

Is marketing in safe hands?

Every day we meet companies from industries suffering a slump and listen to their depressing 'strategies' for redundancies and for the downsizing of operations, research and marketing.

 By [Malcolm McDonald](#) 10 Dec 2003

The explanations given include the fear of war, an uncertain economy, over-regulation from the EU, social taxation, an inability to raise prices because of low inflation, a deflated stock market, the short-termism of investment analysts and all manner of other complaints too numerous to mention.

While such undeniable risks and uncertainties make business leaders' preoccupation with managing costs wholly understandable, such behaviours by themselves will not lead to any kind of success other than, perhaps, survival at best.

Playing it safe and lurching from quarterly target to quarterly target seems the easy way out of such difficulties. But not enough leadership attention is paid to the only part of the organisation that can truly lift it out of the rut: what we call 'marketing'.

It is also clear that, while accountants do not measure intangible assets, the discrepancy between market and book values shows investors do. In research into 3,500 US companies, book value declined as a proportion of total market value from 95% in 1978 to 28% two decades later (*Fortune*, April 16 2001). Intangibles are now the key drivers of shareholder value.

Hence, expenditures to develop marketing assets make sense if the sum of the discounted cash flow they generate is positive.

A little thought will indicate that every single corporate activity – be it research and development, informatic technology, purchasing or logistics – is ultimately reflected in the relative value put on the firm's offer by its customers. Hence, the marketing function is central to this attribution of value, as every one of the tradition four Ps – product, price, place and promotion – can only be improved by the *whole* organisation focusing attention on its customers. The marketing function should act as the conduit for this.

But does it? To answer this question, let us review the record of practitioners, consultants and academics over the past thirty years.

With practitioners, there is no better place to start than with Tom Peters' famous book, *In Search of Excellence* (1982). Of Peters' original 43 excellent companies, only six were still excellent just eight years later. During the twenty years up to 2000, most of Britain's erstwhile best-performing companies subsequently collapsed.

Barely any companies measure customer retention by segment, while 86% of western European companies still have no idea whether they make or lose money from their top ten customers.

Furthermore, most of the marketing information demanded by the investment community is not provided in annual accounts, and few marketers measure the financial impact of marketing strategy and report it to the board. Even fewer use any of the fabulous diagnostic tools available to them. After over 50 years of

marketing, marketers are seen by their colleagues as unaccountable, untouchable and expensive.

Consultants have fared little better. The author has unearthed over 300 consultant fads, ranging from MBV to The One Minute Manager, each of which has been hungrily gobbled up by managers desperate to reveal their fading fortunes, with the inevitable failed consequences. While consultants have fared slightly better than marketing practitioners, they can hardly be adjudged to have advanced best practice.

The worst performance of all, however, has come from the marketing academic community.

Learned journals have relevance to academics and their role is fully appreciated, but the influence and prestige afforded to them by the RAE is out of all proportion to the problems facing the global marketing community. It succeeds only in diverting the abundant genius in our academic community into a cul-de-sac. Furthermore, the style of such pieces has become increasingly dense, impenetrable and irrelevant.

The net impact of this sad neglect by the academic and practitioner communities is that marketing as an organisational function has been relegated from the position of core strategymaking engine to marginalise sales support department, in charge of T-shirts and promotion.

From tactics to strategy

To instigate a recovery in marketing and revitalise this key source of competitive power, we must act with deliberate and determined resolve. First, we must work hard to recapture the high ground – strategy.

This, however, means reaching some kind of consensus about what marketing is (and is not). Enormous damage is done to our cause when, for example, the president of the Chartered Institute of Marketing declares: 'Marketing isn't a function. It is an attitude of mind.' Many will wonder how an attitude of mind can be measured, researched, developed, protected and examined, all of which are the avowed purpose of the professional body.

Add to this the hundreds of different definitions of marketing to be found in books and papers on the subject – most of which involve *doing* things *to* customers – and the confusion mounts.

Let us be unequivocal about marketing. Just like finance, HR or IT, it is a *function*: a specific business activity that fulfils a fundamental business purpose.

Marketing is a process for:

1. defining markets;
2. quantifying the needs of the customer groups;
3. putting together the value propositions to meet those needs, communicating these value propositions to those in the organisation responsible for delivering them and getting these people to buy into their role;
4. playing an appropriate part in delivering these value propositions (usually only communications);
5. monitoring the value actually delivered.

There is more than enough evidence to prove that the key determinants of corporate success – correct market definition, market segmentation and market positioning – are poorly understood by corporations. Steps 1 and 2 are about strategy determination, while steps 3 and 4 are about tactical implementation and

measurement. It is these latter two that have come to represent marketing as a function, which is still principally seen as sales support and promotion.

The marketing process is clearly cyclical, in that monitoring the value delivered will update the organisation's understanding of the value that is required by its customers. The cycle may be predominantly an annual or with a marketing plan documenting the output from steps 1 and 2, but equally changes throughout the year may involve fast iterations around the cycle to respond to particular opportunities or problems.

The main point of all this is that for marketing to survive, and indeed thrive, as the powerful function we know it can be, some radical changes must take place. Realising marketing's full potential requires universal recognition of its acute strategic importance and commitment to the adoption of a sensible approach to its implementation. Failure to learn from experience can have hard-hitting and long-lasting implications.

'Physical distribution management' became 'logistics' and eventually 'supply chain management'. Staff departments became 'personnel', then 'human resource management'. Both are on boardroom agendas. Sadly, marketing also needs a new name.

The framework given here is an effort to steer us away from the misguided and misrepresented notions of marketing, and towards a more realistic and relevant pursuit of marketing excellence. Marketing is long overdue for a reality check and it is high time we put the health of marketing at the forefront of change.

ABOUT MALCOLM MCDONALD

Professor Malcolm McDonald, until recently, Professor of Marketing and Deputy Director Cranfield School of Management with special responsibility for E-Business, is Chairman of six companies and spends much of his time working with the operating boards of the world's biggest multinational companies, such as IBM, Xerox, BP and the like, in most countries in the world, including Japan, USA, Europe, South America, ASEAN and Australasia. He has written thirty-eight books, including the best seller "Marketing Plans; how to prepare them; how to use them" and many of his papers have been published. Professor Malcolm McDonald will be giving a series of three one-day classes: • Strategic Marketing Planning • Competitive Marketing Strategy • Key Account Management. 16 to 18 February 2004, Balalaika Hotel, Sandton. SBS Conferences: (021) 914-2688, www.sbs.co.za/wcm2004.
View my profile and articles...

For more, visit: <https://www.bizcommunity.com>