who can manage production projects in a cost- and time- effective manner. Perhaps developing a turnaround plan that incorporates both production and marketing will alleviate some of the anomie and increase value within the organization. Today's direct response

agencies need to become aggressively focused on production and implement a strategic marketing plan to remain a competitive force in the ever-changing market desired by their clients.

## Chapter 4

### RESULTS

The blueprint for DIMAC DIRECT's turnaround plan includes several elements: implementing turnaround prescriptions, developing a values foundation and incorporating a public relations campaign. These three elements will be the foundation on which DIMAC DIRECT will focus its energy for an effective and powerful repositioning.

The first step DIMAC DIRECT will take for repositioning is to respond to the symptoms that infest troubled companies. The symptoms of troubled companies were addressed in Chapter 3 of this thesis as well as the prescriptions based upon the research of Mark Goldston. Though the prescriptions were offered in Chapter 3, Chapter 4 will relate those prescriptions to how it could affect DIMAC DIRECT personally.

According to Goldston the first prescription is to stop the bleeding. Stopping the bleeding is the first step towards getting a handle on the situation and setting a new tone within the troubled company (32-33). What does stopping the bleeding entail? In almost every turnaround situation there is a division, product line, operating

facility or “corporate project” that is losing money or draining cash at an accelerated speed. For a variety of reasons (sometimes political), these situations remain unaddressed, while vital functions are dramatically under funded. The turnaround team must apply the tourniquet and immediately stop the continuous outflow of cash (32).

DIMAC DIRECT is losing money in the areas of production and hiring new employees; in fact, the two go hand in hand. The organization is losing money in the area of production because the company fails to acknowledge that the work it performs for its clients is primarily production driven. Though DIMAC DIRECT does offer marketing services such as market research, list services and strategic creative packages, the company is losing money in production — the one area that could yield the most profit for the company. DIMAC DIRECT is fully equipped with production capabilities. However, the company continues to job out projects to outside vendors. For this reason, the company’s manufacturing facility is not operating at fullest capacity. As discussed earlier, companies that do not operate at capacity are crippling the company because the cost of running the facility at 60 percent is not much different than running it at 100 percent. Management, rent, property taxes, machinery, depreciation, amortization, and the like are fixed costs within a company’s budget (27).



DIMAC DIRECT is also losing money hiring new employees.

When the company hires new employees several things happen. First, the company must train each new hire which costs the company time and money. Second, and most importantly, because DIMAC DIRECT is heavily production driven, new hires can make costly production errors (i.e. giving wrong or incomplete instructions to the production departments).

The key to maximize the greatest profit from DIMAC DIRECT's production departments is to summon the operating heads of the functional production departments for a review of the departmental expenditures to determine where the outflows are occurring and the importance of each outflow to the revenue/earnings stream (32). The company may want to consider hiring outside production consultants to assist in the review of the company departmental expenditures, especially production. After all, production could be DIMAC DIRECT's greatest revenue maker. But currently, production is the greatest area in which DIMAC DIRECT is losing money.

The second prescription is to accumulate data. The turnaround team must talk to everyone in the company who can supply needed information. Employees will provide a powerful insight as to what really needs to be addressed versus what is actually being considered for implementation (36). Currently, the data collected at DIMAC DIRECT

is solely compiled and studied by the executives of the company. However, the employees must be part of accumulating data. After all, the employees have the day-to-day contact with the troubled areas. For example, the press operators know the areas in which printing could be managed and produced in the most cost-effective way. However, management does not seek the advice from the press operators when accumulating data. There is an advantage to seeking the advice from a company's employees. No longer will the employees feel they are the "victims." By incorporating not only the executives, but the employees as well, it will disarm the "victim" syndrome by enabling everyone to feel that their input is valuable and will be viewed with a non-judgmental eye (37). In other words, this will make the employees of DIMAC DIRECT feel that they are not there merely to work their eight hour shift and nothing more.

Once the turnaround team has stopped the bleeding and facts about the company have been gathered, it is time to determine who is going to play on the team. Many employees cannot shed the emotional baggage of having worked in a declining business environment and will forever doubt the new team's ability to turn the business around. These people constitute a "cancer" that must be excised immediately in order to create the proper environment for the new, fresh thinking required to drive a troubled company (38). Goldston suggests that

companies should create a venture-team environment to avoid such a "cancer." A venture-team environment encourages all employees to interact and works off the idea that informed employees may have more to offer than their specific job function allows them to contribute (39). As mentioned earlier, the players at DIMAC DIRECT only consist of senior management. DIMAC DIRECT needs to extend the players to include the company's employees. The employees would be able to assist senior management in developing specific action steps required for the turnaround plan. Granted, DIMAC DIRECT has taken steps to bring the employees to the playing field by incorporating what the executives term the People Initiatives Committee. Though a step, the ideas expressed and proposed through the People Initiatives Committee are oftentimes declined by senior management.

The fourth prescription is to assess the manufacturing facilities. The manufacturing facilities, in many corporations, are the most valuable and under utilized asset. As mentioned previously, DIMAC DIRECT is not operating at capacity. The company is not operating at capacity because the company does have the production experts who can determine if a job can be produced in house or if it requires assistance from an outside vendor. When DIMAC DIRECT seeks outside vendors to perform its work, the company loses money. By asking the production employees if a job can be run in

house, more times than not the answer is yes. DIMAC DIRECT needs to utilize knowledge held by their production employees. Doing so will create viable long-term alternatives to large capital expenditures on long-lead time tooling, provide the ability to meet client requests quickly and improve the total cash flow to the business while helping to increase return on investment (41).

Once these four prescriptions are in place, the time is ripe for creating the master plan that will guide DIMAC DIRECT out of the trouble zone and into calmer waters. The turnaround team has been assembled and has the necessary information, along with the vision, direction and a clear understanding of the parameters and time frame associated with the task at hand. Creating the playbook should be the fifth step DIMAC DIRECT should take to execute the turnaround plan. DIMAC DIRECT needs to write a playbook that will incorporate the following elements:

- 1) A mission statement explaining where the company is, where is it going and its ultimate objectives.

*DIMAC DIRECT's mission statement:* DIMAC DIRECT is the second largest direct response agency. Our goal is to regain the number one position as direct response agency by concentrating on marketing, production and the employees who make it all happen.

- 2) A clearly defined statement of strategies and tactics.

*DIMAC DIRECT's strategy and tactics statement:* Our strategy is

to sharpen our production knowledge and capabilities. The way to accomplish this task is to encourage input from all departments along with the outside assistance of production experts.

3) Value analysis.

*DIMAC DIRECT's value analysis:* Our environment will encourage employee participation so as to accomplish our goal of regaining the number one position of direct response agency.

