Marketing's urban myths

By LAURIE YOUNG

intro

ONE OF THE most successful marketing strategies that the world has seen, which has been employed by professional service firms across the world for about 100 years, is called 'Thought Leadership. Yet, because it's not an fmcg strategy, neither the agencies nor the marketing academics have really studied it so it has not been generally used by the marketing industry.

It is a vast, influential and diverse range of activities, which, at its best, produces systematic, iconic work like the *Mckinsey Quarterly* or Interbrand's annual publication with *BusinessWeek*. The worst, though, was mocked by *The Economist* and called 'Thought Followship' because it is frequently just the erratic, whimsical jottings of partners from different disciplines tying to 'market' themselves between projects

Professional service firms are probably worth about $700 billion worldwide and it has been estimated that, in the developed economies, about one in five people work for them. Looking at just one of the firms in this country, Deloitte UK, demonstrates how successful they are. They bill just under £1.5 billion per year from their clients for various advice and accountancy projects. On that revenue, they earn higher net margins than many of their clients and that profit is divided every year between about 600 people, who are called partners, giving them around £700,000 each.

Although there are many reasons for this success, thought leadership is one powerful tool used to build income, enhance reputation, create new services and exert influence.

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It works because it has powerful influence on management thinking throughout the Western business world, marketing specialists included. But at the same time, it generates the business equivalent of 'urban myths'; causing, in some cases, immense damage.

Some familiar 'urban myths'

Most thinking business people would have heard, for instance, '*50% of my advertising budget is wasted, I don't know which 50%*'; many would recognise: '*It costs more to recruit a new customer than retain an existing customer*';. And, hundreds have heard conferences presentations which say: '*The average dissatisfied customer tells 13 other people if they have a difficulty or experience bad service*'.

Yet these are manufactured ideas, which, like urban myths, circulate among management networks gaining influence. In a busy job where you don't get time to think, you make decisions, policy, arguments and presentations, with them clustered in the back of your mind. They become de facto strategies. Real professionalism in marketing is standing back from this mighty machine and saying, 'Does that make sense here?' Here are some examples.

Globalisation

We have been told that '*Everything is becoming more global*' and this is a typical quotation to illustrate it:

> 'And then in London, a man could order by his telephone, sipping his morning tea in bed, the various products of the earth, in various

> quantities that he might see fit, and reasonably expect their early delivery upon his doorstep.'

Interestingly, though, this quotation is from John Maynard Keynes, talking in 1920, about his life in London during 1914. Maybe globalisation is not such a new concept. Like many of these ideas, it is older, multi faceted and frequently re-hashed. It can also cause damage.

Now, obviously in the political arena, the great structures of the world, the trading blocks, mean that the nation state is probably becoming less important and globalisation is an issue for politicians to handle. There is also freer movement of money across the world and that will probably increase further through the electronic age; and the volume of international trade has increased dramatically over the past few years.

Yet I think that Theodore Levitt went too far in his 1983 article on 'Globalisation in Marketing' in the *Harvard Business Review*. He suggested that international trade would soon be dominated by 'global brands'; entities that everyone across the world would buy. As a result, we, in the marketing profession, should move towards common global marketing, ignoring any variation due to local taste or culture. Which would mean that:

> 'Those marketers who are recognising local cultures are being lazy … that every person across the world, has the same aspirations, they want their children to be educated, they want people to be healthy,'

And so within 20 years of 1983, there would be a number of global entities in each of the leading product categories, which would be recognised across the world. He said that:

> 'Different cultural preferences, national tastes and standards are vestiges of the past. Some die, and some like Italian food become global propositions'.

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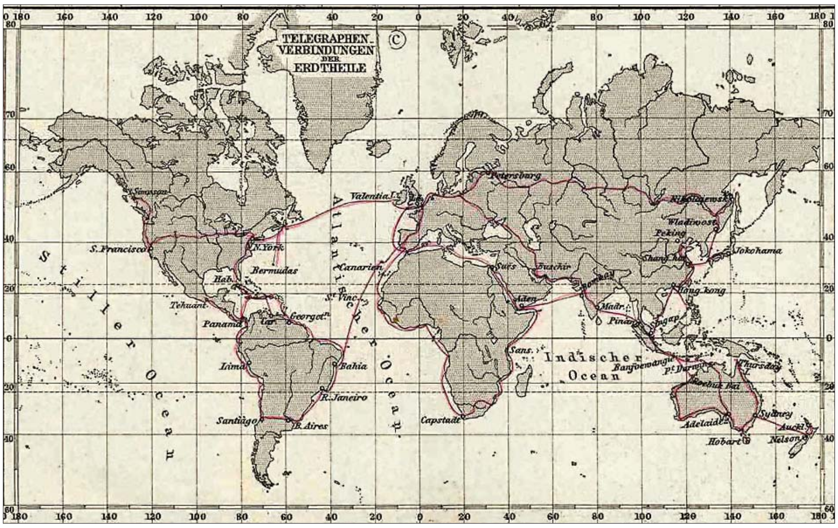

Major telegraph lines in 1891 – is changing global communications really a 'new' phenomena?

