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What's wrong with traditional marketing today?

This chapter breaks down the traditional marketing spend and questions its usefulness.

By the numbers . . .

There is some interesting benchmark data regarding business-to-business (B2B) marketing budgets from Sirius Decisions, a US market research firm. The 2006 data show how B2B companies of various sizes and within various market sectors allocate their marketing programme budgets. This is a snapshot of spend breakdown for those with revenues of over $100 million.

- Field Marketing/Demand Generation: 64.7%
- Corporate Communications: 15.0%
- Product Marketing: 9.5%
- Branding/Advertising: 7.2%
- Channel Marketing: 2.5%
- Market Intelligence: 1.1%

A further breakdown of the largest category, Field Marketing and Demand Generation, shows the following:

- Tradeshows: 16%
- Tele-prospecting: 13%

- E-mail: 13%
- Live events/seminars: 10%
- Webinars: 9%
- PPC Search Marketing: 5%
- Search engine optimisation (SEO): 4%
- Other (direct mail, associations, online, etc.): 30%

IDC Corp., the tech industry-focused analyst firm, has published the following 2007 technology vendor spend breakdown on marketing:

- IT vendors spend an average of 3.0 per cent of revenue on marketing. Software vendors spend the most (5.1%), hardware makers spending 3.2 per cent and IT service firms spend only 1.0 per cent.
- IT vendors spend 63.5 per cent of their marketing budget on programmes and 37.5 per cent on headcount.
- IT vendors spend the largest portion of their budget on advertising (21.7%). Other significant budget items are events (19.5% of the marketing budget); sales tools such as case studies, white papers and interactive online tools (15.8%); direct marketing (14.6%); PR (7.1%) and AR (1.9%); and collateral (5.6%).

Dividing up the budget

Using the above guidelines, marketing directors in a mature company with a turnover of say, $100 million probably control a marketing budget in excess of $5 million. And they spend every penny of it, because they know that if they don't they'll get less the following year. It's part of the job requirement that marketing directors must act as if it's never enough. So once the budget's been confirmed they sit down to divide up the spend. Of course there's no definitive way to do this, but few stray far away from the following. They sit down with the management team and agree the company's key goals for the year, including target market sectors. Then they look at last year's plan and see how much of that can be repeated. Then they add up how much budget has already been committed (to trade shows, partnerships, etc. that work to long lead times). Over the previous few months they'll have taken pitches from any number of competing marketing agencies, some already on the company's roster and some prospective, helping them decide which ideas best fit in with their plans.

Almost without exception these will be limited to operational silos – PR, AR, events (including trade shows), direct mail, online (intranets, web promotions, etc.), sponsorship and marcomms collateral. Rarely will the spend ratios differ significantly from the previous year. But that's not the most surprising aspect. For the truth is every marketing director knows that much of this spend will be totally wasted. Now it's one thing to admit that before the activities have begun, but even when it becomes clear what's not working, most will continue to spend on those areas of zero return. Can you imagine that in any other company department? This behaviour is allowed to continue because none of the above marketing activities are mapped onto sales activity. If you don't measure them against sales achieved, then they can't disappoint. Simple. They all have different woolly metrics – and the agencies like it that way.

Trying to measure PR through sales

PR companies don't measure the media coverage they've generated against sales figures, and so they shouldn't. It's too much of a leap to equate one with the other, even though there's constant pressure to do this. So they're measured on the volume of media coverage and perhaps its quality, whether judged on which titles the coverage is in, how favourable it is to the client, and somehow still, its EAV (equivalent advertising value, a now seriously outmoded and laughable scale popular in the early 1990s).

Now PR companies know who butters their bread. Clients are rarely if ever aware of which magazines or websites are read by their customers, so they want coverage in the most impressive 'looking' titles. Favourable headlines, photos, box-out quotes, those are what impress clients. Not unnaturally CEOs are even further from understanding the local customers. They're probably only in the country for a day or two, so they want coverage in daily newspapers that have published their interview by the time they're sitting at Heathrow Airport on their plane out of Europe. Achieve this and the CEO considers their trip well spent, the country manager is congratulated and the agency praised. Job done. But it doesn't bring a single sale any closer.

