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Marketing is broken

In this first chapter we look at the evidence for declaring that 'marketing is broken' and how marketing today rarely helps your sales force.

You know the scene

It's painfully familiar. You've just heard that a competitor has won a deal that you were banking on. You'd been marketing to that account for months. Your sales rep had a good relationship with the decision-maker, felt in control of the sales process and you'd submitted a strong proposal. Nothing left to chance. So what happened?

The rep calls the prospect to try and save the deal but it's too late. When you ask why you lost the sale, your prospect says that his team didn't believe your pitch, was unconvinced by your ability to deliver and was unimpressed by your service capability. But didn't they read the proposal? You don't know how or when, but your competitor managed to turn the prospect away from you and towards them. The decision was made before you wrote your proposal.

This is news that you didn't want to hear. You're finding it harder to get prospects' attention. You miss out on tenders because you just didn't hear about them in time. But somehow your competitor did. You're invited to tender on bids but you feel you're just making up the numbers. You find out about deals your competitor closed that you didn't even know about.

Your lead generation numbers are flagging, and your leads-to-sale conversion rate is down.

You want to apply more science to marketing, because you know much of your spend must be wasted. But you don't know what marketing works and what doesn't. You're doing this year what you've always done, but now it doesn't seem to work.

And the sales director is looking for you. A bad sign.

Look at the situation from the prospect's viewpoint. They are being bombarded by marketing messages from you and your competitors, pitching similar products with similar features at similar prices. Your attempts at differentiation are just adding to the noise. Your prospects are confused and they need someone to help filter the useful information from the background chatter. Who do they turn to? Who do they listen to? Who do they trust?

Marketing is broken. This shouldn't come as news to you. The fact that you're reading this book means that you're interested in marketing, you're curious to discover new marketing approaches and, we assume, you're aware that all is not well.

In the background research for this book, we examined the opinions of a range of experts in marketing, from academics to gurus and practitioners. It is depressingly easy to build a list of statements that confirm that marketing is failing. Here's our list, but you should try making your own:

- Chris Anderson cites in *The Long Tail* 'We're entering an era of radical change for marketers. Faith in advertising and the institutions that pay for it is waning, while faith in individuals is on the rise'.
- Jim Stengel, global marketing officer for Procter & Gamble (P&G), said, 'Today's marketing model is broken. We're applying antiquated thinking and work systems to a new world of possibilities'.
- Seth Godin, in *Purple Cow*, writes 'The traditional approaches (to marketing) are now obsolete. One hundred years of marketing thought are gone. Alternative approaches aren't a novelty – they are all we've got left'.
- McKinsey & Co. states that 'Today's chief marketing officers confront a painful reality: their traditional marketing model is being challenged, and they can foresee a day when it will no longer work'.
- Laura Ramos of Forrester Research writes, 'Marketers cling to marketing tactics that they admit fail to work . . . it's time to leave these outmoded methods behind'.
- Thomas Friedman of *The New York Times* states 'The new model in business is that you involve your community and customer in an ongoing conversation about every aspect of your business'.
- Richard Edelman, founder and head of Edelman PR, believes that 'traditional marketing is in its twilight years. (It is premised on) an old model of persuasion that worked from the '50s through the '80s'.

- Professor Philip Kotler, the marketing guru and author of the Harvard Business Review 'must read' text *Ending the War Between Sales and Marketing*, states that the average person 'is exposed to several hundred messages a day and is trying to tune out . . . marketers must consider other methods of getting customers' attention'.
- Robert Scoble and Shel Israel, in *Naked Conversations*, see 'a clear and present danger for practitioners of traditional, unidirectional advertising and marketing'.

Marketing no longer sells anything

Our starting point for this book is not to reveal that marketing doesn't work very well, but to try and articulate how we think it can be fixed. Our research has shown that, while everybody seems to be aware of the decline in marketing, few do anything about it. The lack of innovation in marketing is ironic, given its supposed creative core.

When we say 'marketing is broken' what do we mean? Simply, that it no longer does its job. Marketing is orientated around sales. If it doesn't initiate, assist or close a sale then it is failing. And failing it is. The largest single item on most firms' marketing spend is advertising, accounting for between a quarter and three-quarters of budgets. In some industries, marketing accounts for a third of revenues. Yet the link between marketing and consequential revenues is rarely demonstrable. Astonishing.

Marketing is based on notions that are 20 years out of date. The notion that if you put enough messages out there some of them will be heard. The notion that 'building the brand' is money well spent. The notion that people believe what they see and read. Recent initiatives to take advantage of Web 2.0 technologies are merely reactions that apply old techniques to new media. Marketing needs to rethink the messages it is communicating, to whom it's communicated and the methods being used. Many companies are disappointed at the lack of tangible return on their multi-million pounds marketing activities. Advertising remains the largest budget item on most firms' marketing plans. Advertising may be a fixture in a company's annual spend, but management boards are increasingly questioning why this is. The most Brandchannel survey in 2007 illustrates this point well. Four of the world's five largest brands have never conducted any advertising, and the same is true for seven out of the 10 fastest growing brands. There is no proven causal relationship between advertising and financial performance. And advertising is just the tip of the melting marketing iceberg.

