



THE BIG PICTURE

LAURIE YOUNG

How marketing has spread across sectors

From its origins in branded package goods, marketing has been adopted by most business sectors but with mixed success. In this fascinating article, **Laurie Young** surveys the inexorable, if uneven, progress of marketing to luxury, retail, leisure and entertainment, technology, utilities, the professions and financial services.

gained a reputation for building loved brands, market share and healthy earnings. The latent memory of this initial impact has helped marketing to spread into other sectors since; a mixed story of economics, social phenomena, art, muddle and remarkable individuals.



Luxury goods and shopping

For a thousand years, the elite have created markets through their thirst for luxury. Chinese silk, Eastern spices, Venetian glass, Swiss watches, Meissen porcelain, Staffordshire pottery and French couture, created, each in their turn, rich niches. Once established, the best marketers used them to develop brands and pioneer bigger markets through the aspirations of the lesser wealthy. Josiah Wedgwood is typical:² 'great people have had these vases in their palaces long enough for them to be seen and admired ... the middling people would buy quantities of them at a reduced price.'

It has been over the last 50 years, though, that the luxury goods industry has used marketing techniques to open up vast international markets while retaining high margins and elite patronage. Bernard Arnault, for example, has built brand house LVMH, becoming, en route, one of the richest men in the world.

They are consummate brand managers, of course, retaining the sexiness and mystique of an Italian handbag or a French perfume, even when much of it is made in cheap labour markets. In fact, they are probably more sensitive to brand equity than some of the fast-changing brand managers elsewhere. This sector has milked celebrity to build desire, using names as varied as Grace Kelly, Jane Birkin and Tom Cruise. In 1995, for example, Princess Diana was photographed carrying a Dior handbag, which immediately sold one hundred thousand at US\$1,000 each.

THE MARKETING SOCIETY was formed in the drab, post-war wreck of Britain's 1950s. At the time, America seemed the exact opposite: an exciting and progressive place. It had blue jeans, enormous fridges, jazz and consumer marketing. Gradually, its advertising and sales techniques seeped across the pond and a consumer boom followed. According to historian Eric Hobsbawm:¹ 'Almost half the washing machines, more than half the refrigerators and more than a third of the TV sets had been bought for the first time between 1958 and 1963.' Consumer marketing caught the attention of British business and

Yet, according to fashion journalist Dana Thomas,³ a major component of their success has been distribution. They have created 'upmarket' shopping venues by clustering their outlets in New York, Los Angeles, Las Vegas, Beijing and Moscow; and preserved a sophisticated multi-tiered approach to different buyers. They still service, for example, the world's super-rich, visiting personally the possessors of 'old money' (who would not wear a dress that had been aired on a cat walk). At the next level down are VIP salons for those who think they have made it; while the fronts of their stores and their ready-to-wear or diffusion ranges cater for the more moderately successful in places like Fifth Avenue or Bond Street. They have also stretched brands into relatively lower-priced accessories and cosmetics without damaging their luxury position.

Their glamour and mystique has helped to make browsing and shopping an enticing experience for many thousands. In fact, general retail is a field that marketing has influenced powerfully since The Marketing Society's inception. It is hard to imagine a country without supermarkets, shopping centres or online buying, as Britain was in the 1950s. Since then, power has shifted from the manufacturers to stores like Tesco, Sainsbury's and Amazon. Tesco's relentless growth and effective brand positioning demonstrate a masterly use of marketing principles to build a successful business. Within that business context, the best retail campaigns (such as Sainsbury's recent use of Jamie Oliver to encourage trial across its range) are relevant, enduring and highly effective.

Leisure and entertainment.

This year a young musician, Phildel Ng⁴, signed with Warner, after years of hard work, pounding the London circuit. Like many artists before her she found that marketing was an aid to her early career, writing, for example, the music for an Expedia advert. Yet part of her success was also a phenomenon that has transformed the entertainment industry since the Society's creation: the desire of publics to engage

with their favourite brands. The advert generated interest and 'downloads', to which Phildel responded in a systematic and intuitive style, reflective of her art. She used email, Facebook and YouTube to create a warm relationship with her public, making them feel part of her progress.

