Audio-Tech Business Book Summaries

Ten Deadly Marketing Sins

Signs and Solutions

by **Philip Kotler**

A summary of the original text.

In this issue:

- ***Identify...*** and overcome the 10 most glaring marketing deficiencies that keep companies from succeeding in the marketplace.
- ***Attain...*** high marketing productivity and profitability by segmenting your market, choosing the best segments, and developing a strong position in each segment.
- ***Understand...*** your customers' needs, perceptions, preferences, and behavior, and motivate your stakeholders to obsess about serving and satisfying the customers.
- ***Develop...*** systems for identifying and stimulating opportunities, ranking them, and choosing the best ones.
- ***Manage...*** a marketing planning system that leads to insightful long-term and short-term plans, and exercise stronger control over your product and service mix.

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Marketing is in bad shape. Not marketing theory, but marketing *practice.* Every new product or service needs to be supported by a marketing plan that brings in a good return that covers the investment of time and money. But then why do 75 percent of new products, services, and businesses fail?

Marketing is supposed to drive business strategy. The marketers' job is to research new opportunities for the company and carefully apply *segmentation, targeting and positioning* — or STP — to point a new business in the right direction.

Then marketers are supposed to flesh out the *4Ps — Product, Price, Place and Promotion* — making sure that they are consistent with each other and with the STP strategy.

Then marketers are supposed to *implement* the plan and *monitor* the results. When the results deviate from the plan, marketers have to decide if the culprit is weak information, a bad marketing mix, a misdirected STP, or poor market research.

But today, too many marketing departments don't handle this whole process. It's handled by a mix of marketers, strategists, finance types, and operations people. Somehow, a new product or service emerges, and marketing is left to its true mission as conceived by others in the company, namely selling and promoting.

Most of marketing is reduced to a one-P function — Promotion — not a four-P job. If the company ends up making a product that doesn't sell well, most of marketing's task is to clear up the mess through hard selling and advertising.

Every indication suggests that marketing will become even more challenging in the future than it is today. Consider the following seven challenges:

1. ***National brands are finding it harder to get an adequate premium to cover their brand-building cost.*** **Why? Wal-Mart**

and its imitators are insisting on much lower prices from suppliers if these suppliers want Wal-Mart's business. And mega-retailers are increasingly putting out their own store brands that are reaching a level of quality equal to the national brands. Store brands don't have to pay for research, advertising, and selling.

2. ***Companies have been embracing Customer Relationship Management as the latest cure for their ills.*** **This means collecting private information about individuals to make a better guess at what they can be tempted to buy. But there is growing opposition to the collection of personal information. Furthermore, people are increasingly upset with junk mail, spam e-mail, and telemarketing phone calls. Companies better move to permission or "opt-in" marketing as soon as they can.**

3. ***No matter how cheaply a company can produce its products domestically, it can't be the cheapest as long as China has a say.*** **China can produce everything cheaper and is starting to make it as good. China will have the power to repeat the Japanese game: better quality at lower prices.**

4. ***Mass marketing costs are rising even though mass marketing effectiveness is falling.*** **As fewer people pay attention to TV commercials — either ignoring or zapping them — TV networks are raising their prices. This will force marketers to find a more effective media.**

5. ***Differentiation isn't working.*** **Professor Theodore Levitt said years ago that you could differentiate anything, including salt and cement. But the problem is two-fold. Many differentiations don't matter to customers — they are spurious or not compelling. Worse, competitors are quick to copy any effective differentiation, leading innovators to enjoy even shorter life-cycles, barely recovering their investments.**

6. ***Consumers are more informed and sophisticated in their buying habits.*** **A customer who wants to buy a digital camera goes on www.mysimon.com and finds over 25 on-line merchants stating their prices for this camera. People are being trained into price consciousness. Buying on-line is all about price, not reliability or service differences.**

7. ***Companies continue to cut their marketing expenses during recessions, the one prop on which their sales depend.*** **But because companies don't get hard data on what their marketing expenditures are doing, can you blame them?**

The point is that marketers will face increasing challenges in trying to preserve company margins and hit company profit targets. To make matters worse, many companies are inefficiently organized from a marketing standpoint. Adding company marketing inefficiency and ineffectiveness to all these challenges is a recipe for disaster.