There is no strong evidence to suggest that advertising has any effect on sales. The academic research on marketing and return on investment (ROI) is paltry in number and unconvincing in conclusion. There is an awful lot of assertion from the profession itself, and several claims to the link between brand and revenues or stock price. It is true that firms with big revenues and profits usually have well-known brands. Yet brand awareness could equally be an *outcome* of high sales, rather than a driver of it. Google has never advertised, yet it has become the world's most powerful brand.

There exists in most companies a disconnect between sales and marketing. This manifests itself at an operational level in departmental warfare where, according to marketing guru Philip Kotler, 'sales forces and marketers feud like Capulets and Montagues – with disastrous results'. If you haven't heard Philip's 30-min audio download of *Ending the War between Sales and Marketing* then we'd suggest you do.

Inside almost every company there lies a gulf between marketing and sales. Rarely is there harmony, at best just an agreement to silently walk past on opposite sides of the corridor. At worst, it can totally paralyse an organisation. Separate territories, with neither able to see the other's viewpoint.

Recent trends in marketing – the move online, campaign management systems, the creation of brand personalities – have done nothing to bring the two divisions closer.

Continuing disillusionment with traditional marketing and its dubious returns are leading many organisations to question how, or if, to continue with their current marketing levels. Marketing executives are under pressure to show results, ones that will impress the management team. There has never been so much interest and activity in marketing performance metrics and dashboards. While this focus on measurement is encouraging, most metrics concentrate on monitoring the effectiveness of the marketing operation, how well it does what it does, rather than the marketing execution. Does marketing result in more leads, more sales? The answer, across industries and geographies, is typically 'We have no idea'.

Is anybody there?

If the paucity of tangible and reliable ROI metrics from marketing, across all industries and geographies, suggests how marketing is broken, it begs the question: why is it broken? Why does marketing not deliver higher sales or better lead generation?

The answer is that nobody is listening anymore. By the time you go to bed tonight you'll have seen roughly 1000 commercial messages. There are just too many to remember, so they're all ignored. TV advertisers reckon they need to show an advert between 7 and 10 times before the audience can recall seeing it, and even then they don't necessarily remember what it was advertising – 'Yes I remember the house with the rubber floor but no, I can't remember which beer it was advertising'.

Besides the sheer volume of messages bombarding us everyday, have you noticed that they all sound the same? A consistent theme in marketing literature is the blandness of messages. Advertising is the price for being dull – you have to pay to get people to listen to you.

There is a chronic lack of marketing innovation in the technology industry. Compare your core message with that of your competitors'. Your product is easy-to-use, fast, leading-edge, proven, customisable, flexible, scalable and available in mauve. Welcome to the club. Part of the problem is the unsustainability of competitive advantage, due to the rapid transmission of ideas and technical capability. Your competitors can deliver a similar product 6 months after you innovate. If you work in a service-based industry your competitors can clone your offer by tomorrow.

There's also a problem in the way that marketers talk. Imagine you're at a party. A man comes up to you, but instead of introducing himself, he yanks your head back, pulls your jaw down and looks at your teeth. 'I'M A DENTIST!' he explains.

That how marketing sounds. It's one way. It's abrupt. It has no concept that the listener may not want to hear the message. It lacks social graces. It intrudes, by demanding your attention. There are no pleasantries. There's no engagement with the listener. It's what Seth Godin aptly calls interruption marketing.

In fact, it doesn't really matter if you're heard above the noise or if your message is innovative and relevant. Because your prospects don't believe you. You're selling something, which means you're biased. Prospects may like your message but they want to hear it from someone they trust.

We've decided to decide in a different way

A decade ago decision-makers used two types of sources to influence their opinions and agenda. The first was the printed media, either the general business press or industry-specific trade press. These covered current trends, macro-economic reports and experiences from the field. The second source was industry analysts, used heavily in the technology and telecoms sectors, but also appearing in retail, banking, manufacturing, pharmaceuticals and others. Together journalists and analysts made up the bulk of influencers on business decision-makers.

Our own research has tracked the continued decline in share of influence amongst journalists and analysts between 2003 and 2007 (Figure 1.1). The research begs a key question: if journalists and analysts are diminishing in their share of influence, who is replacing them?