4) Manufacturing procedural changes.

*DIMAC DIRECT's manufacturing procedural changes:* Each employee will be a quality control leader for his/her specific area of expertise. As a quality control leader, employees will write a "how-to" manual and communicate their specific responsibilities to other departments as well as upper management.

5) Timetables for key projects.

*DIMAC DIRECT's timetable:* Every program managed for our clients deserves the utmost attention. Though every project cannot take precedence, each employee is responsible for developing his/her program's timetables based upon the needs of the client. Do not set unrealistic timetables.

6) Clearly defined assignments of responsibilities to specific individuals along with specific completion dates (44).

*DIMAC DIRECT's assignments:* Employees will maintain a journal of their assignments as requested by the client. This journal will be presented to the employee's manager for review and targeted completion dates.

The playbook must be completed before addressing prescription six which entails setting realistic goals. Management must set realistic

goals to build confidence in the work force and in the overall plan (43). Employees are more likely to participate in a company's goals if they are motivated. DIMAC DIRECT does not have a plan to motivate employees. The company does not have an employee incentive program, a rewards and recognition ceremony or meaningful social events to encourage employee motivation. Goldston offers three ways in which companies, like DIMAC DIRECT, could increase employee motivation:

- 1) *Increase employee compensation.* Overall, DIMAC DIRECT needs to address the area of increasing employee compensation. The department that greatly lacks in compensation is Account Services. The Account Services employees are salaried which means any time put in over eight hours is not paid. It is not uncommon that Account Services employees work longer than eight hour days. Also, the Account Services employees are not compensated for late night press checks or evenings out entertaining clients. Granted, working longer than an eight hour day may not be justification for an increase in salary. However, working longer hours, late night press checks and evenings out entertaining the client should all be considered when it comes time for the employee's annual review. The

company also needs to take into account time spent by employees doing work at home.

2) *Increase in responsibility via a promotion.* The employees at DIMAC DIRECT have to either fight for a promotion, leave the company and then come back or threaten to leave the company before being promoted. Employees take on new responsibilities every day. However, these new responsibilities are often not recognized during review time.

3) *Public or managerial recognition of a job well done that was a direct result of individual achievement.* Employee recognition is non-existent at DIMAC DIRECT. The company needs to establish an employee recognition program for those employees who go beyond the call of duty. Granted, it is hard to determine who should be recognized. However, the company could recognize all employees by hosting a social function (i.e. a Cardinal's baseball game, a day at Six Flags or something as simple as a bar-be-que).

The seventh prescription offered by Goldston is to create an idea generating process. One of the most valuable assets in successful companies is the ability of people, at all levels, to use their knowledge, creativity and experience to generate ideas. Idea generation enables

everyone in the company to believe he or she has a direct voice in determining the organization's future. DIMAC DIRECT is structured to assure that the ideas come from upper management and the employees are expected to perform them. One reason DIMAC DIRECT does not have an idea generation plan is because the company is too busy putting out fires. This leaves little time for inter-departmental communication. DIMAC DIRECT should encourage and respond to their employees' ideas. The idea generation plan can be developed by, once a year, asking all employees to submit one idea that would better foster the company. The executives of the company should evaluate the 850 ideas received and group like ideas together. The executives of the company may find that the employees have similar ideas. In addition to asking employees to submit an idea to better posture the company, employees should be encouraged to generate three ideas that would better meet the needs of their clients. These ideas should be addressed with the employee's manager. If the idea is put into place, a time frame in which the idea will be implemented should be determined by both the employee and the manager. Finally, employees should be rewarded for their efforts. The reward could be as elaborate as a promotion or as simple as an "Attaboy."

Creating a war chest is the eighth prescription. The war chest creates an image that a company has money to spend at a time when



the market has judged it to be in trouble (51). In 1998, DIMAC DIRECT had tight financial constraints because the company was for sale. To make matters a little worse, the high profile owner, New Corporation, wanted to sell the company only after a year of ownership. To make a positive impression upon potential buyers, DIMAC DIRECT should have focused its energy on increasing cash flow. However, the company continued to job out projects; thus, eating into the company's cash flow.

The last prescription, show demonstrable progress, is the most vital element in the entire turnaround process because it involves showing measurable headway against predetermined performance objectives (53). It is imperative throughout the turnaround period that weekly or bi-weekly meetings are held by senior managers to keep all employees involved and up-to-date with the company's progress. Though DIMAC DIRECT has not introduced a turnaround plan, the company is deficient in communicating with its employees about the affairs of the company. DIMAC DIRECT's executives need to communicate openly with all employees and keep them informed about the affairs of the company by holding monthly company meetings.

The second element that will assist DIMAC DIRECT in repositioning is the development of a values and a norms foundation.

According to Susan and Thomas Kuczarski, they contend that employees need values they can believe in. Without a reason to believe that is based on a set of common organizational norms and values, profits and productivity will decline — and the company's competitive position will erode (v). To strengthen values and norms within an organization, the Kuczarskis have developed the Values Adoption Process (VAP) and the Norms Adoption Process (NAP) as a model for organizations to gain faith from the employees who work for the organization. The VAP and NAP processes will give DIMAC DIRECT the tools necessary to give employees a reason to believe in the organization (119). DIMAC DIRECT needs to carefully review and implement the ideas expressed in the two processes if the company is serious about combating amonie and making the company "value-ful."

The first process to be reviewed is the Values Adoption Process. The steps necessary to incorporate VAP will enable DIMAC DIRECT the foundation and the tools for such implementation. Following are the stages to implement the Values Adoption Process:

*Stage I: Individual Values Development.*

**Step 1:** Inform organization and list personal values and beliefs. VAP leaders should distribute a letter from senior management describing the purpose of this initiative. Then

they should hold a series of small-group workshops explaining the Values Adoption Process to the entire organization. The message communicated should be face-to-face with the company's employees. The purpose of the workshops is to gain a perspective on the intended impact and benefits of the process as well as understand the purpose and intention of this value-setting endeavor. The VAP workshop leaders will ask each employee to write down his or her personal values that he or she would want to embrace and be shared by their co-workers in the work environment.

**Step 2:** Prioritize top five desired values in the workplace. Each employee will then be asked to prioritize his or her own top values that he or she would like to see implemented in the work environment.

**Step 3:** Publish a list of all employee values segmented by category areas. VAP leaders should gather the top priority values of all employees and publish a list of collective responses (120). Since DIMAC DIRECT is segmented by department, the company may want to consider posting values per department.

*Stage II: Small Group Values Development.*

VAP leaders should form small groups consisting of eight to twelve employees and one or two managers. At a minimum, there should be three two-hour meetings on the topic of group values.