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Kotler set out to identify the most glaring marketing deficiencies that handicap companies from succeeding in the marketplace. He found what he calls the 10 Deadly Sins of Marketing:

1. Your company is not sufficiently market-focused and customer-driven.
2. Your company doesn't fully understand its target customers.
3. Your company needs to better define its competitors and monitor them.
4. Your company has not properly managed its relationships with stakeholders.
5. Your company is not good at finding new opportunities.
6. Your company's marketing plans and planning process are deficient.
7. Your company's product and service policies need tightening.
8. Your company's brand-building and communications skills are weak.
9. Your company is not well-organized to carry on effective and efficient marketing.
10. Your company has not made maximum use of technology.

Let's discuss each of these sins in detail, including both the *signs* that it is a problem in your company, and the best *solutions* for fixing it.

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1. Your Company Is Not Sufficiently Market-Focused and Customer-Driven

Let's look at the first sin — your company is not sufficiently market-focused and customer-driven. Here we single out the two sides of the most handicapping deficiency in most companies. Either your firm has not gained insight into your market opportunities, or it is not well-organized to serve and deliver what your target customers want or expect.

The signs that your marketers have not sufficiently analyzed your market include:

- Poor identification of market segments.
- Weak or no prioritization of market segments.
- A lack of market segment managers.

When you ask, "Who are you trying to sell to?" the answer "everyone" is unacceptable. The owner of a retail store might say, "We sell clothing to women between ages 20 and 50," but that doesn't mean the store's target market is clearly focused. That's a pretty large group whose needs are quite varied. Younger women are more likely to dress for the social scene, while the 35 and older group is probably more interested in clothes for work and home.

Many companies do identify different segments of the market and make offers to each segment. An aluminum manufacturer may sell aluminum on different terms to manufacturers of airplanes, cars, and kitchen appliances. But has the company really analyzed the attractiveness of each segment? Has it estimated the rates of return on its investment in the different segments? Has it prioritized the segments and reallocated its resources to the more profitable segments?

The more important segments should have managers who are empowered to ask for budgets that they believe will produce the company's target rate of return — and they should be rewarded accordingly.

Now let's talk about solutions. Most companies can ***do a better job of segmenting the market.*** Too many are stopping at the demographic or descriptive level. A given demographic group — say 30- to 50-year-old men — usually contains quite different individuals, with varying needs and preferences.

Ford found this out when it launched the new Mustang to appeal to young sports-minded drivers, only to find that many young people were not interested and many older people rushed to buy the car.

In general, try to segment the members of a market by different needs, or by the benefits they seek. Then try to find demographic descriptors that might correlate with these needs and benefits to make the search for these prospects easier.

Then, ***prioritize the segments.*** Suppose your company has identified more than one segment. For example, IBM sells mainframe computers to companies in many industries. IBM recognized that some segments were more important than others. It identified 12 industries where it could focus its effort — industries such as banking, insurance, hotels, telecommunications, and transportation. By focusing on these industries, IBM was able to design more compelling offerings than unfocused competitors could present.

Also, if customer segments are different, then you should ***develop specialized sales forces.*** IBM learned long ago that sending the same IBM salesperson to sell a computer to a bank and to sell a computer to a hotel chain didn't result in much business. The salesperson knew too little about the needs of either banks or hotels. IBM found that it is much better to hire ex-bankers and ex-hoteliers to sell to these industries. They have deep experience and a network of relationships in these industries, all of which puts them in a better position to sell effectively.

Another problem is insufficient customer orientation. This occurs when most employees think that it's the job of marketing and sales to serve the customers; when there is no training program to create a customer culture; and when there are no incentives to treat the customer especially well.

The solution to this is to ***develop a clear hierarchy of company values,*** with the customer at the top. And ***make it easy for customers to reach the company*** by phone, fax or e-mail — and respond to them quickly.