Yet because CEOs don't appreciate the broad influencer community, and DMEs, they don't take the time to create relationships with those less impressive looking titles, often with minimal production budgets, perhaps on slower publishing lead times and certainly those less interested in meeting the CEO just because the opportunity arises. If the CEO hasn't heard of the title (which usually requires it to have a well-established US readership), then it likely won't even be allowed to stay on their provisional travel schedule. There's little discussion involved, for only appointments with the 'top-tier' media are allowed. It's a game, and good PR people know it's one they can't change, so it's allowed to continue. As a result, PR companies continue to work towards generating press coverage in the most impressive 'looking' media, which is rarely if ever the most effective for sales. The in-house managers responsible for managing the agencies understand and accept this, but they're part of the game too.

The anomaly of the 'business' press

Today it's all about 'business' coverage, away from the emphasis on the company's particular vertical market. There's an assumption that suppliers should already naturally feature in the vertical sector press, so it's no longer considered an achievement. Ask any publisher, they all want to be perceived as a 'management' or 'business' title, yet the advertising department is equally adamant that they can only sell ad space on the back of very specific product or market-specific features. There are few examples of 'management' publications in Europe – they're economically hard to sustain for publishers – yet they're the only titles which many marketing directors are interested in appearing in!

Analyst relations is not a volume activity

Now AR is another strange one. Analysts tend not to like dealing with dedicated AR people (those people, whether in-house or agency based, specifically employed to liaise between the company and interested analysts). They prefer to deal directly with a company's senior management, not a filter. Especially not a PR representative. But the senior management in vendors neither have the time nor inclination to be the first port of call for analysts, so they put intermediaries in place. Whatever people think of it, that's not going to change.

But if you look at how AR departments are measured it's clear where the problem lies. Just as PR is largely measured in column inches, so AR is most commonly measured on the number of 'analyst impacts' – whether face-to-face meetings, phone conversations, webinars or whatever. So it's a quantity-oriented metric. Quality-based metrics are far more difficult to achieve. How can you tell what the end-result will be when you've only conducted a first meeting? The end-result that you want, one where the analyst immediately makes a crucial referral to a prospective buyer, landing your company with the deal rather than your competitor, is altogether too difficult to measure in any but the most isolated of cases.

And as for which analysts to engage with, companies tend to do little research into this one too. The main priority is to meet with whoever is writing on a relevant subject to you, which means you focus on the most prolific, not the most important.

Finally you have the little understood issue of buy-side and sell-side analysts. Most PR companies, and certainly the majority of in-house marketing heads, are unaware of the important distinction between the analyst firms that make their money by selling their time and advice to end-user companies, advising them on their strategy, on new technologies, on vendor directions, etc.; and those firms that make their money by selling their market understanding to the vendors within that market. To analysts this is a critical difference, yet the majority of people trying to meet with them aren't even aware of this. It's irrelevant to the way they're being measured. So once more, meetings are arranged, budgets are spent, time is wasted.

The question behind advertising

If you're reading this then you're already well aware of how advertising budgets are wasted. But by example, Jeffrey Citron, the CEO of Vonage, announced he was reducing his firm's ad budget by over $100 million because 'we continue to be extremely disappointed by the returns we've seen from it'.

John Stratton, Verizon's Chief Marketing Officer, adds, 'Last year I spent well over a billion dollars buying space, time, air, hits and clicks across a multitude of mediums . . . I'm not perfectly happy. And I'm not alone . . . (Marketers) need more than an audience. They need an audience that cares about what they have to say. They need their message to be relevant to the audience they are saying it to'.

In a BBC Radio 4 'Today' programme interview recently, the marketing boss of Unilever, a company that spends more money on evaluating its marketing than almost any other company spends on the marketing itself, admitted that they still struggled to demonstrate any measurable impact from their advertising. Fiona Dawson, Managing Director of Masterfoods UK, stated on BBC's PM programme that, 'There is very little evidence to show that advertising has any effect, despite the amount of money that we spend on it, in term of driving purchasing behaviour'. Even the interviewer was taken aback by the admission. Andy Sernovitz, the founder of WOMMA, said 'Advertising is the price you pay for being boring'. Enough said.