**Step 4:** Review individual values and rank the group's top categories. In the first meeting each group should review the previously published individual values and identify the most important categories.

**Step 5:** Develop group set of values. After a couple of weeks, the group's second meeting should concentrate on developing a list of specific values that a particular group wants. These will eventually become the Group Value Statements.

**Step 6:** Design specific ways to activate and reinforce values. At the third meeting, VAP leaders should guide the finalization of the list (122-123).

### *Stage III: People Values Pledge and Organization Values Pledge Formulation.*

One of the most effective ways of providing all employees a tangible and living reminder of the organization's desired values is by developing two documents — a People Values Pledge and an Organization Values Pledge. The People Values

Pledge states the values commitment. It is intended to be made by employees to one another — in effect, a values “contract” by each employee to all other members of the organization. The Organization Values Pledge is the set of values and behavioral commitments that top management and the organization, as a whole, make to employees.

**Step 7:** Develop a People Values Pledge. The People Values Pledge describes the company’s values along the following dimensions:

- Ways to interact and communicate with all employees.
- Expected behaviors of all individuals within the organization.
- Group values and team beliefs.
- Feedback styles and approaches.
- Specific value-based behavioral guidelines.

**Step 8:** Generate Organization Values Pledge. The Organization Values Pledge includes senior management’s pledge to employees. To some degree, these values need to support, reinforce and endorse the People Values Pledge. However, this pledge is written to explain the values for the basis for promotions, rewards and style of management interaction with others (123-125).

**Step 9:** Develop and produce values “reminders.” Producing and distributing pledge “reminders” is an important part of reinforcing the values. The Kuczmarisks suggest several “reminders:”

- Printing the pledges on the back of business cards.
- Including pledge statements in annual business and long-term plans.
- Distributing individual employee plaques or paperweights engraved with the pledges.
- Displaying the pledges in the lobby or entryways.
- Discussing the pledges in the company’s newsletter (i.e. DIMAC DIRECT could discuss the pledges in the company’s newsletter called Mail Bag).
- Giving annual awards to employees and teams who consistently embrace the pledges.

**Step 10:** Solicit feedback from employees. The final step in the internal Values Adoption Process is to obtain feedback from employees. Employee feedback helps to effectively integrate the changing and evolving values of an organization and its people. DIMAC DIRECT has many different cultures within the company. For this reason, employee feedback is critical. Receiving feedback is critical for two reasons. One, it helps employees see that this is an interactive process, not merely a time-filling, wasted exercise.

Two, it acknowledges that employees who live and breathe these values daily are best suited to evaluate the effectiveness and to identify any potential need for modifications (129-130).

*Stage IV: Customer Values Development.*

This stage is aimed at converting the values identified internally into externally perceived values that the company's customers will recognize. This stage will strengthen the overall reputation and image of the company in the minds of its customers.

**Step 11:** Identify desired values to convey to its customers.

The best way to do this is to talk with the company's customers about four main topics. These topics include the following:

- What values do they perceive the company currently conveys through its products, positioning and services delivered?
- What values would they want the company to convey?
- Which one value should be the top priority for the company?
- Which new value would customers want the company to adopt and convey?

The answers to these questions will develop the Customer Values Pledge.

**Step 12:** Determine values to use for developing new

products or services. Organizations can leverage the customer research on values so as to determine which values should guide new product development. It is important to remember that products and services need to be value-based too. To determine the value of products and services, the company needs to begin by defining the benefits of the company's products or services to customers. Describe the benefits as perceived by the customer. Then compare that benefit list to the benefits of comparable products. This will determine the unique benefit of a company's products or services relative to its competitors (132). Step 12 will prove beneficial for DIMAC DIRECT. As mentioned earlier, DIMAC DIRECT's key value benefit, to its customers, is vertical integration. However, as the direct marketing arena has grown, it is no longer a major advantage to be vertically integrated because so many agencies are structured as such. Companies seeking a direct response agency want a full scale, production driven lettershop.

Developing values, internally and externally, can bring meaning to employees and their jobs. The Values Adoption Process is not a game or a face-saving management tactic. The attitude of senior management must be expressed to its employees as a strong



commitment that will support the Values Adoption Process. There needs to be a fundamental respect for and trust in all individuals, beginning with a basic interest in including all employees in the process (134).

The Norms Action Plan (NAP) builds on the Values Adoption Process. The Norms Action Plan defines norms that will reinforce the desired values and will translate them into behavioral actions and attitudinal mind sets. Simply, values only provide the foundation, but the norms are the tangible and concrete signs that will foster the desired values of the organization.

The Kuczmarskis formally define norms. Norms are the expectations about behavior that are shared by the members of a particular group. They are social rules that specify what behavior is appropriate and what behavior is inappropriate. Norms inform group members of what they should and should not do. They serve as a means for guiding individual actions so that these actions might fit the actions of others. They permit or discourage certain behaviors and require or prohibit others' behavior. Bottom line, norms are the guidelines for interaction. They act as the social tool to create joint actions among group members (135).

The steps necessary to incorporate and build upon the Values Adoption Process will provide DIMAC DIRECT the final building block

for making the company value-ful and encourage desired behaviors from all employees. Following are the stages necessary to implement a Norms Action Plan:

*Stage I: Norms Identification.*

**Step 1:** List current desired norms. Ask each employee to list those norms and behaviors their organization currently endorses as well as those that they would like to see further reinforced. The list should be comprised of the top five behavioral norms that are most important and meaningful to each employee (139).

**Step 2:** Describe current norms to discourage. After completing Step 1, have employees list those organizational norms and behaviors that they dislike and would prefer to eliminate from their workplace. The list should consist of the top five behaviors that currently exist which should be discouraged. These norms are typically categorized as those that create a demotivating work environment. The Kuczarskis offer several examples of norms that should be discouraged and they are as follows:

- Patronizing employees or putting them down.
- Speaking disparagingly about fellow co-workers.

- Promoting employees based on how well they “manage up” rather than how well they perform or produce quality work.
- Communicating only through written memos or voice mail (140) DIMAC DIRECT communicates a great deal through e-mail. The reason senior management and employees communicate through e-mail is because e-mails provide a written document that enables senior management and employees to “CYA.” This is definitely not a way to build a meaningful and a trusting relationship among fellow employees.

**Step 3:** Define new norms to create. Employees should identify three to four new norms that they would like to have others adopt as daily practices to guide their behavior, interaction and communication with others. The most commonly requested norm identified by employees is feedback from upper management based upon performance (140). DIMAC DIRECT should consider developing a performance/reward system given the fact that the employees only receive feedback during their annual review. DIMAC DIRECT should develop a performance/reward system for the union employees first. The reason the union employees should take precedence is because these employees never receive an annual review. The reason union employees do not receive an annual review is because upper management contends that the union employees get a raise no matter what, so why bother

with a review?