2. Your Company Doesn't Fully Understand Its Target Customers

The second deadly sin is that

your firm doesn't fully understand its target customers. The signs include:

- Your last study of customers is out of date.
- Your customers are not buying your product at the expected rate.
- Competitors' products are selling better.
- There is a high level of customer returns and complaints.

To solve this problem, you need to do more sophisticated customer research. The current buzzword is *customer insight* — and the company that gains deeper insight into customers' needs, perceptions, preferences, and behavior will gain the competitive edge.

What research does your company do? Sometimes the best research consists of continuously dialoguing with your target consumers, singly and in groups. While valuable, this sort of "street talk" is not sufficient. More formal approaches are needed. These might include focus groups, surveys, depth interviewing, in-home research, in-store research, and mystery shopping.

One can learn a great deal by inviting eight to 12 individuals to participate in a *focus group* led by a skilled moderator on a focused topic. For example, Mercedes was considering introducing to the U.S. its Smart Car — a small but stylish car that is a hit in Europe. But participants in focus groups were skeptical, saying that the car looked unsafe, was too expensive, and might be considered only if they needed a third car for short shopping trips. After hearing this from several focus groups, Mercedes decided not to introduce the car in the U.S.

Surveys can be used if they are designed correctly and if all the interviewees answer the questions. When there are a lot of non-cooperating respondents, the hope is that they do not differ significantly from the cooperators.

Depth interviews — which are one-on-one encounters based on Freudian, Jungian, or other psychological approaches — attempt to bypass the individual's rational faculties. But like focus groups, it is difficult to know how representative the findings are relative to the general population.

In-home research is a behavioral-oriented technique used to observe people's behavior in a real situation. Families agree to carry on their normal activities while researchers armed with video cameras record their interactions.

In-store research studies how shoppers react in stores. Paco Underhill revealed some of his findings on in-store research in his book, *Why We Buy: The Science of Shopping.*

- First, he observed that there is a transition zone upon entering a store. Shoppers may move too quickly to observe or respond to signs, or merchandise immediately upon entering, but they do begin to slow down.
- Second, merchandise must be available to the touch. Shoppers confirm their interest in an item by handling it.
- Third, men don't ask questions. They would rather leave a store than ask where something is. Also, they move faster than women through stores, and it's hard to get them to look at anything they didn't intend to buy.

Mystery shopping involves hiring people to act as shoppers in your own company and your competitors' locations. Companies often find insights into their own failures to satisfy customers through this technique.

But beyond collecting raw data, consumer needs can be probed more deeply through projective techniques such as word association, sentence completion, and thematic apperception tests. Some researchers use a laddering technique in which they follow the consumer's explanation with another probing question.

For example, a consumer may say that he bought a Mercedes because it is better engineered.

"Why is this important to you?"

"Because the car will ride more smoothly."

"Why is that important to you?"

"Because I like to be comfortable."

"Why is that important to you?"

"Because I feel important and deserve the best."

Thus we move from a simple explanation to a much deeper set of meanings motivating the customer.

Using a technique called *perceptual mapping,* researchers can show how consumers perceive different brands in relation to a set of attributes. Suppose consumers are asked to rate car brands on two dimensions, status and reliability.

The research might show that the average consumer would position Jaguar as high in status, but medium in reliability. By viewing all the cars in the perceptual mapping space, one can discover which cars are the closest competitors to a specific brand.

Companies can also use a number of techniques to assess consumer preferences. Among the simpler approaches are consumer ratings and rankings. A more sophisticated approach is *conjoint analysis,* where consumers rank their choices among a hypothetical set of fully described concepts.

Their choices can be analyzed to reveal the relative importance they place on each attribute, which guides the company to know which concept would be the most successful.

Consumer data can also be analyzed by regression, discriminant, and cluster analysis methods to predict how likely consumers are to respond to different stimuli, such as prices, features, and so on. *Predictive analytics* are used by direct mailers to select the prospects who have the highest probability of responding positively to an offer.

Companies are also increasingly gathering information about a customer's past purchases, demographics, and psychographics in the hopes of gaining a fine understanding of each customer. Of these strands of information, past purchases serve as the most useful information, indicating the customer's revealed preferences.

