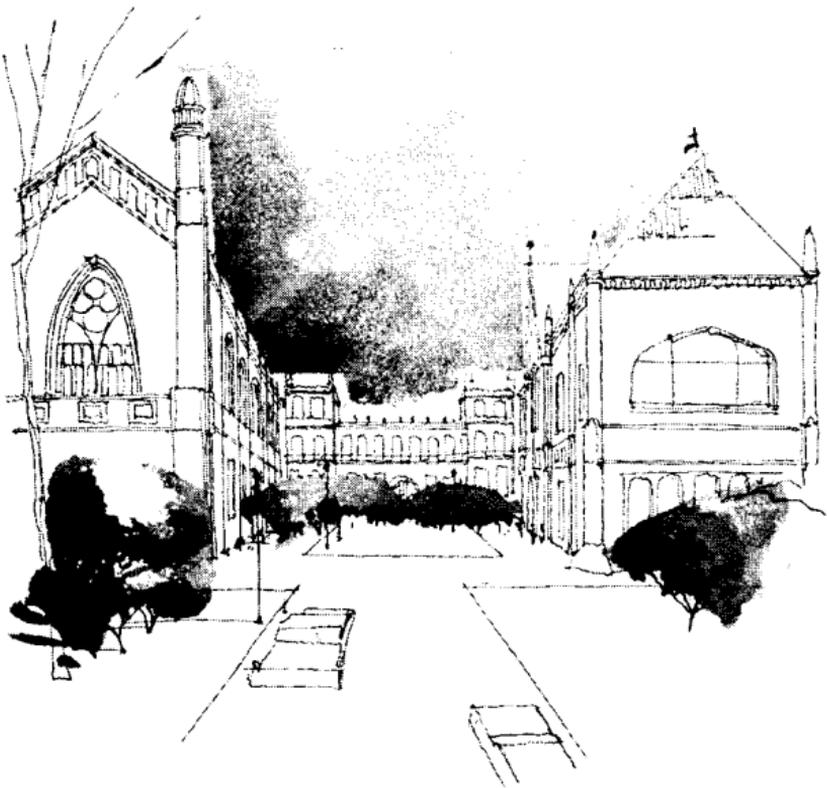


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Marketing Policy: Another View of the Forest

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Marketing Policy: Another View of the Forest

I CHOSE the title of this talk with care. It is a big umbrella and has the virtue of promising nothing very specific-or for that matter, just nothing. But ever mindful of the Federal Trade Commission's interest in misleading advertising and/or labelling, I think it is important that the title protect me-and you-from expecting any new pronouncement or any allegedly revolutionary research discovery that will open the way to larger sales and profits. As all of you must know, most such promises prove empty ones. After nearly half a century of self-conscious search-and research-it must be admitted that our knowledge of marketing phenomena is still somewhat meager and unsatisfactory.

Marketing problems are hard problems and don't readily yield to easy solutions. While new substantive discoveries and the powerful tools of mathematical analysis have resulted in dramatic changes within the factory, their contribution to the solution of marketing problems has so far been much more modest, and they are still characterized by promise more than performance in the most important marketing policy matters. I hasten to add that I do not intend to knock research, mathematics, models, or computers. They are contributing to our understanding and they *are* full of promise: but in most basic marketing policy issues, the problems still remain and systematic solutions are still in the future. In fact, one might say that we still don't understand our successes, much less our failures.

Thus, I am careful to enter this disclaimer of any intention to bring you new precedent-

shattering revelations or discoveries today. Rather, my talk is exegetical; frankly evangelistic and hortatory.

It is a reconsideration, and even a repetition, of some elementary notions that seem to me too often overlooked in the conduct of marketing management and the formulation of business policy.

Tactics and Details

It is my impression that the legacy of scientific management-and management science-is too often a preoccupation with tactics and details.

With Peter Drucker, I believe that we show too little concern about what to do and we too often content ourselves with an almost obsessive concern for how to do it.

So today I want to concentrate on the question of doing the right thing, and put aside for the moment the less important question of doing things right.

When reflecting on his company's move into retail stores, General Robert E. Wood aptly observed: "Sears made every mistake in the book except one; it catered to automobile traffic." The implication of Wood's statement is clear. A business can tolerate enormous error in detail, if it succeeds in identifying and moving in the right direction at the right time.

We stand today (as the Chief Executive never tires of telling us) at historically high levels of economic achievement, and we continue to enjoy what is now a record business expansion.