**Step 4:** Determine unacceptable norms. The final set of norms should be three to four behaviors that are totally unacceptable for any employee. The Kuczmarskis define unacceptable as those practices that, under no circumstances, would be enough to cause an employee to leave the organization voluntarily. For example, harassment is unacceptable behavior (141).

**Step 5:** Develop small-group norms. Once individual norms have been developed and summarized, small-group discussions should be conducted. The small-group should consist of eight to twelve people and the discussion should identify and describe the group's shared set of desired and undesired norms. The norms discussed in the small-group will be the draft for a final document called Organizational Norms to Work By (145).

### *Stage II: Rewards and Formulation*

This is the stage where companies often fall short because the reward and formulation stage requires some money. Rewards, incentives, reinforcers and reminders must be created in order to bring credibility and action to this process. The Kuczmarskis

contend that thousands of dollars need not be spent. However, rewards need to be significant enough to provide substantive and adequate recognition. For this reason, the Norms Action Plan leaders should develop a set of financial and nonfinancial rewards that can be activated by the company (146).

**Step 6:** Identify and shape organization-based rewards to reinforce desired norms. The company's compiled list of desired norms will become the blueprint to guide the creation and application of rewards that will reinforce them.

Financial and nonfinancial rewards need to be in alignment with the group's desired norms. Although many rewards should cost next to nothing, they should provide peer recognition and prestige to boost and strengthen the company's norms (146). Within the last month, DIMAC DIRECT created a limited-time recognition program that would notice an employee who went above and beyond the call of duty. The recognition program was quite simple. A recognition form was distributed to all employees to complete on behalf of another employee whom he or she felt went beyond the call of duty. The forms were then turned into the Human Resources Department for review and final approval. If the HR Department deemed the recognition as going

beyond the call of duty, the employee nominated would receive two blue balloons and a ten dollar bill. The balloons and the ten dollar bill were delivered by DIMAC DIRECT's executive officers and the employee's boss. Recognizing employees for a job well done is a great way to build desired behavior. However, the employees of DIMAC DIRECT stated concerns as to why the recognition program was a "joke." One was that many of the recognition requests were denied by the HR Department. Another complaint was that the monetary reward did not accurately reflect the employee's efforts.

*Stage III: Infusing norms into the organization.*

The final stage in the Norms Action Plan process is to transform the norms into company policies, procedures, systems and people practices. This is a critical stage. Unless the norms and values are infused into the company's infrastructure, they will not become woven into the fabric of the company.

**Step 7:** Identify infrastructure systems and practices and align to norms. The Kuczmarisks contend this is where the "rubber hits the road." Unless fundamental infrastructure changes are also made to substantiate the desired norms, the entire

process will lack credibility and authenticity.

For this reason the Kuczmarisks offer three infrastructure categories to align with desired norms and they are as follows:

- 1) People systems.
- 2) Policies and practices.
- 3) Physical systems.

The Values Adoption Process and the Norms Action Plan are the tools necessary that will assist organizations in bringing greater meaning, security and self-satisfaction to the workplace. The development of norms and values represent the beginning of positive long-term change (148).

The internal plan for DIMAC DIRECT has been established. The turnaround prescriptions have been designed and implemented and a values and a norms foundation has been incorporated into the fabric of the organization. The final stage in repositioning is for DIMAC DIRECT to communicate these changes to its external audience — its clients.

Since DIMAC DIRECT's humble beginnings, the company has never had a public relations department. For many years, a PR department was not necessary because DIMAC DIRECT was the industry innovator for designing, producing and implementing direct mail packages. However, as the direct response industry has become

one of the most vital tools to attract and maintain business, the once non-competitive market has become flooded with many competitors. Therefore, it is vital for DIMAC DIRECT to have a public relations plan if the company is to remain a competitive force in the direct response industry.

DIMAC DIRECT is currently addressing how to remain a competitive force in the direct response industry through several media. However, the company is driving this action solely through advertising. DIMAC DIRECT is in the beginning stages of advertising in business-to-business magazines and newspapers. DIMAC DIRECT's creative team has created "ad comps" that would communicate the company's message to prospective clients. The ads grab the readers' attention with a humorous photo and catch phrase. The ads also entail a direct marketing lesson, a direct marketing truism, a mailing factoid and the top ten direct hits. [See Figure 5 for a DIMAC DIRECT ad comp.] Advertising is one tool to attract new business that offers a visual reminder to potential customers. However, the company needs to incorporate a public relations plan to support and enhance its advertising efforts. There are several differences between advertising and public relations. Following are the exclusive functions of each:

#### *Advertising*

- television commercial and program sponsorships
- radio commercials



- newspaper and magazine ads
- co-op advertising
- business and trade press advertising
- direct mail
- direct response ads and commercials
- outdoor advertising
- telephone direct advertising
- motion picture advertising
- card cards

### *Public Relations*

- news conference
- media tours
- newspaper, radio, magazine and television publicity
- seminars and symposiums
- surveys (Harris 39).

DIMAC DIRECT should implement a public relations plan according to what Thomas Harris refers to as “marketing public relations” or MPR. Marketing Public Relations delivers a strong share of voice to win share of mind and heart. Messages are more effective when they come across as news rather than advertising. Messages that come across as news add value to products and services through its unique ability to lend credibility to the product’s or service’s message (v). Implementing a marketing public relations plan requires four action steps. Harris offers his recommendation as to how DIMAC DIRECT should approach implementing such a plan.

As with all corporate strategic planning, effective MPR planning must begin with a clear understanding of the company’s mission. The

mission statement defines the company's business in terms of the industry in which the company operates, the customers it serves and its geographical scope. The statement focuses on the company's distinctive values and competitive domain. Bottom line, the MPR plan should be the result of the application of the public relations process to the solution of marketing problems. The following is the four step public relations process designed by Harris:

1. *Define the problem.* This step involves research and fact finding, as well as probing and monitoring knowledge, opinions, attitudes and behaviors of those concerned with and affected by the acts and policies of an organization, like DIMAC DIRECT. In essence, this is an organization's intelligence function and it requires determining "What's happening now?"
2. *Planning and programming.* This step involves bringing the intelligence to bear on the policies and programs of the organization. It results in decisions affecting the program's publics, objectives, procedures and strategies in the interests of all concerned. It answers the questions, "What should we do and why?"
3. *Taking action and communicating.* This step involves

implementing the plan and program through both action and communication designed to achieve specific objectives related to the goal. With respect to each of the publics, the question is "How do we do it and say it?"

