



Marketing is Changing, Are You Ready?

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Notes for Panel Discussion

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"Brand building is needed because products are the same."- Philip Kotler

"In the future, the brands with the best stories will win" – overheard at Digital Marketing Conference, Chicago, July 2005

It is no surprise that academics and professionals alike are calling for new approaches to marketing, because the old approaches are inadequate to the challenges. New forms of media are showing up all the time. Consumers are faced with a turbo-charged range of choices, and an array of new technology is available to support marketing decisions and programs. According to Phillip Kotler, new marketing requires new financial IT mindsets as well as some additional skills so that systems will better support marketing decisions.

As we continue the drive toward making marketing more accountable and scientific, it is important to look at what has changed and what remains of the old model. *While marketers enjoy new media and technology enabled tools, the fundamental marketing model itself has not changed.* People and businesses still want useful products and services and relevant and entertaining messages. Marketing is still about identifying needs so that people line up to buy. The change is in how consumers learn about products and services and receive the messages. We are entering a 'post-mass media' marketing world.

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Consumers have new tools, too.

Consumers have always wanted to avoid poor or overpriced products and intrusive messages, but now they are empowered to act on those feelings in unprecedented ways. These consumer-empowering technologies promise to eliminate the concept of 'mass markets' once and for all. Proof is everywhere, from declining audiences across most media, to the penetration of TIVO and the explosion of DVD sales – of TV shows no less!

My experience of the past three years teaching sophomore Marketing at University of Notre Dame illustrates just how profound are the coming changes may be. Although

they are thought to be the most marketed-to generation ever (and perhaps because of this), most business students don't easily relate to marketing. They have few favorite brands, and little brand loyalty, they see very little television advertising, and they view most commercial messages with cynicism, something to be avoided. Even blogs and podcasts have barely penetrated their consciousness. (Which makes me wonder who is actually using these media other than those who write about them?)

The sound of 'delete' is a warning sound to our industry: change or become obsolete.

What my students understand very well is how to connect to information they want. Cell phones and iPods are ubiquitous. Virtually 100% of students use Instant Messaging, email is a way of life and nearly all my students participate in social networking via facebook.com.

From Quantity of Viewership to Quality of Engagement

Reaching and influencing this generation of students with *advertising* messages over the course of their consumer lifetimes will be more than a challenge, it may be impossible. What is more, it may not be worth the effort. Even when they see ad messages, they are unlikely to believe them.

In the impending 'post-intrusion' world, people-to-people connections, not commercial advertising, will be the way persuasive messages find their way into consumers' consciousness; word of mouth will be the way marketers make an impact on behavior. Forrester reports that more than half of young consumers rely on their friends and families for purchase advice, and 65% tell others about products they like. Electronic communication tools favored by youth 18 and under are IM, mobile phones, and email. 94% own some device. This phenomenon goes well beyond technology-enabled young people. NOP World has been tracking the influence of Influentials in making recommendations about everything from products to political candidates. They find that "despite widespread technology adoption, marketers must understand that the majority of word-of-mouth is still done at the coffee house, in the mall, over brunch or at the gym."

Is this advertising? I think so, although much more work is needed to really understand what makes these messages effective. What makes a message relevant enough to be passed on? What makes it persuasive enough to impact behavior? How can marketers stimulate the whole 'C2C' process?

Brand Building as the Foundation

At the center of this work will be the concept of 'brand'. Marketing has always been the means and method for building a strong brand. Marketers that do a good job of marketing get a brand. Those that don't get a brand as well, but it isn't a very good one. A strong brand is the reward for effective marketing, the prize. The benefits of a strong brand are well documented, in terms of customer perceptions and reputation, marketing efficiency and price premiums and profitability. All things being equal (and they usually are), the company with the strongest brand wins.

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Despite predictions to the contrary, brands have become more, rather than less, important to understanding the impact and mechanisms of marketing. I see this being even more true in the future. In fact, existing brands may be worth *more than ever*. There was only one successful cigarette launched once tobacco advertising was banned. Strong existing brands such as Marlboro and Virginia Slims were worth more post-advertising than they would have been if TV advertising had continued.

In the new marketing universe, 'brand building' is becoming a more useful way to frame marketing activities than the 4P's or IMC. Brand strategy incorporates Consumer Behavior, Integrated Communications, Market Research, Pricing, and Business Strategy, Customer Relationship Management. Eventually, it may come to be seen as equivalent to Marketing itself. In fact, brand strategy concepts can easily displace the 4P's, with improved focus (building the brand vs. building sales alone).

- *'Brand Experience' is displacing 'product'*. Product has become an almost quaint idea; what outside the supermarket does not have a hefty service component?
- *'Brand delivery' is displacing "distribution"*. How one achieves the service or experience is part of the brand experience, not a distinct function. Dell's distribution system is the same as its promotion system. Overstock.com is the number three retailer behind Ebay and Amazon.
- *'Brand value' is displacing 'pricing'*. In a world where there is complete pricing transparency, pricing is more about sustaining brand value than establishing break even points.
- *'Brand communications' is displacing advertising and promotion*. Many brand building activities go well beyond IMC as once defined. Four billion dollars a year is now spent making brands more conspicuous by placing them in venues (movies, festivals, celebrity portraits) that consumers will find credible and appealing. Enlightened marketers are focusing efforts on creating messages (content) that customers will want to share with others rather than simply endure in order to get to the 'real' entertainment. BMW showed the way, others (Burger King, Audi) have followed, with equal success.

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Brand Building Programs vs. IMC

At a July 2005 digital marketing conference, a smart person said, "In the future, the brands with the best stories will win". Brand building is at heart about building superior brand experiences -- or 'stories'. Those stories are what define a brand and give it equity. Conversely, we are witnessing that the brands with the worst stories die by word of mouth faster than ever before. Just look at Dell's problems with bloggers for proof.

Building 'communities of interest' is becoming as important as advertising. Customer Relationship Management is becoming promotional function managed by marketers rather than an information technology managed by IT professionals. Successful brands are actively encouraging customers to become brand ambassadors or 'evangelists',

people who love the brand so much they want to wear it, tattoo it on their bodies and talk about it to others.

Of all the changes facing us, measurement will be the issue which will be the most difficult to resolve. What is measured drives results, so this is no small question. What do marketers want? To show financial ROI or stronger brands? Stronger customer equity or stronger brand equity? Two camps are forming and the debate is certain to be a lively one.

Where do we go from here?

For those who think a new model is imminent, the time to develop new approaches to marketing is now. Here are several ways to stop working under the assumptions of old model and embrace the new.

Stop	Start
Worrying about TIVO	Developing content that consumers will go out of their way to find and share with others
Focusing on the average customer	Focusing on the Influential customers and trend setters
Modeling the financial impact of advertising	Measuring the brand equity impact of marketing activities
Trying to integrate sales with marketing	Measure both functions on the same metrics and let them figure out how to work together
Conducting research as if households watched media and buy products	Conduct research to understand individual buying and media behavior
Pretending product placements and sponsorships aren't ads	Make sure new media contributes to the brand experience or stop doing it
Differentiating on one P	Using all the 4P's to create a differentiated experience

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