Despite the general economic well-being that supports us all, however, prosperity is notably unequally distributed among companies. It is certainly true that the metaphor of the "soaring sixties" is happily lost from the lexicon, and platform prophets have

muted their predictions of “a new era” which was to be sustained by a population boom on the one hand and the commercial product “fallout” of multibillion R&D budgets on the other.

Promise Unfulfilled

At this mid-point of the decade, it would be an outrageous exaggeration to say the “soaring sixties” have soured. **But there is** nonetheless a pervasive concern in many board rooms that the decade has yet to fulfill the promises and predictions earlier made, **and there is the lurking suspicion that “marketing”** is to blame.

An expression of disappointment is evident in the following quotation:

Virtually every . . . product market is saturated and only replacement sales exist. The marketing of vodka may represent the most notable achievement of the last decade. . . . Consumer products are now lagging behind the gains possibly brought about by technology, because too many feel it is safer to imitate than to innovate. Exhortations to “sell more” or “buy more” are not enough.

These are not the churlish observations of the best-selling, and notably fluent, Professor Galbraith. They are not the doomsday warnings of the *Nation*, the *New Republic*, or even Consumer’s Union. They are the conclusions of *Printer’s Ink*-a stalwart friend of the marketing fraternity.

Another thoughtful corporate observer-J. B. McKitterick, a senior executive from that notorious radical cell, the General Electric Company-has put the issue as follows:

Far too many of our companies today are filling . . . top management ranks with executives skilled in problem solving, when they should be seeking problem formulators-someone to specify tasks worthy of the organization’s best efforts, someone who sees what the country really needs and is more dedicated to that vision than to forever attempting

to repeat some past success. . . . Imaginative ideas entailing some real element of uncertainty tend to be cast aside in preference for safe trivia. Yet . . . the profit rewards from endlessly doing old things more efficiently also are trivial. Indeed, the obvious which is quickly imitated by competition may turn out to be a far more risky investment than some unique and original conception. . . .

On every side . . . we can find profit opportunities lost due to our fear of change. The increasing inversion of creative effort that shifts engineering attention from the customer's problem back into the factory production process, or diverts marketing research from the search for new opportunities to the evaluation of past results only mirrors the pronounced tendency of management to invest in old businesses at the expense of new undertakings. Our staggering outlay to improve our competitive position in static or even shrinking markets, backed with new facilities, product development programs and costly sales promotions, is a chronic source of spiraling expense and sinking prices. . . .

We are led to wonder what happened to the highly advertised "marketing concept" which has been proclaimed loudly and often.

In too many cases the marketing concept has been misconceived; the sales manager has been transmuted into a marketing vice-president with little more result than higher overhead.

Perspective and Relationships

The marketing concept is in essence much less a matter of reorganization within a business than it is of ***perspective*** and a view of ***relationships*** between the business and what is outside and beyond it.

If we look to 1970 and beyond, the projected economic growth is encouraging, but it is no more reassuring for the individual business than the record of the past would lead us to expect it to be. The post-war period in distribution, for example, has been exciting-and frustrating-and there is no reason in the world to believe that the future will be less so.

I take it for granted that tomorrow's leadership depends on a command of timely and relevant data on what is happening "out there," at the point of commercial attack and purchase, on the field where buying decisions are made. Continuing, accurate, and relevant market information is clearly basic, but it is not enough.

The acquisition of market data and the provision for timely feedback are technical problems. My concern today is rather with management attitudes.

Leadership in tomorrow's markets will depend on management having or acquiring certain vital attributes and attitudes-in addition, of course, to providing for all the details of planning and implementation. Among these critical attributes are:

- Imagination and perspective.
- The avoidance of excessive generalization.
- Venturesomeness and conviction.

Imagination and Perspective

By imagination I do not imply here the capacity for generating truly original aesthetic or technical concepts. I emphasize rather the necessity to free ourselves from the "it can't happen here" syndrome. The fact is that it can and it has happened to and in:

- Rails (vis-a-vis trucks, air, buses, autos, and pipelines).
- Sears department stores-which everybody once knew wouldn't work.
- Paperback books-which established publishers knew would never make the grade.
- The supermarket-which the great Atlantic & Pacific Tea Company believed was ill-adapted to American housewife shopping interest.

-The thirty-second, back-to-back TV commercial which all (or most) advertising experts were sure couldn't do a selling job.

-And, of course, the discount house.

It is critical that managers free themselves from the conceit that "the business," that is to say "our business," is immortal. "Our" view is almost irrelevant; we must strive constantly to identify with the perception of the customer and the potential customer. It is their perspective that is controlling.