4. *Evaluating the program.* This step involves determining results of the program, as well as assessing the effectiveness of program preparation and implantation. Adjustments can be made in the continuing program or the program can be stopped after learning "How did we do?" (63)

Once the marketing public relations plan has been developed and implemented, DIMAC DIRECT can reinforce its message to its targeted audience by using public relations techniques. According to Harris, public relations techniques will reinforce the company's message to the public. There are several public relations techniques, including the following:

- Chotchkes: widely used technique in public relations to entice press and public alike. Billions of t-shirts, sweatshirts, caps, aprons, umbrellas, tote bags and the like are walking promotions for brands and branded sponsorships.
- Exhibits: consist of both the permanent variety, in high traffic locations like Walt Disney World's Epcot and Chicago's

Museum of Science and Industry and traveling exhibits.

- Key Issues: can help build loyalty when the company takes a stand on issues that show that it is on the consumer's side.
- Newsletters: used to communicate news and keep products, places and personalities top-of-mind among consumer and trade audiences. Companies build mailing lists from in-pack buyer questionnaires, visitors of company exhibits and events, people who write "for more information" and 800-numbers callers.
- Sampling of products: is a long-standing weapon in the marketing arsenal. New products are mailed to residents in selected zip codes, given away in stores and on street corners and packed with established products. MPR sampling is designed for a different purpose. Sampling products by reporters has been a standard public relations practice. Increasingly, public relations has provided samples to other opinion leaders and taste makers from executives to extension home economists. Another function of MPR sampling is to gain visibility. Having the right product in the right place at the right time will result in consumer sampling and start word-of-mouth endorsements. It can also offer an opportunity to reach a larger audience if a strong publicity angle can be created

around the sampling occasion.

- Symbols: like Ronald McDonald, the second most recognized figure to the children of the world (outranked only by Santa Claus), the Campbell Kids, Ernie the Keebler Elf and the Pillsbury Doughboy are memorable, highly visible and personalize a company to consumers.
- Tours: are a proven way to obtain exposure for established products in key markets (80-89).

Harris offers several public relations techniques that companies can use to reinforce the company's message to the public. Of the techniques offered, DIMAC DIRECT could gain the most exposure through the use of exhibits, key issues, sampling of products and symbols.

Exhibits is an excellent way for DIMAC DIRECT to communicate to its key audience as well as reinforce the company's message. There are many conventions held in St. Louis that DIMAC DIRECT could actively participate in. Companies that host conventions include the American Marketing Association, the Direct Marketing Association, International Association of Business Communicators and the Public Relations Society of America. DIMAC DIRECT could set up a booth that would display the company's product and extensive line of services. Not only do professionals of the respective industries attend the convention, but so do prospective customers who are seeking the

assistance of direct marketing professionals.

Key issues is another public relations technique DIMAC DIRECT could use to promote its product and extensive line of services. It has already been established that consumers are concerned with the environment. So is DIMAC DIRECT. Each year the company recycles over 2,850,032 pounds of paper over a six month period; this equals 1425.02 tons. Seventeen trees are saved for every ton of paper recycled; for a six month period, DIMAC DIRECT saves 24,225 trees! Some of the company's clients have positively commented about the company's recycling efforts. Ann Hanrahan, marketing representative for Blue Cross Blue Shield of Florida stated, "I prefer to do business with a vendor that is environmentally conscious. That is why I use the word recycle instead of trash." In addition to being environmentally conscious, DIMAC DIRECT is taking stake in the community through one of its Initiative Committees called "Partners In Caring." In 1998 the "Partners In Caring" committee raised money for the Florida residents affected by wildfires, donated business clothing to a woman's shelter that trains single mothers for professional careers, donated non-perishable food to local food pantries, visited nursing homes, raised money for the American Cancer Society and donated school supplies to needy schools.

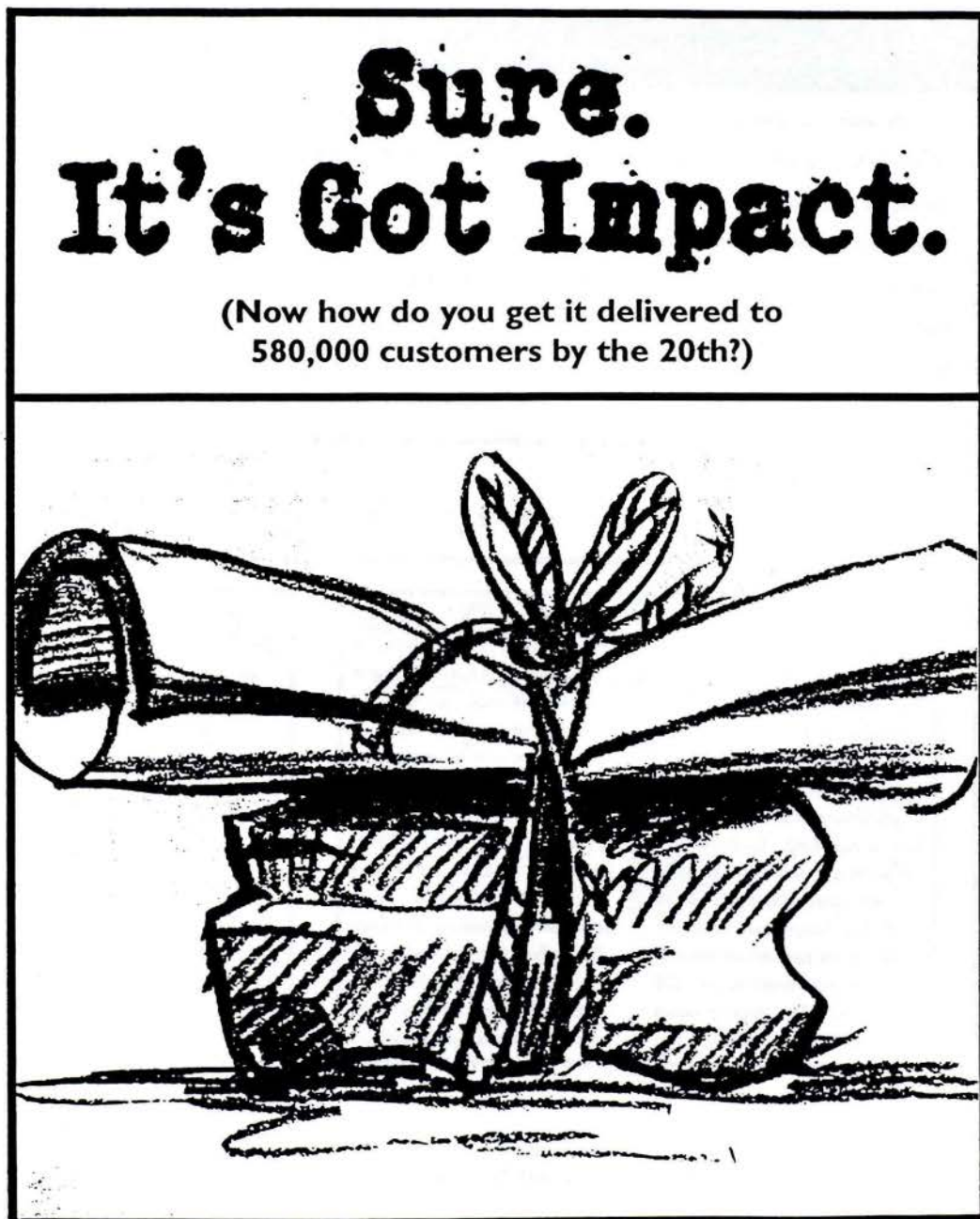
Sampling of products is the third public relations technique that