In fact, the opposite has happened in the years since. We have seen a re-emergence of national cultures and the failure of many bland global offerings. Nevertheless, when this was first argued, some companies were damaged. For instance, when I was at PWC, we advised a leading consumer goods company. Their share price had been marked down because their competitor had three or four 'global brands' while they had none. As a result, they were losing investors, they were being criticised heavily in the business press and the CEO's job was threatened. In response, he said he would acquire and yet the industry analysts in Wall Street and Europe knew that there were no global brands open to him. Most were owned by families and they wouldn't sell.

So this company was suffering because they had no global brands. We analysed their worldwide portfolio and found, amongst their thousands of products, several with real potential. For example, in Venezuela, a product which had been launched with no real marketing or sales support had become a hugely successful market leader. There were more; in China, in Hong Kong and in Germany.

We called these, 'cultural icons.' because the firm could turn the Venezuelan product into a Hispanic brand. It could then be taken across the whole of South America, up into Miami and across into Spain. A product in Germany could become a Germanic brand, in Austria, Serbia and down through Hungary. A Chinese brand, from Hong Kong, could move into mainland China and down through the Malay Peninsula because the Chinese run a lot of the commerce in those new Tiger economies.

It was much more effective in terms of return on investment for this company to create a portfolio where marketing and sales costs were invested in cultural icons rather than to bet the whole company on the acquisition or the natural growth of one global brand. In this instance, globalisation was the wrong strategy.

Let's look at a few more of these ideas.

The communication challenge

We've been told '*Global communications is challenging the world order*'. For instance, the Queen sent the world an instant message by global communications to celebrate her anniversary. It said: 'Thank my beloved people, may God bless them.'

Yet, this was Queen Victoria in 1897. In 1760, the then Prime Minister, Pitt, talked to his foreign secretary about the fact that they hadn't heard from their American Ambassador for a year, and 'if we haven't heard from him next year, I'll send him a note'. What a difference between 1760 and 1897. By then, Victoria was ruling the largest land mass by any human being ever and could send this message instantaneously across her empire through a dramatic new technology called telegraphy. It was a major innovation.

We've also been told that the rate of technology change is accelerating and this is a typical quote:

> 'It was only yesterday, but what a gulf between now and then. Then was the old world…
>
> But this technology starts a new era…We who lived before it and survive out the ancient world, are like Father Noah and his family out of the Ark.'

This statement was made by William Makepeace Thackeray in 1863. He was talking about a vast range of innovation which was introduced in his century, including the steam engine (1814) and the railroad, the electric motor (1831) and the first fax machine (1843). The next 40 years would also see: the first telephone call (1876), the electric light bulb (1879), the first motor car (1895), movies (1895) and the first aeroplane flight (1903).

Much of this technology revolutionised life and grew very fast. Take the steam train. This was the first time in human history that mankind could go faster than a galloping horse. Created in the first half of the 19th century, there were 100,000 miles of track in America alone by the end of it.

It created new concepts like 'the holiday' and introduced, as a small by product, standard time in the UK (before that there was a different time in Bristol and London). Across America, it created new cities and new jobs. Also, I have to say, there was some misunderstanding about this new technology, just as in the dot.com boom. For instance *The Times* published an article in the mid-century suggesting that ladies should not go

A Pear's soap advertisement.

on a train going faster than 50 miles an hour because their brains were more delicate than a man's and it would cause them damage!

My point is that technology was changing as fast during this period of time as we've experienced it. In fact, I'd argue that some of this technology was much more revolutionary to life and well being than an extra page on Windows.

Price sensitivity

We've been told that *'Everything is becoming a price sensitive commodity'*. This is a very strong belief in the IT industry in particular. For instance, IBM has recently run a television advert that is part of its thought leadership campaign around innovation. – 'A product you launch on Monday becomes a commodity by Wednesday'. There's an assumption that suppliers have to reduce prices. Yet marketers consistently create brands which buck this commoditising force; and it's the best thing we do.

Most leading brands command a healthy price premium and do so for many years. Like the 29p per can that Heinz baked beans commands over 'own brand' in my local Tesco and the day rates a 'magic circle' law firm partner can command against a single practitioner.

The picture on the left is the oldest brand I could find, it's Pear's Soap and I believe they used this advert in 1910 (1810?). I understand that Pear's soap was created in 1789 by Andrew Pears, a hairdresser in Soho. In that age you couldn't get the same product produced the same time every time. Your clothes would all be individually made, you couldn't trust the food that you ate or the water you drank. He found a way to create this consistent, reliable product, and that's what brands do for the third world today.

This brand has been around for 200 years. In fact, of the top 180 brands in the world today, 50 were created before 1880. It is simply not true that everything is becoming price sensitive; that, 'it's all a commodity by Wednesday'. Nor is it impossible to produce enduring value.