Yet advertising is frequently the largest line item on any marketing budget. Why do we persist with it?

The guesswork of trade shows

Trade shows are also notoriously difficult to rationalise. There an emotive subject within many marketing departments. Where a company's attendance is based more on the show's sales executive striking up a cosy phone relationship with the vendor's marketing manager than with any tangible business reason. Or at least it is in the first year or two of the event. And after that? Well a constantly evolving show means that whatever the vendor's qualms over the previous year's attendance – light on numbers at the door, light on floor traffic, light on decision-makers – next year's show can claim to have addressed every one of them. Too often it seems to be a case of 'well, we have to attend a few shows, and these seemed the best hopes', rather than anything more scientific.

Sponsorship . . . our favourite

And we haven't even come on to sponsorship. Many companies make this their single greatest marketing expenditure – their flagship activity. We've seen a marketing director present to his management team on his decision to sign a £3m agreement to place his firm's logo on the wing mirrors of a Formula 1 racing car. His rationale, which we assume he believed himself, involved the numbers of global TV viewers, multiplied by the total length in minutes of regular TV coverage and somehow weaved in the potential revenue opportunity to his sales force. This is, of course, complete nonsense and we shouldn't need to point out the gaping holes in such an argument. The deal was done for one reason and one reason only. Ego. There is an absurd assertion that by namedropping and rubbing shoulders with TV names, some of the glamour can be attributed to closing sales. We think not. But it looks great on the marketing director's résumé, which was, we suspect, surely its purpose in the first place.

Marketing fuelled only by inertia

What each of the above activities have in common is that they all take their place on the budget sheet as a result of the marketing director sitting at their desk looking out. Looking out at an inanimate group called 'prospects' and thinking, 'What new twists on last year's marketing might get their attention, given the money I have?' It would be far better, and we think more obvious, to put themselves in the shoes of a prospect and to think 'if I were looking for a solution to Problem A, how would I go about finding it?' The two questions generate very different answers. But the second would demand a number of new skills in the marketing department.

And this raises an additional issue. People stick with what they know. A marketing director can also easily rattle off a list of things that he or she believes the journalist or analyst would want from a vendor. They've been brought up through the ranks dealing with these categories and so, to some extent at least, understand their needs. They would not be able to say the same for an integrator or consultant, two categories of influencer that have comparable and often greater influence in B2B sectors. Among the new skills needed within a typical department are those knowledgeable in how integrators and consultants operate. And there's not too many of those kind of people around.

Marketing's vicious cycle

The lack of broad skillsets within most company's marketing departments has meant that if a market sector has a traditionally strong reliance on three or four trade shows each year, then most vendor's marketing departments are staffed to fit that profile. Since that is where their skills and interests then lie, those people don't look to exploit other potentially influential channels, which continue to suffer as a result. It becomes an ongoing cycle when a more balanced approach would have been more effective. As a result, too much money over the years has been spent on marketing directors' favourite activities, and subsequently too little attention paid to others. The marketing activity/budget split in some industry sectors, that is industrial goods, petrochemicals or warehousing and distribution, will be massively and unexplainably different than other apparently comparable sectors. P&G spends 3 per cent of revenues on marketing. Automotive firms spend nearer 20 per cent of revenues, once promotions and discounts are factored in. The champagne industry spends over 30 per cent of its sales on marketing. The sales process for each may share many similarities, but historical legacies and marketing conditions mean that the preferred channels for marketing are unrecognisable to each other. *Influencer Marketing* would dramatically update marketing attitudes in these sectors.

The traditional mix only targets prospects

Whoever laid down the guidebook used when dividing up a firm's marketing budget into the various activities? At one stage such thinking must have made sense but today it makes little at all. It exists because too few people have questioned it and because of what John Jantsch in *Duct Tape Marketing* calls 'copycat marketing'. In the past decade the optimum marketing mix for most companies has changed irrevocably, mostly as a result of the new outbound channels now available (predominantly online) and the vehicles through which purchasers now want to view their information (increasingly online too).

The marketing mix has traditionally focused on preparing prospective customers (through awareness, familiarity, comfort and knowledge) for their walk down Sales Avenue. And there's the issue. Marketing has always aimed directly at prospective purchasers, and not their influencers.