Such customer data is stored in a *data warehouse.* A sample of this data is put into a *data mart* and analyzed by skilled *data miners.* The data miners are often able to spot new segments that can represent a new opportunity for the company. Or they can spot trends in products, features, or services that might alert them to new offerings. They can also test the effectiveness of predictive analytics in reaching the best prospects.

3. Your Company Needs to Better Define Its Competitors and Monitor Them

The third deadly sin occurs when you need to better define and monitor your competition. Danger signs include:

- Focusing on the wrong competitor.
- Lacking a way to gather and distribute competitive intelligence.

For instance, while McDonald's would correctly name Burger King and Wendy's as its main competitors, it would be helpful for them to also include Taco Bell and Subway — and include supermarkets that have added prepared foods.

But once you've identified your competitors, how do you monitor their resources, strategies, and practices?

First, ***establish a person or office responsible for collecting and disseminating all the competitive intelligence.*** Find someone who would function as a librarian and is gifted at tracking news about competitors on the Internet and developing competitor profiles. Tell employees who face competitors to check in with this person to be briefed on how the competitor thinks.

Another solution is to ***hire people away from your major competitors.*** This should not be done to steal secrets that belong to the other companies (which is unlawful) but to get to know how the competitor thinks and acts.

You should also ***monitor every new technology that might hurt your business,*** because there is no greater threat to many companies than a new or better technological advance. View these threatening technologies as investment options. Adopt the maxim: "Every company should cannibalize itself before someone else does."

There's a story about the manager of General Electric's vacuum tube division, who came into his boss's office boasting of having increased the business by 20 percent. His boss fired him. "You increased the vacuum tube business because our competitors went out of business. That was easy. What you should have done is gotten us into the transistor business. You kept us in the past when you should have prepared us for the future."

You should also ***prepare offerings similar to those of your competitors.*** Consider the Austrian crystal firm Swarovski. One of its divisions makes fine lead crystals for chandeliers. Their crystals are the finest and the most expensive. However, a European competitor emerged who charged 20 percent less than Swarovski and then an Egyptian competitor emerged who charged 50 percent less.

What should Swarovski do? The easy way out is to lower its price, but that would cut into profits. A better answer is to use strong pull branding to get hotels and homes that buy chandeliers to insist on Swarovski crystal. A still better answer is to show chandelier makers or hotels how they can save money or time using Swarovski crystal because it doesn't have to be cleaned as often or it can be mounted quickly with a special Swarovski patented process. Maybe the best answer is for Swarovski to buy the European and the Egyptian competitors, or to start lower-end businesses so that the crystal buyer can buy "good, better, or best" crystals depending on his budget.

4. Your Company Has Not Properly Managed Its Relationships with Its Stakeholders

The fourth deadly sin is that your company has not managed its relationships with stakeholders well. Signs of trouble are:

- Your employees are not happy.
- You have not attracted the best suppliers or distributors.
- Your investors are unhappy.

To solve this problem, begin by ***moving from zero-sum thinking to positive sum thinking.***

In earlier times, a businessperson thought that the size of his pie was fixed. His conclusion: He could gain the most by paying his partners — including employees, suppliers, and distributors — the least. This is zero-sum thinking. Today there is growing evidence that your economic results will vary with the manner in which you treat your partners.

Fred Reichheld, in his book *Loyalty Rules!*, describes many successful companies that reward their employees, suppliers, and distributors generously. This creates a larger pie, including the share that goes to your company. Your company will attract better and more motivated employees, suppliers, and distributors and they will manage as a team to outperform the competition.

Another solution is to ***manage your employees better.*** Employees work best when they are well-chosen, well-trained, well-motivated, and well-respected. This doesn't happen when a firm just hires people, gives them little or no training, gives them little latitude in decision making, and frequently criticizes their work. Such workers can easily become in-company saboteurs.

Employees should not be hired until senior management has clearly defined the company's values, vision, mission, positioning, and target customers. Then the company can search for the right people, train them appropriately, empower them, and know they will "live the company's brand."