The successful product offering does not achieve its relevance by definition or decree; but only in terms of what the market-the customers-perceive through the filters of their experience, wishes, and values.

As to

one of our hazards is that we seek to generalize too much (an occupational disease of schoolteachers, including this one). In a sense, excessive generalization is an aspect of the "it can't happen here" syndrome.

Excessive generalization is an especially seductive temptation in marketing, a decision area beset with uncertainty, frustration, and doubt. Small wonder we search for principles of actions, for a code and a rule-book.

Excessive generalization amounts to accepting the cliches, the tactics, and the strategies of tradition. It is the practice of hitching one's wagon to the trend.

By accepting what everybody knew, Richard Warren Sears would never have gone into the mail-order business and, therefore, the company wouldn't have been around to make the mistake that virtually all knowledgeable department store executives proclaimed when Sears went into the retail business.

A special aspect of our tendency to over-generalize is the search for "growth markets."

It is true that there are things which may properly be labeled growth markets, and it's certainly nice to be in one, but it is important to realize that they exist and are meaningful only in the most general sense. For example, it is unquestionably true that there has been a dramatic increase in consumer expenditures (both absolutely and relatively) for recreation and services. *But* by this generalization, bowling manufacture should be an enormous success. The fact is that it once was, but there is some evidence that things have changed.

The Particular Counts

Thus, it is the *particular* that counts. There are great differences concealed in broad categories and in averages. As a recent Stanford Research Institute report noted: "There is no such thing as a growth industry. There are only companies organized and operated to capitalize on growth of opportunities."

We tend to talk too glibly about "the market" and about "the customer." The facts are that within any general market category there are many different sub-markets or market segments, and many kinds of customers with varying degrees and levels of income, education, taste, value systems, and personality. Many of these are dimensions which enhance the opportunity for adapting offerings to special customer segments for which the business may be peculiarly well suited.

The admonition to "think small" in the inspired Volkswagen advertising campaign can be a superb suggestion with respect to thinking about markets.

With respect to attitudes of *venturesomeness* and conviction-tomorrow's leaders, like today's and yesterday's, must be characterized by boldness and faith, and a tolerance for risky undertakings. We can hardly know in advance what the outcome of really *strategic*

moves will be. Profit is a reward for successful risk-taking in commitments to a future dimly seen.

The creative entrepreneur has always been sustained by strong conviction that his was a market strategy which offered profits and promise. One thinks again of Richard Sears and General Wood, of Birdseye and frozen foods, of Dr. Land and the Polaroid camera, of Giannini and his bank.

Peter Drucker has effectively stated the requirement p. 190):

To make the future demands courage. It demands work. But it also demands faith. To commit ourselves to the expedient *is* simply not practical. It will not suffice for the tests ahead. For no such idea is foolproof-nor should it be. The one idea regarding the future that must inevitably fail is the apparently "sure thing," the "riskless" idea, the one "that cannot fail." The idea on which tomorrow's business is to be built must be uncertain; none can really say as yet what it will look like if and when it becomes reality. It must be risky: it has a probability of success but also of failure. If it is not both uncertain and risky, it is simply not a practical idea for the future. For the future itself is both uncertain and risky.

Unless there is a personal commitment to the values of the idea and faith in them, the necessary efforts will . . . not be sustained.

Defining the Marketing Strategy

If we are to survive in the changing and sometimes stormy weather of the marketing climate, we must have a coherent marketing program—a strategic marketing offering strong enough and flexible enough to ride out the hurricanes of the market.

It may be worthwhile here to illustrate the difference between strategy and tactics in marketing. The old line casualty insurance companies offer a lesson. There can be few better illustrations of the consequence of a preoccupation with tactics at the sacrifice of strategic

considerations. It has long been the conviction of most traditional insurance companies that the independent agent is the key to underwriting volume. "Everybody knew" that insurance had to be *sold*. The agent, motivated by high commission rates and trained to a fine edge, represented the guerrilla warriors to whom the insurance underwriters looked for victory. And for years and years they appeared to be right.

The great problem in marketing insurance, it was said, was that of selecting the right agents, training them, and thereby reducing turnover. Thus:

More than 35 years ago, the insurance industry embarked on an intensive program to solve the problem of costly, wasteful turnover among its agents. Estimates at that time indicated that there was a turnover of better than 50 per cent within the first year and almost 80 per cent within the first three years.