Publishers have known for a long time that magazines have a brand dynamic to which loyal readers want to respond. Editors were chosen, for example, to reflect the expectations of, say, a *Vogue* reader or an *Economist* subscriber. But it was the 'A&R' people, like Simon Cowell and Simon Fuller, that built hugely successful entertainment brands. Not for them the coy concept of 'brand awareness'. They nurtured, milked and exploited naked hunger for fame. Cowell, born the year The Marketing Society was started, said⁵ (after *American Idol* first captured an audience of 29 million): 'What was obvious was we were now living in a fame epidemic. There never has been a time when so many young people sought celebrity.'

Brand Beckham, for instance, leveraged the publicity generated by their first liaisons to induce massive, varied sales. Hamish Pringle⁶ attributes their success to 'three f's: football, fashion, and family, which make them interesting to such a wide range of people, and of course, marketers'. Yet it is the ability of this industry to relate to a public and garner a rich response to a brand that should interest marketers in other sectors. *Strictly* and *X factor* have engaged their audiences so much that they have largely recreated the social phenomenon of the 'family round the table' on a Saturday evening. Even more 'worthy' programmes, like *QuestionTime* and *BBC News*, have had to set

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up mechanisms to interact with their audiences. They have shown that, if a brand is loved, it belongs to its public who want to respond, change and revel in it.

Technology

The year before The Marketing Society was formed, a man with the unlikely name of Buck Rodgers joined IBM. During his career the company moved heavily into computing, became global market leader and (during Buck's tenure as marketing head) grew from 'a \$10 billion to a \$50 billion company'.⁷ As Buck retired, the PC revolution was starting and the monopolistic hold of proprietary equipment was being undermined. He claims to have initiated IBM's first significant consumer advertising and pioneered business technology 'solutions'.

Technology firms have used a range of marketing techniques since. 'Intel inside' is still, for instance, one of the sector's most effective brand programmes (brave and risky when first mooted), and 'no one ever got

fired for buying IBM' remains one of the clearest statements of emotional promise in business-to-business marketing. Dell pioneered mass customisation, while Apple's difficult journey to become the world's most famous innovation shop means that it is routinely quoted as a creative case study. Above all, though, technologists have deftly made up, sold and exploited ideas by using a technique they call 'thought leadership'. Their marketing of concepts like 'process re-engineering', 'data warehousing', 'CRM' and 'customer experience management' has sold numerous computers and other gadgets. Their two major achievements have probably been to convince us that we all need a PC and to liberate human imagination in the internet.

For Buck and his peers, though, 'marketing' was primarily about new technology and sales; and that ingrained attitude has been the reason that marketing's incursion into the technology sector has been so erratic. Technologists adore new break-throughs and routinely claim to be changing the world. Their approach is to invest huge sums in technological advance and to bring it to market through worldwide distribution chains founded on the assumption that fast-changing customers only want cheapness; a business model that is as daft and stubbornly unchanging as Detroit car manufacturers. As a result, apart from consumer electronics, technology marketing remains depressingly tactical and erratic. Far too many technology marketers spend hours creating PowerPoints of the latest whizzo ideas to present to themselves. There is little sense of organisational learning, brand equity or any substantial investment in customer knowledge.

Utilities

There was some limited utility marketing when the Society was formed. 'Gas boards' had their 'showrooms', electricity companies sold appliances and rail companies flaunted the posters from their 'golden age'. But it was the privatisations of the 1980s that introduced competition and really began this sector's venture into marketing. Most were

large engineering companies with vast workforces, an obsession with detailed processes, and huge budgets. They applied this culture to marketing and became big-budget advertisers. BA became 'the world's favourite airline' and BT positioned itself in human communications with Maureen Lipman and Bob Hoskins.

This sector has learned the hard way, though, that its customers' experiences determine success. Nearly all had disastrous service quality after privatisation and were forced to make massive investments to catch up with expectations. Even now, most are not valued by far too many of the people who use their services. British consumers who flock to new shopping centres like Westfield or are delighted to pay inflated prices for a Versace handbag, will grumble about water bills, broadband costs, rail tickets and flight charges. By and large, these vast businesses demonstrate that it is possible to have all the functions of marketing, backed by large budgets and supportive leadership but still be unable to create genuine perceived value.