Also, you may need to ***manage supplier relations better.*** Seek the best suppliers and reward them at a level that will bring forth their best efforts. The old game — using three suppliers in a category, giving 60 percent to the lead supplier, 30 percent to a second supplier, and 10 percent to a third supplier — is giving way to choosing one excellent supplier. The auto industry has moved in this direction. The company and its supplier partners co-invest in each other and act as a winning team in designing and making cars. This level of partnership can increase the company's quality, productivity, and innovation, while reducing costs.

Finally, you may need to ***manage distributors and dealers better.*** The key is to get them to place a high value on their relationship with you and to put out special effort on your behalf. Much depends on the terms of engagement you set with them. Caterpillar believes that dealers with whom they forge close ties can serve as sources of market information and intelligence, as proxies for customers, and as problem solvers. Its dealers play a vital role in almost every aspect of the business, including product design and delivery, service, and field support. Dealers can be much more than a channel to customers.

5. Your Company Is Not Good at Finding New Opportunities

The fifth deadly sin is that your company is not good at finding new opportunities. The danger signs are:

- Your company hasn't identified any exciting new opportunities in recent years.

- The new ideas it has launched have failed.

The solutions are to ***set up a system for stimulating the flow of new ideas from your partners*** and to ***find a way to use creativity systems for generating new ideas.***

Some companies believe that there are no new opportunities. They say their industry is mature, or that they are selling a commodity. But it's only that their beliefs are getting in the way of their imagination. For example, Starbucks didn't see the coffee market as mature.

No company has to go without new ideas. First of all, the company's employees probably have many ideas for improvement. All they lack is a place to send these ideas and the motivation to send them.

Second, the company's suppliers, distributors, advertising agency, and other partners probably could suggest many new ideas.

Third, there are systematic ways to help employees generate new ideas.

In an excellent article called "Bringing Silicon Valley Inside," Gary Hamel presents one recipe for generating successful new ideas. Silicon Valley, he said, scored its successes because it was the site of three markets: an *idea market*, a *capital market*, and a *talent market.*

Many creative and entrepreneurial people poured into the Valley with new ideas, especially for starting dot-coms. Venture-capital firms abounded to lend money to people with superior ideas, and the Valley attracted many talented people who could write software and implement ideas.

The implication is that companies need to duplicate Silicon Valley internally. The company should place a high value on new ideas and facilitate their collection and evaluation. The better ideas should draw on an internal pool of money to facilitate research and development. The best ideas should then be assigned to the right talent to develop and launch them.

To manage the idea flow, the company should appoint a high-level executive to be the Idea Captain. He should form an Idea Committee with representatives from each major department. Everyone in the company should be encouraged to send ideas to the committee. Everyone submitting an idea will be told of its fate. The strongest ideas that are eventually implemented successfully should carry rewards to the people who suggested them, either with money, vacations, or other tangible rewards. For example, Kodak pays $10,000 each year to its employees who have contributed top money-making or money-saving ideas.

Many of the best ideas will come from observing major shifts in the market environment. These shifts may be political, economic, social, technological, or environmental. For example, one company responded to an economic trend — the high price of hotel rooms in Tokyo — by inventing a hotel that rents berths, not rooms, at a low price.

Companies can also use group or individual creativity techniques to stimulate new ideas. These include brainstorming and several other techniques.

Most companies search for new ideas by starting with their current product and varying it in some way. For example, a cereal company will add raisins or nuts or change the package size. This results in line extensions or brand extensions added to the cereal aisle in the supermarket. Their competitors do the same. The cereal aisle gets longer, but not more profitable. Each product variant draws a smaller number of customers who defect from the larger-selling brands.

Kotler calls this vertical marketing. Its three techniques are:

1. Modulation, as when a juice manufacturer varies the sugar content.

2. Sizing, such as when potato chips are offered in several sizes.

3. Packaging, as when the same chocolates come in different containers.

The main problem with vertical marketing is that this leads to a hyper-fragmented market where few products have the volume to make a lot of money.

Companies need to make use of an alternative idea-generating process that Kotler calls *lateral marketing.* Lateral marketing is to think of your product in relation to another product, service, or idea.