DIMAC DIRECT could engage in. Each year millions of new products are mailed to residences in selected zip codes for product sampling. DIMAC DIRECT could also engage in this area. After all, the company already has a head start — they are in the direct mail business! Because product sampling has such a powerful impact in getting a company's products and/or services noticed, DIMAC DIRECT could create a vibrant and enticing direct mail package and mail it to marketing executives of large corporations that may need direct mail assistance. What an excellent technique to foster new business relationships!

The last public relations technique is symbols. DIMAC DIRECT's current symbol/logo is a diamond. The diamond does not have meaning for the company, and most importantly, the symbol does not personalize the company to its consumers. The Creative Director at DIMAC DIRECT realized this and proposed that a new symbol be designed for the company. He proposed a round target with four shooting arrows. The target means "Direct to consumers bottom line." In other words, DIMAC DIRECT can increase a company's earning potential. The arrows symbolize that the company is multi-functional and not limited to one component of the direct mail package. [See Figure 8 for DIMAC DIRECT's new logo.]

Figure 5

DIMAC DIRECT Ad Comp



SOURCE: DIMAC DIRECT. Creative Department. (1997): (n.p.).



Figure 5

## DIMAC DIRECT Ad Comp

**Direct Marketing Lesson #46: *A Smarter Way To Do Direct***

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Direct Marketing Truism:

*"Just Because You Do Direct, Doesn't Mean You Know Direct."*

**Mailing Factoid**

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**Top 10 Direct Hits**

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Direct To Your Bottom Line.  
Call 1-800-000-000

  
dimacdirect

SOURCE: DIMAC DIRECT. Creative Department. (1997): (n.p.).

Figure 6

DIMAC DIRECT's New Logo



SOURCE: DIMACDIRECT. Creative Department. (1997): (n.p.).

## Chapter 5

### DISCUSSION

Upon the conclusion of this thesis, DIMAC DIRECT was faced with trials and tribulations. On the afternoon of Friday, June 26, 1998 the sale of DIMAC DIRECT was finalized. An investment firm, McCown DeLeeuw & Company, purchased DIMAC DIRECT. To make the situation a little more interesting, in 1993 McCown DeLeeuw & Company owned DIMAC DIRECT from November 1993 until February 1996. With the close of the transaction, DIMAC DIRECT was once again associated with a familiar entity with whom the company experienced great success last time around. Partnered with McCown DeLeeuw & Company, DIMAC DIRECT also became associated with AmeriComm Holdings, Inc. The association between DIMAC DIRECT and AmeriComm Holdings, Inc. was established because DIMAC DIRECT's stock and the stock of AmeriComm Holdings, Inc. was acquired by DMAC Holdings, Inc. DMAC Holdings, Inc. is the new holding company created by McCown DeLeeuw & Company for the express purpose of acquiring and managing the aforementioned assets. The Chairman and CEO of this new entity brought with him forty plus years of experience in specialty printing and knowledge of paper

products. Upon being appointed to this new position, the Chairman and CEO brought on board two gentlemen, one specializing in production systems and the other in information services systems. The venture between DIMAC DIRECT and AmeriComm Holdings, Inc. would optimize the individual and combined strengths of both companies. The combination of AmeriComm's innovative product creation and delivery capabilities and DIMAC DIRECT's direct marketing services and implementation strengths essentially created significant opportunities for cross-selling and expanded full service for clients and prospects. The deal was finalized and introductions and relationships were unfolding quickly. Was this an opportunity that would navigate DIMAC DIRECT into a total repositioning?

By the beginning of August 1998 the road map was in place and AmeriComm Holdings, Inc. were given explicit instructions from McCown DeLeeuw & Company that DIMAC DIRECT's repositioning plan must be in place by the end of August 1998. Essentially, AmeriComm Holdings, Inc. had 30 days to implement a repositioning plan. The three gentlemen from AmeriComm along with the executives and managers of DIMAC DIRECT worked feverishly to introduce a repositioning plan. In addition to creating the turnaround plan, McCown DeLeeuw & Company wanted to see immediate change. Granted, the details had to be ironed out, but overall, the generalized

plans were in place and change was apparent at DIMAC DIRECT.

Chapter 4 highlighted the three crisis areas in which DIMAC DIRECT was in total need of a repositioning plan. Those three areas included: implementing turnaround prescriptions, developing a values foundation and incorporating a public relations campaign. Implementing turnaround prescriptions was AmeriComm Holdings, Inc.'s first battle. It was evident to the holding company that DIMAC DIRECT was losing money and cash flow was being drained at an accelerated speed. The first troubled area reviewed by AmeriComm Holding, Inc. was the production areas at DIMAC DIRECT. The holding company wanted to streamline the production capabilities to reduce double work performed by the employees. In addition, because DIMAC DIRECT was now part of a larger entity, the company could purchase materials and utilize its own resources instead of jobbing out many of its projects to outside vendors. Hiring new employees was another area in which DIMAC DIRECT was losing money. Not only did the new owners place DIMAC DIRECT on a hiring freeze, but thirty-four employees were laid off. The positions eliminated were viewed as excessive positions that were interrupting with the flow of communication among internal departments.

The second troubled area reviewed by the holding company was the manner in which DIMAC DIRECT collected its data. The

AmeriComm gentleman in charge of production systems stated in a meeting that he would speak with the production managers and employees to determine why DIMAC DIRECT is losing money in the area of production. To date, only the production managers have been asked for their input and corrective action measures. The third troubled area relates to collecting data about the company — determining who will play on the team. According to Mark Goldston, companies should create a venture-team environment in which employees are encouraged to interact with their managers and offer ideas that go beyond their specific job function. The employees were open and welcomed the opportunity to discuss their production area with the gentleman in charge of production systems. However, as just mentioned, the employees have yet to receive a visit.