The professions

For a sector that was banned from advertising until relatively recently, the growth and marketing success in this field is remarkable. Professional practices routinely return margins three times the size of the clients they advise and have enormous influence.

The professions produce some of the world's better-known business brands (like Deloitte and McKinsey) and develop some of its most influential concepts (like 'shareholder value'). Partners in these firms whisper in the ears of business leaders and walk away with large, high-margin projects that sales people in other sectors would die for. They thrive and adjust through recession, boom, war and other upheavals because the individual practices, led by owners of the business, are able to adjust adroitly to market changes. As a result, many of these firms are approaching their second century of successful business.

Their prime marketing methods are top-level relationships, ridiculously over-

cooked hospitality and thought leadership. In the larger practices the combined budgets for these and 'business development' activities rival consumer advertising but few marketing agencies get near them. One reason is that partners treat formal marketing, and most marketing specialists who work for them, with disdain. There is yet to be a cogent explanation as to why one of the world's most successful marketing phenomena, run by sophisticated, intuitive marketers, can so widely reject and despise formal marketing methods.

Financial services

Deryk Weyer started his career as a cashier for Barclays Bank in the late 1930s. He later became a branch manager, regional director and deputy chairman. Yet part of his route to the top was an American training course with famous marketing professor, Theodore Levitt, which led to a spell as probably the first ever marketing director of a British bank. By the late 1970s, Barclays had become one of the biggest, most profitable and most admired banks in the world. With initiatives such as the first UK credit card, Saturday opening and the first automatic cash dispensers, under Weyer it selected programmes as part of a systematic approach towards its public, which probably made it the first British bank to use marketing effectively. By contrast, a later use of mar-

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keting in financial services (Midland's creation of 'Vector' and 'Orchard') failed to take hold. Kevin Gavaghan's brave attempt to use really good NPD, research and advertising to market bank accounts like fmcg products was an eventual failure and caused the chairman to announce a 'return to traditional banking'.

The 1980s banking acts opened up the sheltered world of British financial services, and the cosy oligopoly of the, then, big four, was challenged by new entrants and new opportunities.

It is tempting, in the current economy, to dismiss financial services marketing. I am not convinced, though, that the failure of some leading bankers to remember, through arrogance and hubris, the second law of business (to maintain a healthy balance sheet) can be laid at marketing's door.

It is certain that 'innovation' led to the dicing and repackaging of ridiculously risky products; and that sales, marketing and 'innovation agencies' have their fingers in the pie. There are, though, banks like Santander and HSBC, which seem to have resisted the ridiculous exuberances of their peers.

This is a story of an industry losing trust through a progressive series of unwise sales-led initiatives (including endowments, pensions and credit cards). They have tried all aspects of marketing, yet it seems to be at its most effective when conducted in the context of clear-sighted business leadership that customers intuitively know they can trust.

Marketing has a role to play in regaining confidence once this awful period comes to an end but it will be the corporate style and context in which it is conducted that will be crucial.

So what?

Marketing Society members are senior people concentrating on their day job, with very little time to investigate other sectors. As one of the classic marketing thinkers, Wroe Alderson, pointed out two years before the Society was formed,⁸ this results in group behaviour. Marketers, competitors and buyers collude to conform to established ideas within markets which can be restrictive. During the Society's life, new propositions from Direct Line, First Direct and Virgin have shown the wealth that marketers can make by challenging this groupthink.

Perhaps the Society, with its 50-year perspective, could facilitate a debate about what works in different sectors and how it might be applied in others. Contrary to popular belief, Britain has a good track record of entrepreneurs creating massive wealth through effective marketing. Intuitive marketers (from Matthew Boulton, Josiah Wedgwood and William Lever to Richard Branson and Simon Cowell) have marshalled marketing approaches to succeed. Do they have anything in common and can it be deployed to create jobs and earn exports in this difficult time? 🍷

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