For example, *gas station* plus *food store* equals *convenience store*. *Audio* plus *portability* equals *Walkman*. *Café* plus *computers* equals *cyber café*.

Lateral marketing has great potential to create new product categories, new markets, or new marketing mixes. But in truth, a company needs to master both processes, vertical and lateral marketing, to be successful at innovating.

6. Your Company's Marketing Planning Process Is Deficient

The sixth deadly sin is that your marketing plan is deficient. The danger signs are:

- Your marketing plan format does not include the right components or logic.
- The planning software does not allow you to simulate the impact of alternative strategies.
- The plan does not consider contingencies.

The solution includes ***establishing a standard plan format.*** A marketing plan should string together the following components: situational analysis; strengths, weakness, opportunities, and threats; major issues; objectives; strategy; tactics; budgets; and controls.

Make sure that each stage follows from the previous stage. The situational analysis leads to sorting out the company's major strengths, weaknesses, opportunities, and threats. This leads to setting the right objectives. A strategy is formulated that promises to achieve the objectives. Tactics are developed that flesh out the strategy. The tactics have costs that add up to the budget request. Controls are put in place to check on whether the plan is delivering the objectives or whether changes are needed in mid-course.

Senior management should also ***establish flexible budgeting.*** Ask managers what they can accomplish with 20 percent more money. Each manager would have to describe how he would use the extra money and how much he thinks it would increase his sales and profits. Ask the same managers what would happen to their sales if their budgets were reduced by 20 percent.

Using all this information, the company can allocate money to those who can do the best with their adjusted budgets. The workability of flexible budgeting depends on the credibility of the estimates. After repeated use of this system, it will become clear which managers can competently forecast results and which ones are not to be trusted.

7. Your Company's Product and Service Policies Need Tightening

The seventh deadly sin is when your firm's product and service policies need tightening. The danger signs are:

- The firm has too many products, and many are losing money.
- The firm is giving away too many services free.
- The company is poor at cross-selling products and services.

To solve this problem, ***use a product tracking and evaluation system*** to distinguish strong products from weaker ones and make appropriate decisions. Despite the explosion of product varieties, many of them lose money.

For example, in 1999, Unilever found that 50 of 1,600 brands — or 3 percent — accounted for 63 percent of their revenue. Unilever identified 400 of its strongest brands, calling them core or power brands. These brands, such as Dove, Lipton, and Hellmann's, were able to support more line, brand, channel, and geographical extension. The other 1,200 brands would be reduced in number — through sale, liquidation, or combination. Ultimately, Unilever would sell fewer brands but make more money. This refocusing on power brands is also going on at Procter & Gamble, Nestle, Heinz, and several other companies.

Another solution is to ***offer and price services at different levels.*** Don't give away free services that customers take but don't value or even use. This means the company is wasting money on services that are not valued. And don't give away free products that the customer would have been willing to pay for. Instead, establish different customer segments, some of which have to pay for the service and others that will get the service for free.

In addition, it's important to

improve the processes for cross-selling and upselling. Some salespeople resist mentioning other products of their company. They may be happy making the sale and don't want to appear pushy. They may not make much or any commissions on other products. They may not think the other products are of sufficiently high quality to satisfy the customer.

The same problem occurs in the professions. A CPA may not recommend that his client use his firm's management consulting services. In any case, a company with a range of products needs to supply training and incentives to encourage its staff to promote other products that might interest the customer.

Upselling has two meanings. One is inducing a customer to buy a more expensive version of a product than the one he came to see. The other is to approach a customer some years after a purchase and suggest that it is time to replace the old product with a much better one. Your staff needs skills in both upselling and cross-selling.

8. Your Company's Brand-Building and Communications Efforts Are Weak

The eighth deadly sin is when your brand building and communication skills are weak. The warning signs include:

- Your target market does not know much about your company.
- Your brand is not seen as distinctive and better than other brands.
- Your company allocates the same amounts of its budget to the same marketing tools every year.
- You do little evaluation of the ROI impact of your promotional programs.