Assessing the manufacturing facilities is the fourth troubled area that was being reviewed by AmeriComm Holdings, Inc. The goal of the holding company was to reduce the amount of work that was being jobbed out to outside vendors. For this reason, a policy was put into place that states the resources of both DIMAC DIRECT and AmeriComm Holdings, Inc. must be exhausted before jobs can be sent to outside vendors.

The four troubled areas were reviewed, discussed and acted upon by AmeriComm Holdings, Inc. It was critical to the success of the

prescriptions that the master plan, or as Goldston refers to it, the playbook be written. The elements that comprise the playbook include a mission statement explaining where the company is, where it is going and its ultimate objective, clearly defined statement of strategies and tactics, value analysis, manufacturing procedural changes, timetables for key projects and clearly defined assignments of responsibilities to specific individuals along with specific completion dates. In a nutshell, AmeriComm Holdings, Inc. stated that DIMAC DIRECT was to get in alignment with the industry standards for direct marketing. This would enable DIMAC DIRECT the tools necessary to produce jobs quickly with minimal costs while maintaining the utmost respect of their clients.

Setting realistic goals was the sixth troubled area addressed. Setting realistic goals builds confidence in the work force and in the overall repositioning plan. AmeriComm Holdings, Inc. again stated that DIMAC DIRECT was out of the box as far as scheduling projects. Bottom line, because DIMAC DIRECT is working in an inefficient manner, direct marketing projects were taking longer to complete than the time frame established within the direct marketing industry. DIMAC DIRECT now has dedicated schedulers. As mentioned previously, setting realistic goals builds confidence and motivation in the work force. There are three ways to increase employee motivation:

increase employee compensation, increase responsibility via promotion and public or managerial recognition of a job well done that is a direct result of individual achievement. Employee motivation has not been addressed by AmeriComm Holdings, Inc. at this stage.

However, the gentleman in charge of production systems stated it very clearly, "Laziness will not be tolerated. If you are lazy, you will eventually be weeded out."

The seventh troubled area that has not been completely addressed by AmeriComm Holdings, Inc. is the creation of an idea generating process. As mentioned previously, only the executives and the managers have had a voice in repositioning the company. The fate of the employees has been in the hands of their managers.

Creating a war chest is the last troubled area that was addressed by AmeriComm Holdings, Inc. A war chest creates an image that a company has money to spend at a time when the market has judged it to be in trouble. Because DIMAC DIRECT was drifting away from its core position — lettershop/ production house — the holding company made a dramatic decision that DIMAC DIRECT would be split in half. Meaning DIMAC DIRECT would become two separate companies; thus, eliminating the ambiguity of DIMAC DIRECT's long-standing position. Some employees would work for DIMAC DIRECT as production professionals and some employees would work for the



newly established agency called DMW Worldwide. DMW Worldwide was born to provide "agency" work for its clients. Agency work provides clients and prospective clients strategic planning, research and program development, creative concepting, full scale media planning and placement, script-to-screen broadcast production, database development, analysis and production management. On the other hand, DIMAC DIRECT work provides clients and prospective clients with proactive production recommendations, cross-selling and up-selling new production opportunities, up-dates on technological advances, communication relative to a job (i.e. schedules, estimates and postage requests), volume and equipment needs forecast, package formats, efficiency recommendations, job specifications and distribution, priorities and profitability.

The repositioning plan for addressing the prescriptions were in place and actively being pursued and implemented by AmeriComm Holdings, Inc. and DIMAC DIRECT. The deadline was set, AmeriComm Holdings, Inc. would produce results by the end of August 1998. The symptoms that infested DIMAC DIRECT were no longer fixed with a band-aid. The turnaround team, AmeriComm Holdings, Inc., no longer enabled DIMAC DIRECT to be the victim of poor positioning.

The second element in DIMAC DIRECT's repositioning plan is

the development of a values and a norms foundation. A values and a norms foundation is critical to the success of the repositioning plan. Without values and norms, employees of DIMAC DIRECT will not believe in their organization or its turnaround plan. AmeriComm Holdings, Inc. has not addressed the culture within DIMAC DIRECT or instilled new values and norms within the organization. The holding company is too busy figuring out DIMAC DIRECT's bottom line. As a result, employees are feeling frustrated and confused. AmeriComm Holdings, Inc. should take a step back and appreciate the employees who make DIMAC DIRECT an industry giant in the lettershop business. By so doing, the employees can encourage and promote long-term change and restore the heart and soul of the organization, not to mention increase the bottom line of DIMAC DIRECT.

The last element in the repositioning plan is to develop and maintain a public relations campaign. DIMAC DIRECT can no longer "rest easy" knowing that the company is the leader in direct marketing. There are too many competitors and the competition is getting stiffer every day. Granted, the company is making strides with the development of creative advertising in business-to-business magazines and newspapers. However, the roots of the public relations plan go much further than a scratch of the surface. DIMAC DIRECT along with AmeriComm Holdings, Inc. must create a public relations plan that

delivers a strong share of the voice to win share of mind and heart. In addition, with the development of the new agency, DMW Worldwide, a concrete public relations plan may be the bedrock that differentiates DIMAC DIRECT from the competition. DIMAC DIRECT has a chance to once again maintain its position as lettershop/production house.

Realizing the impact and newsworthiness of DMW Worldwide, the creative team at DIMAC DIRECT is planning to launch the new agency with a new mission, position, logo and sales collateral. In addition, the unveiling of the new agency will be announced at the Direct Marketing Conference (DMC) held in San Francisco in October 1998. The public relations plan to launch DMW Worldwide will include four elements: 1) press conference and/or "exclusive" to one trade publication in return for front-page coverage, 2) pre-DMC dinner for all DMW attendees, 3) agency-sponsored DMC party along with all agency clients and prospective clients and 4) trade booths for both DIMAC DIRECT and DMW Worldwide.

The father of direct marketing, Lester Wunderman stated it best,

Direct marketing advertising must become a strategic rather than a tactical tool. Direct marketing must learn to intercept and affect the behavior of consumers no matter how and where they shop; it must create dialogues into enduring relationships. Direct marketing must be based on information exchange, retained and used collaboratively by consumers and producers of products and services. It must eliminate layers of intermediaries in the channels of distribution and

communication. It must make the home the new marketplace and the consumer and his or her unique needs the center of marketing. It must be increasingly personal, relevant, interactive, measurable and profitable. Leadership requires constant innovation (77).

This thesis concludes that DIMAC DIRECT is in need of a total repositioning plan. Though AmeriComm Holdings, Inc. and DIMAC DIRECT have begun implementing the repositioning plan, it seems apparent that the company should revisit the components of repositioning and the long-term positive and negative consequences it will have for DIMAC DIRECT and the newly established agency DMW Worldwide.