The answer is that decision-makers use a wide variety of influencers to inform their judgments, from inception to implementation. We've

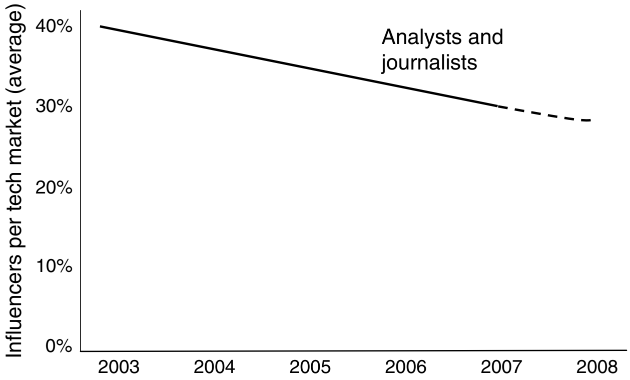

Figure 1.1 Journalist and analyst share of influence is declining
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identified over 20 different categories of influencer and they may play a number of different roles throughout a decision process. For any one decision, there could be a dozen or more individual influencers involved at some level. In a market there are typically hundreds of people exerting their influence.

But marketing has not kept in line with this trend. The vast majority of marketing activity with influencers is still founded on PR (public relations) and AR (analyst relations). Our research suggests that, instead of devising programmes that target journalists and analysts and ignoring the remaining 15 per cent or so of miscellaneous influencers, as you could have done 10 years ago, you would now be missing out on at least half of the main influencers, an omission that can no longer be justified. Something has to change.

The most fundamental challenge for marketing is that it has no idea who these influencers are, nor their relative ranking of importance, and therefore has no formalised programme to contact them. If marketing was able to identify them, it could use them as a channel through which to reach prospects. And prospects would listen to influencers because they are, by definition, influential.

Why hasn't the power of influencers been realised until now?

It's a fair question. The answer is in three parts:

1. Those behind the scenes 'influencers' were being targeted as prospective purchasers in their own right and so it was believed didn't justify being treated separately as influencers.

2. The tools and research tactics weren't in place to economically identify who these influencers were.
3. The breadth of influencers used to be far narrower, such that journalists and resellers might have been responsible for upwards of 80 per cent of the influence. And these two categories have long been targeted separately. Today the influence circle is dramatically fragmented.

The rise of the decision-maker ecosystem

Most marketing directors plan their activities by reviewing their previous year's spend, then deciding how to tweak it for the upcoming year. It's astonishing that trade shows are booked, at a cost of tens or hundreds of thousands of pounds, without asking potential customers whether they're planning to attend those events. A more reliable approach would be to meet with, or interview, several prospective purchasers as to how they approach the buying process to start with. Where do they look for their information? What form does their research take? How do they involve others in their search? How do they decide which events to attend? At what stage would they let a vendor know of their interest? By asking such questions marketing departments would markedly change how and what they communicate, and to whom. For they'd identify many people they had not previously considered, yet who have a major voice in scoping, shaping, evaluating and approving the majority of deals. These people make up the *decision-maker ecosystem* (DME).

A good friend of ours, Nilofer Merchant, the head of California strategic marketing firm Rubicon Consulting, said recently that she sees such ecosystems as a direct result of the gradual decline in the role of 'trusted advisors' in all aspects of our lives, over several decades now. Hundreds of years ago there were religious leaders, coupled with senior, older members of the communities in which we lived. Earlier this century this small group of personal influencers would have included our school teachers, or elder relatives and our parents. For the past 50 years the rise of mass entertainment media meant that we deferred to radio presenters, news readers and TV show hosts, and in parallel, advertising that accompanied, and interrupted, their appearances. These shaped both our morality and our aspirations. We have seen the demise of the 'extended family', where several generations of a family lived together in the same house or community. We now don't expect a job for life, and most of us now work only a few years for the same employer. It is increasingly difficult to establish a stable set of trusted advisors either in our personal or professional lives. So, we now foster temporary advisors, perhaps running several in parallel, and often on very specific subjects. We feel free to recruit them when we need them and drop them as soon as we don't.

As a culture we are no nearer making our decisions in isolation than we have ever been. But our points of reference have changed. With our lessening respect for age and seniority, our immediate peer group has increased in importance, as have subject matter experts, those we need to help us navigate our way through increasingly complex issues. These people are likely to have been unknown to us yesterday, today we treat them as a close ally, tomorrow we will have moved on. All of these factors combine to mean that our circle of influencers are ever more transient, flexible, dynamic and therefore harder to predict. No sooner has an influencer circle been identified than it may be disbanded, or at least morphed into some other shape.