After the expenditure of millions of dollars and 35 years of research, the turnover in the insurance industry remains approximately 50 per cent within the first year and 80 per cent within the first three years (*Harvard Business Review*, July/1964, p. 119).

LIAMA, the Life Insurance Agency Management Association in Hartford, has vaults full of files and test results-and training programs.

Meanwhile, back at the ranch-in the heart of the Midwest-a small shadow emerged no bigger, as they say, than a man's hand. This was the direct writing company. This company did not depend on the independent agent. It did not depend on a sheltered and redundant rate structure. It did not depend on high commissions. It said that the world had changed and that casualty insurance (specifically automobile insurance) for millions of potential customers might now be nearly a routine purchase in a mass market. It recognized a change in the product life cycle, and the potential of a lower price.

But nearly everybody in the rich, fat, respectable, established and profitable insurance companies back East knew that direct writing contradicted all the principles of insurance selling.

To make a long and to some a depressing story short, within a few years the direct writers came to enjoy the largest market shares in the industry. And now, some 25 years later, the traditional insurance companies are convinced that direct writing is here to stay.

Rather than a preoccupation with the important, but not determining, tactics of *selling* insurance, market *strategy* depended on a redefinition of product and price and a perception of customers' views of the buying process. While the industry was spending millions upon millions in perfecting or trying to perfect a system of distribution with a rate structure that was rapidly becoming obsolete, it was ignoring the soft underbelly of the strategic product offering.

The Key Decisions

What, then, are the elements of a marketing strategy? What are the essential parameters which identify how the business will compete? This is to say, what are the key decisions?

Any marketing strategy in any business—however different in other respects the business may be—can be identified in terms of a quite limited number of critical elements:

- The market targets or objectives.
- The product and product line.
- The channels and outlets to the market.
- The price and margin policy of the firm.
- The market communications program of the firm.

These are the elements about which the business has some choice; these, if you will,

are the factors which the business can “control.” These are the policy choices which offer opportunities for innovation.

It is out of these elements that the firm must forge a strategy which gives it a differential advantage in cultivating markets. In combination, they represent the enterprise product offering and the design for competition.

Determinants of Strategy

If the choices with respect to product, pricing, distribution, and market communications constitute the elements of strategy, to what considerations do we look to decide which choices should be made?

There are, of course, some environmental conditions which must be met; basically they include consumers, the trade structure, government, and competition. And the greatest of these are competition and customers, and the greatest of all are customers. Potential and actual customers constitute the crucial and the unyielding variable in the equation. Markets-any and all markets-may be characterized and profiled in terms of population, income, wants and attitudes.

Achieving noteworthy success and developing a winning business strategy means that we begin and we end with insight into and understanding of the market. Everything depends on sensing what is going on “out there” where potential customers are.

Opportunities, Not Tactics

Corporate longevity and profitability presume a commitment to the search for and development of market opportunities instead of a losing race of preoccupation with the tyranny of tactical problems,

Unless we take this notion seriously, we do not accept the marketing concept in managing

our business. A well-known advertising executive, Tom Dillon, has pointedly noted that:

. . . Business [has] generally evolved along Darwinian lines. Like all living things, a business sought to adapt itself to its environment, and when it failed to adapt itself to changes in that environment, it died.

The business that died out was much like the dinosaur. The dinosaur presumably made good day-to-day adaptations to its environment. It probably made a pretty good choice of what leaves to eat off of what trees and selected the most desirable swamps in which to slosh. At a tactical level of decisions we have no reason to believe that these giant beasts were not reasonably competent.

But when faced with major changes in earth's climate and competitive behavior of other animal and plant life, the dinosaur was unable to make a strategic adaptation to its new environment.

For centuries business organizations have lived and died much as the dinosaur, unable to adapt themselves strategically to their environment with the speed necessary to maintain survival.

. . . the marketing concept hinges at least in part on the basic idea that the environment of a business is the market and that, if it chooses to do so, a business can continually make strategic adaptation to that market. It can change its organization, its products and services to maximize adaptation, thereby avoiding the necessary fatalities of the Darwinian system of natural selection.

If we are to survive the fate of the dinosaur-and even what some believe to be the death of the salesman-we must have a coherent marketing program; a strategic offering strong enough to override the numerous inefficiencies in any operation; a strategy virile and interesting enough to command attention, purchase, and-hopefully-loyalty.

Continued success-the future growth of sales and profits-demands that we recognize that the market is impatient, indifferent, demanding, sometimes nearly inscrutable. And above all, the market is in charge.