The reason AmeriComm Holdings, Inc. and DIMAC DIRECT need to revisit the components of repositioning is because the companies missed the August 1998 deadline for implementing the repositioning plan, not to mention the companies failed to incorporate several vital elements for repositioning which include: collecting data about the company from all employees not just upper management, determining who will play on the team, writing a playbook, setting realistic goals and creating an idea generating process.

The most vital component in DIMAC DIRECT's repositioning plan is writing the playbook. The playbook states a mission statement explaining where the company is, where it is going and its ultimate objective, clearly defined statement of strategies and tactics, value

analysis, manufacturing procedural changes, timetables for key projects and clearly defined assignments of responsibilities to specific individuals along with specific completion dates. Though AmeriComm Holdings, Inc. and DIMAC DIRECT have begun and acted upon several elements in the repositioning plan, the playbook needs to be written and adhered to if the companies are to maintain and effectively implement a solid and long-standing repositioning plan. In essence, the playbook will serve as DIMAC DIRECT's bible. It will clearly define the company's objective with concrete completion dates. A detailed and comprehensive playbook will set the stage for the repositioning plan, avoid inter-company confusion and define the timeline for implementing corresponding action plans.

## Appendix A

R.J. Reynolds, Owners of Salem Cigarettes, are Repositioning the Brand

Advertising Age author Judann Pollack, reported that starting in November 1997, smokers opening a pack of Salem in the New York market will find one of the 20 cigarettes inside with a green filter-tip.

This is just one element of R.J. Reynolds Tobacco Company positioning test campaign aimed at positioning the menthol brand hip and relevant. The positioning strategy of surprise includes new graphics and slide-box packaging. It also includes a new taste and a print and outdoor ad campaign based on the theme, "It's not what you expect."

Through repositioning of Salem, R.J. Reynolds is attempting to set Salem apart from the competition and combat the steadily declining sale of Salem cigarettes. Salem had a share of 9 percent in 1978. Today, Salem stands at 3.6 percent. According to Maxwell Consumer Report/Davenport and Company, Salem is the eighth largest selling smoke in the U.S. and the number two menthol brand behind Lorillard's Newport, which had a 6.1 percent share in 1996, up from 5.6 percent in 1995. Newport's success is backed by a \$20.3 million in measured spending last year with the advertising tagline, "Alive with

pleasure." Brown and Williamson Tobacco Corporation's Kool is tied with Salem's number two market position among menthols, with overall market share of 3.6 percent. Brown and Williamson Tobacco Company launched a new positioning campaign aimed at making its image more contemporary. The ads, developed by Grey Advertising, focus on the tagline, "Be Kool."

An R.J. Reynolds spokesman said the one green tip is "a way of setting Salem apart. If it was a whole pack [of cigarettes with green tips], it wouldn't be unexpected." The positioning element of surprise revolves around the brand symbol of globe-shape with the letter "S" embedded in it. Supplementary print ads will feature a four-page unit with the opening right page containing die-cut images; it opens to reveal another unexpected image. For example, a chili pepper on the first page opens to show it is actually part of two chili peppers positioned to resemble lips. "These ads are vibrant, exciting and totally unexpected for this brand," said Doug Shouse, vice president of brand marketing for Salem. "This advertising campaign is an effort to modernize the image of a 41-year-old brand" (14).

## APPENDIX B

### Microsoft Bent on Positioning Itself at the Top

As a new era of personal computing unfolds, Microsoft is hellbent on pursuing a strategy that will secure its position as the dominant force in techdom.

In December 1995, Bill Gates announced positioning plans for a product called OLE. OLE will link programs over networks to gain a competitive edge on the Internet. Industry experts envision that instead of running programs stored in stand-alone PCs, people will run more consumer and corporate programs stored and delivered over networks. Microsoft's OLE is unfolding quickly. In fact the computer industry is racing to make the Internet a safe and powerful place to do business. Though Microsoft is unfolding quickly, the company is behind the competition, says Forrester Research analyst Josh Bernoff. "That's a threat to its ability to dominate."

Wall Street analysts sparked a recent sell-off in Microsoft stock by voicing skepticism about Microsoft's Internet strategy. The stock has fallen 21 percent to \$86 in December from \$109 in July. Competing companies, on the other hand, are surging as Wall Street anointed them the leaders in the Internet derby. The competing companies are



Netscape Communications, Spyglass and Sun Microsystems. The competition is leading the Internet derby by introducing all kinds of software for the World Wide Web, the most commercially viable part of the Internet.

Realizing that the competition was positioning itself far ahead of Microsoft's OLE, Gates announced that "developments on the Internet over the next several years will define the course of our industry for a long time...I have gone through several stages of increasing my own views of its importance. Now I assign the Internet the highest level of importance."

Microsoft officials plan to attack the Internet in several key areas in order to regain their position and they are as follows:

Battleground No. 1: *The surfboard*. The company that makes it easiest to troll the Internet will be riding high. The Net surfboard, commonly known as a browser, will become the most critical piece of software on a PC because it will let people run programs stored on the Web. Last August, Microsoft launched its browser, the Internet Explorer, with Windows 95. PCs bought in stores will contain both Internet Explorer and OLE. That positioning strategy is a powerful distribution advantage because 12 million copies of Windows 95 will be sold through year's end, Forrester Research estimates. To beat competitors, notably Netscape's Navigator, Microsoft will likely put

more browser features directly into future versions of Windows 95. That essentially would merge its Internet Explorer with Windows.

Battleground No. 2: *Deep in the guts of the Web.* Microsoft hopes to launch its Web server, code-named Gibraltar. Gibraltar will have a formidable presence in the Web server software market. Microsoft will sell Gibraltar alone or as part of its Back Office suite of software; programs that work on the corporate PC networks. Microsoft views the suite, which will run on its Windows NT operating system, as its prime weapon in winning corporate customers.

Battleground No. 3: *The tool kit.* To create vibrant content and programs on the Web, people need powerful software tools. Microsoft plans to launch its tool offering, code-named Blackbird, in two stages. A version to create content for Microsoft's online service and a version to create Web content will be released. Blackbird will be viewed as a publishing or design studio. More versatile than competing tools, Blackbird will give Web content creators, beginners or pros, an intuitive way to design rich Web pages. It will include a language, called Visual Basic, to write simple Web programs. Through Microsoft's technology OLE, Blackbird will let people design pages that include content created by a host of other products, such as Macromedia's Director, Adobe's Acrobat, Apple's Quicktime and Sun's Java language.

Gates is hitching its success at all levels of the Internet.

Windows 95 and Windows NT are forming into tools that will be total Web friendly. Microsoft's linking tool OLE may emerge as a crucial technology for all Web software companies (Kim 1-3).

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