The solution is to ***improve your brand-building strategies and measure the impact on your brand equity.*** Too many marketers think that the magic bullet is advertising. After all, advertising is designed to build more awareness, knowledge, interest, and — ideally — preference. But a brand is built by many communications tools, as well as the quality of the product and its packaging, the reliability of the shipping, and many other factors. Among the communication tools that create brand impressions are salespeople, trade shows, and word-of-mouth from customers, competitors, and product reviewers.

A brand evokes a set of customer expectations. Brand equity results from how well customer expectations are fulfilled. The higher the satisfaction, the higher the brand equity.

To build brand equity, ***shift money into marketing instruments of greater effectiveness.*** Most companies see spending money on costly ads as a form of insurance that the company will be remembered, even when it has nothing new to say or no new way of saying it. The real question companies should ask is whether the same amount of money would work better if spent in improving the product's quality of customer service.

Remember that advertising is a cost that the customers pay, and maybe many of them would prefer a lower price. Given that the average GM car consumes $3,000 in advertising cost, how many more cars could GM sell if it reduced its price by $3,000 a car?

On the other hand, some ad campaigns are effective and boost the company's sales. People wouldn't have been so excited to pay a higher price for Absolut Vodka if it wasn't for its brilliant ad campaign, but how many campaigns are brilliant? Most are, at best, average. Why? The ad agency would claim that the brand manager wants to play it safe. The brand manager would claim that the ad agency didn't come up with a great ad idea.

Ads work better when they are placed in the media that reach the target market. Advertise in the magazines read by fishermen, hobbyists, mechanical engineers — and the ads will be read if you're advertising products that are interesting to them. The ads usually carry response cards for readers to get further information or place orders, making ROI measurement much easier.

There is a growing belief that public relations deserves more of the advertising budget. It is a better audience-building tool for high-tech products, for which buyers want independent professional opinions before they choose a brand. The maker of a high-tech product should first identify opinion leaders, such as experts and columnists who review and talk about new products. Volvo launched its XC90 SUV with a PR campaign that created a huge buzz that resulted in pre-sales of 7,500 vehicles and two prestigious awards before any money was spent on ads.

Companies who use direct marketing enjoy considerable advantages. They don't pay a commission to intermediaries, nor do they lose sight of who is actually buying their products. Dell Computer became the world's leading PC manufacturer by selling direct.

Initially, the company took orders by phone, but today it gets virtually 90 percent of the orders on-line. Customers specify what features they want, and Dell immediately orders any components it needs from suppliers. It assembles the new computer and ships it in a few days.

Meanwhile, Dell receives payment immediately, but doesn't pay its suppliers for 60 days, resulting in money being made from the float as well as from the price. Dell has inspired more companies to move from "producing for stock" to "producing for orders."

Finally, it's critical to ***require marketers to supply estimates of the financial impact of their spending requests.*** At Coca-Cola, management is beginning to insist that these estimates be supplied, before and after the expenditure. They know that marketers are only making a guess, at best, but Coca-Cola's real purpose is to produce a financial mindset in its marketers. The more that marketers think in financial terms, the better the dialogue that will take place between the marketing and financial people.

9. Your Company Is Not Well-Organized to Carry On Effective and Efficient Marketing

The ninth deadly sin is when your firm is not well organized to carry on effective and efficient marketing.

The signs of this include:

- The head of marketing does not seem very effective.
- The staff lacks some marketing skills needed in the 21st century.
- There are bad vibes between marketing and the other departments.

The solutions begin with ***appointing a stronger leader of the marketing department.*** The chief marketing officer must gain the respect of the CEO and everyone else in the company by making accurate marketing forecasts, and by demonstrating how marketing expenditures are contributing to return on investment.

Another way to solve this problem is by ***building new skills in the marketing department.*** These skills include positioning, brand asset management, customer relationship management, partner relationship management, Internet marketing, public relations, and profitability analysis.

Positioning your product means ensuring that it owns a word in its category: Volvo owns "safety" and BMW owns "driving performance." A new brand should offer an important new benefit and therefore create a new category.