Though it often seems otherwise, business prospects are relatively easy to identify. They may have a job title that identifies them as such, they may have a history of buying related products or services, they may have already made an enquiry to your company. At least they'll probably be employed within the same company that will eventually use that product or service. And that's a very helpful start when tracking them down.

None of those features may be the case for influencers. Influencers will most likely not be employed within the user company, they'll have every variation of job title you can think of, except one helpfully called 'Influencer', and they likely won't ever buy anything from you, so they won't be on your customer database. What's more, while some influencers love to be thought of as such, many do not, some even believing that such recognition will negatively affect their ability to do their job. Because 'influencer' is such a subjective term, candidates have to be treated particularly sensitively until their views are known.

Key points in this chapter

1. Most firms decide their marketing budget by looking at what they did last year and making minor modifications, or following what other firms are doing. Yet there is precious little measurement on marketing effectiveness carried out by marketers, on which to base investment decisions.
2. Activities such as advertising, trade shows and sponsorships demonstrate almost no tangible benefit, if they are measured at all. What metrics do exist, in PR and AR in particular, are typically based on quantity rather than quality. Little research is done to determine which analysts and journalists are influential to the target audience.
3. Almost all marketing is aimed at prospects, virtually none at influencers. Which means that when marketing messages are thrown at prospects they usually bounce off. Influencers, though, are harder to target than prospects because they are difficult to identify.

Case Study A – a top 5 network equipment supplier

A different kind of thinking

In 2006 Nortel Networks faced a problem. Its UK operation wanted to penetrate the financial services market, particularly for its home and mobile working solutions. The sales force approached the marketing department for ideas. 'The initiative driven by our sales force who were saying that they needed to get into the financial sector', explains marketing manager Robin Sansom. The sales team had access into Nortel's traditional market, the IT and communications departments, but they quickly realised that the purse holders were the business owners and the operational managers. 'But we had no traction in this space', says Sansom.

The Sansom was tasked with engaging business executives in the financial services sector. He also had to shift the perception of the firm as a 'box shifter' and create the impression of the firm as a thought leader and trusted advisor. Importantly, the marketing manager also faced opposition from inside the firm. 'We lacked a belief that a different approach would work. It was cutting against everything we had done before'.

The approach the firm took was to organise a debate, with a motion that read '*This house believes that homeworking is inevitably doomed*'. 'It was a risky subject', says the Sansom, 'had the vote gone against us, we would have been shooting ourselves in the foot (in talking down the market for our mobile working solutions)'. But the benefits in engaging the audience in discussion were deemed to outweigh the potential downside.

The debate was structured formally, with the invitation to prospects serving a dual purpose, both as a voting card to encourage engagement in the debate, and ultimately to facilitate a ballot. Influential speakers and a chair were invited. To propose the motion Nortel invited Dr Carsten Sorenson, a distinguished and controversial lecturer at the London School of Economics and Political Science (LSE). 'Academics always come up very high on the lists of getting people's attention whether they are on the business or marketing side', believes the Sansom. To speak against the motion, and to fight its corner, Nortel invited Emma Spencer, the employee relations director at Citigroup EMEA, an advocate of homeworking.

The debate format was innovative and allowed the views of two influential speakers to be heard equally, with the audience able to ask questions. As Sansom says, 'We stepped away from the usual approach of murdering people with PowerPoint, talking at them about our technology and features and functions and our kit. Instead we took a back seat and let the audience and the panel discuss a topical subject matter'.

The event was a success. As one customer commented, 'I enjoyed it and found it very useful – lively debate, intelligent presentations, and an open forum for exploring the issues'.

And the sponsoring (and initially sceptical) sales team also saw the value. Nortel' sales director agreed that the debate 'was a success in that it was exactly what (the prospects) *didn't* expect to see. We didn't do any product pitches, just allowed the customers to discuss what their business issues were. And on the back of this we got some great results'.

Sansom reflects on the debate by observing that taking a risk 'does work if you're willing to stick your neck out and take the opportunity'. He also notes that 'The customer now chooses when they hear and what they listen to and by what means. Unless they take that on board (marketers) will just continue to make the same mistakes as they've done before'.