While DMEs in business are transient, and shift quickly depending on the decision focus and process, they are not impossible to map. One factor is that in business situations, such ecosystems are established primarily to help a linked, and time-bound, set of decisions. Though they may start off informally, they are stable and persistent for the duration of a particular project or activity. In fact, businesses try to keep such networks in place in a similar form over several years, both to benefit from previous experiences and to encourage cohesion from one decision to the next. There's little point zigzagging from one tactic to the next because the decision-making process relied on radically different criteria each time. So, if only for expediency, companies tend to try to keep their ecosystems intact for as long as they can. This means that longevity is an important attribute in influencers.

Now where there's money there's opportunity, and where there's opportunity there's someone looking to benefit from it. So inside every market sector there's an infrastructure of consultants, advisors, strategists, production houses, developers and others all with their own views on how companies should solve their business problems. Inevitably, those forming this infrastructure are, in themselves, fighting to become key influencers, some very successfully.

Think of Intel in the early 1990s. A company making computer chips that no user ever thought or cared about, suddenly faced lower cost competition to its traditional hegemony. Customers caring only for the brand name on their PC, and the fact that it would run Microsoft Windows, could have easily and unknowingly switched to lower cost PCs with non-Intel chips. Intel had to make their brand matter. In one of the most expensive and long-term single advertising campaigns in recent history, the chipmaker stamped the 'Intel Inside' logo into all of our minds. Customers decided that a formerly almost anonymous chip really did make a difference. We were well and truly influenced. But at a reputed cost to Intel of over $1 billion in marketing alone. Such expense was necessary because the chipmaker was forced to influence every individual decision-maker likely to buy a PC at the time. It would have been so much less costly had they influenced the decision-makers' influencers, rather than wait and so have to impact the decision-makers themselves. That should be a warning to all suppliers.

The implications for traditional marketing

There are two immediate implications of changes in influence. The first is that suppliers (or vendors as they are known in some industries) must identify and rank those influencers within their market(s). This is not a trivial exercise, since influencers are typically invisible to sales and marketing professionals. There is no off-the-shelf list of influencers. They don't have 'influencer' written on their business card and a person influential to your company may be irrelevant to another firm in a similar field. Importantly, influencers may never have bought, and may never buy, anything from you. You won't already have them in your customer database, because they'll never be customers.

The second implication for marketers is that they must focus attention on those individuals with most influence on their target market(s), and scale back relationships with those with less. This adjustment is necessary, because marketing is a finite resource, and the number of influencers to address cannot simply be added to forever. This reallocation of marketing budget, and activity, is not trivial since many influencers won't know that they are influential, won't appreciate your traditional marketing approaches, and couldn't care less about your market messages. A new approach is required.

When we discuss *influencer marketing* it is important early on to state that we are not talking about any form of illicit or underhand techniques. We are all aware of covert, guerrilla or stealth marketing, which misleads the consumer or intended audience. Remember the ill-conceived 'black-box placement' campaign throughout Boston in mid-2007. Designed to promote a games TV programme, an outsourced marketing agency placed flashing light boxes in public places overnight, causing the public to contact police in their hundreds fearing them to be explosive devices. Understandably, it led to the resignation of senior executives at the commissioning TV network.

Marketing agency staff loudly conduct conversations on street corners and in public places extolling the virtues of particular products, with the intention of weaving innocent members of the public into their conversation and making them believe this is natural word-of-mouth (WOM) recommendation. It's unethical at best, a con at worst and it drags marketing deeper into the mire than it is already. Our concept of *influencer marketing* could not be further away from stunts and scams such as this.

At all times it is to be open, honest and candid, made stronger by the fact that the vendor company wants to eschew its conventional marketing techniques in favour of a 1-to-1, near full-disclosure relationship. No money or material favours change hands. Influencers should, and hopefully could, never be 'bought'. Nor is there any form of coercion or pressure applied. The fact that only a relatively small number have been identified, certainly in comparison with the typical company's prospect database, means that each influencer is treated with more rather than less respect. *Influencer marketing* firms are to date at the forefront of ethical marketing, and the leading four or five companies are all members of WOMMA, the Word of Mouth Marketing Association, which takes a strong and very public stance on this issue.

We are proposing a marketing initiative with great promise, and which appeals to senior management, marketing professionals and sales force alike. *Influencer marketing* encourages greater selectivity in targeting segments, increases understanding of each sector, demands more thought when deciding how and what to communicate, and massively reduces the waste and white noise level of badly thought-out 'blanket' saturation onslaughts. Such an initiative must come well-proven, both as a concept and out in the field. This book is intended to convince you of both.

Key points in this chapter

1. Marketing is broken, because it no longer contributes directly and tangibly to sales. This situation pits marketers and sales forces against each other in animosity.
2. Marketing doesn't work because there are too many marketing messages bombarding prospects, all the messages sound the same, and even if your message is heard, prospects don't believe you. But they do believe influencers.
3. *Influencer marketing* is an approach that identifies and targets influencers in a market. Influencers make up communities called Decision-maker ecosystems, which revolve around a decision-maker.