

3. *Zero inventory.* Carrying as little inventory as possible.
4. *Zero defects.* Producing products and services with no defects.

Too many companies spend more time measuring product profitability than customer profitability. But the latter is more important. “**The only profit center is the customer.**” (Peter Drucker)

P Public Relations

I expect companies to start shifting more money from advertising to public relations. Advertising is losing some of its former effectiveness. It is hard to reach a mass audience because of increasing audience fragmentation. TV commercials are getting shorter; they are bunched together; they are increasingly undistinguished; and consumers are zapping them. And the biggest problem is that advertising lacks credibility. The public knows that advertising exaggerates and is biased. At its best, advertising is playful and entertaining; at its worst, it is intrusive and dishonest.

Companies overspend on advertising and underspend on public relations. The reason: Nine out of 10 PR agencies are owned by advertising firms. Advertising agencies make more money putting out ads than putting out PR. So they don't want PR to get an upper hand.

Ad campaigns do have the advantage of being under greater

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control than PR. The media are purchased for the ads to appear at specific times; the ads are approved by the client and will appear exactly as designed. PR, on the other hand, is something you pray for rather than pay for. You hope that when Oprah Winfrey ran her book club, she would nominate your book as the month's best read; you hope that Morley Safer will run a *60 Minutes* segment on why red wine keeps cheese-eating and oil-eating Europeans healthy.

Building a new brand through PR takes much more time and creativity, but it ultimately can do a better job than “big bang” advertising. Public relations consists of a whole bag of tools for grabbing attention and creating “talk value.” I call these tools the *PENCILS* of public relations:

- Publications.
- Events.
- News.
- Community affairs.
- Identity media.
- Lobbying.
- Social investments.

Most of us got to hear about Palm, Amazon, eBay, The Body Shop, Blackberry, Beanie Babies, Viagra, and Nokia not through advertising but through news stories in print and on the air. We started to hear from friends about these products, and we told other friends. And hearing from others about a product carries much more weight than reading about the product in an ad.

A company planning to build a new brand needs to create a buzz, and the buzz is created through PR tools. The PR campaign will cost much less and hopefully create a more lasting story. Al and Laura Ries, in their book *The Fall of Advertising and the Rise of PR*, argue persuasively that in launching a new product, it is better to start with public relations, not advertising.⁵² This is the reverse of most companies' thinking when they launch new products.