Loyalty vs recruitment

'*It costs more to gain a new customer than to keep an existing one*' came from a book by Frederick Reichheld called *The Loyalty Effect* published in 1996 before the dot.com boom. When I joined PWC their main product was the financial audit and it cost a lot of money to service a major audit client. In fact, for years they had discounted that to very narrow margins to get follow on work. However, all the time I was there, companies were coming in through the door saying: please tell me, lead me and advise me on this. In those circumstances, it was much cheaper to serve a new customer than to service an existing customer.

This is another manufactured idea peddled by people with a stake in them, with something to sell. They are thought leadership based marketing programmes.

Arbitrary numbers turned into rules

'*The average dissatisfied customer tells 13 people*' was made famous by Tom Peters in his presentations about his book *In Search of Excellence*. It's quoting TARP Research which was an

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American government programme in consumer supermarkets across the mid-west of America. But how is the experience of supermarket shoppers in the mid-west in the 1980s relevant to your business in modern Europe of the 21st century. It's a modern myth – it may not be relevant.

Process re-engineering: a case study in how to create influential ideas

A few years ago, a thought called 'process re-engineering' came to prominence. It introduced efficiency gains and unforeseen productivity improvements to many companies, en route, making many consultancies very wealthy. This fad started in the 1990s and can, I believe, be credited to a consultancy called the Computer Science Corporation of America. One summer they met with people from MIT and came up with the 'wonderful' idea that middle management could be cut out of an organisation and replaced with computers if top

So is marketing training the answer?

Yes, and no. When writing my latest book (*Marketing the professional services firm*) I wanted to put the techniques currently taught at the back in an appendix, so as not to pad it out unnecessarily. I tried to create a 'marketer's toolkit' and trace them back to source. What I found was fascinating.

Take, for example, 'AIDA', (Attention Interest Desire Action) which is taught as a mechanism to measure the effect of 21st century marketing communications. Kotler cites its source as EK Strong, in his 1925 book *The Psychology of Selling*. Hang on a minute! This was before the cinema was going strong, it also was before radio or TV was invented. Is this really appropriate for 21st century multimedia?

Another is the Ansoff Matrix: new markets, existing markets; new products existing products; producing a strategy matrix of which 'market penetration' is the least risky one. When did Ansoff do his work? It was published in 1946 and it was based on analysis of a manufacturing company's acquisition strategies in Chicago, America, during the 1930s. It was nothing to do with marketing in the first place. More importantly, though, the experience of American manufacturing companies in and around Chicago in the 1930s is surely not a powerful strategic insight for 21st century Britain or Europe which is operating in economies dominant by services.

management streamlined the operational processes of their business. (These people had obviously never used a computer!)

They then produced a book (*Re-engineering the corporation*) and as a result of this, the idea began to take off. For a period of time, the early adopters of this idea, which always happen to be the same companies, became enthusiastic. It was presented at conferences and if you were unfortunate enough to be with a company whose CEO supported it, you could not challenge it. For a period of time, we were all re-engineering the corporation.

Then the computer industry got in on the act because they realised they could sell computers through re-engineering projects by introducing system analysis techniques. And I remember people taking the case studies they used as examples of the effectiveness of the previous fad, called 'Total Quality Management,' and re-packaging them as 'Process Re-engineering,' because it would sell computers. So they did presentations at conferences and wrote articles as if it had been happening for years; adding to the cacophony of voices.

Then a really disastrous thing happened: City people become involved in the idea. They were convinced of it by the professions and started to mark down the shares of companies who had not 're-engineered'. This prompted yet more companies to take on the idea, damaging some.

At the height of the bubble two things happened. Firstly, academics started getting good research budgets to investigate using proper methodologies. (Now most business schools tend to teach 'process management' rather than the fad.) Secondly, sceptics wrote articles like 'Has process re-engineering damaged corporate America?' These iconoclasts make money by challenging the idea and saying that it is not a panacea that will change the whole of business.

How do these ideas gain such influence?

The point is this: Thought Leadership is a vast propaganda machine. The big consultancies like Deloitte, PWC and Accenture, have dedicated groups of people that they call their Thought Leadership team. These can be up to twenty strong and headed by very skilful professors. Their job is to 'look across the work in the firm and create new concepts that will help clients create value in their business'.

In other words, they make up ideas to sell to you and me; and they do it very well. Somebody calculated recently that the number of 'white papers' produced by this industry every month is around 10,000. They promoted: TQM, process re-engineering, the millennium bug, shareholder value, the dot com revolution, CRM, customer loyalty and many others. And they do it to make money.

So what to do with these ideas when confronted with them?

You can go along with them. Some consultants adopt each one with glee. Some keep a sensible perspective and others kick against them. Are you going to produce the latest book? Are you going to run courses on the subject? Are you, as they say in America, going to lead the 'next thing'. Be careful, though, it can compromise your integrity if you ride on the latest bandwagon. It may not be appropriate for all your clients.

If you work inside a company try not to be a corporate flea, jumping from idea to idea. Is it relevant to your company and how does it increase shareholder return and wealth for your firm? Marketing professionals should keep perspective and use judgement about the effect of these fads.

True marketing professionalism is applying unique judgement to each situation. You have to know marketing techniques in depth and have the experience to know when they apply. ❦

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