Positioning theory further evolved when Michael Treacy and Fred Wiersema wrote *The Discipline of Market Leaders.* They distinguished between three basic positionings: product leadership, operational excellence, and customer intimacy. Companies cannot excel in all three ways because it would be costly and because the three positions contain contradictions. To succeed, you must lead in one of the three areas, and be at least average in the other two.

Brand asset management is closely related to positioning. Brand names such as Coca-Cola, Sony, and Disney can be extended into new products and services, but someone has to police their use. None of these firms can let a disappointing product be launched under its name. These names are well-positioned, and deviations from the positioning center of these brands must be avoided.

Customer relationship management can improve a company's targeting precision. Managers can access the customer database for market planning, merchandising, product development, sales analysis, cross-selling, and so on. CRM skills are rapidly being added to marketing departments to create competitive advantages.

Similarly, *partner relationship management* becomes critical as more companies perform more of their activities through partners. The firm needs to periodically take the temperature of each major partner and respond to any sign of dissatisfaction or distancing.

Internet marketing is well-established, but there are still opportunities that many companies have not yet tapped. These opportunities include market research, competitive intelligence, concept and product testing, coupon and sampling distribution, product customization, and employee and dealer training.

Public relations is becoming more prominent. Tom Harris's book *The Marketer's Guide to Public Relations* underscored how many PR campaigns, rather than advertising, deserved the credit for creating many product successes. Companies need to add PR skills in the marketing department, and not rely on begging and borrowing them on an as-needed basis.

Profitability analysis is another crucial skill. Most companies do not know their real profitability by locations, products, customers, and channels. For example, at many companies, the largest customers are not the most profitable customers. Large customers often demand the lowest prices and considerable services. Some mid-sized customers are more profitable, measured as a rate of return on the cost of serving them.

The point is that two customers spending the same amount may yield different profits. Robert Kaplan and Robin Cooper outlined a correct approach to accounting for profitability with their Activity-Based Costing accounting method. This requires salespeople to report how much time and expense each customer consumes, much like lawyers bill clients for each half-hour of time and expense. All told, marketers must add profit measurement to increase their accountability for their budgets.

10. Your Company Has Not Made Maximum Use of Technology

The tenth deadly sin is when your firm has not made maximum use of technology. The signs include:

- The company has made minimal use of the Internet.
- The company's sales automation system is outdated.
- The company has not introduced any market automation.
- The marketing group lacks decision-support models.

Many companies think they are using the Internet because they have established a Web site and they sell on-line. But this represents only 10 percent of the opportunities afforded by the Internet.

Therefore, solving this problem begins with ***making more use of the Internet.*** Among the ways to do this is to create an effective and user-friendly Web site. Survey your customers and Web site experts to get their suggestions for improvements. Also, assess the effectiveness of your intranet for communications within the company, your extranets for linking with suppliers and dealers, and your on-line training systems for keeping your employees' skills up-to-date. In addition, you should take advantage of the power of the Internet to recruit new job candidates, procure supplies, and conduct market research.

Another solution to the problem of under-using technology is to ***improve your sales automation system.*** The system should enable your sales force to answer questions in the customer's office and empower them to make decisions on behalf of the company.

You should also ***use more market automation.*** A number of routine marketing decisions can be better handled by software than by company personnel. Airlines use yield-based pricing software to help maximize their passenger load factor. The software determines when the price of a seat should be lowered before a flight, and sends the information to travel agents and certain customers.

Don't overlook the need to ***develop decision support models.*** Firms are experimenting with marketing mix modeling that combines the separate and collective effects of a marketing mix on sales and profits. A company can get help in developing these and other models from a variety of marketing resource-managing vendors, such as Veridiem and Marketing Management Analytics.

It's clear that the theory of marketing is solid, but the practice of marketing leaves much to be desired. In this summary, we have explored the 10 deadly sins of marketing as practiced today. We have described the signs of each sin, and proposed the solutions that can fix them in your company.

Now it's up to you. Applying the solutions will turn the 10 sins into the *10 commandments for attaining high marketing productivity and profitability*. Here are the 10 commandments:

1. Segment your market, chose the best segments, and develop a strong position in each segment.

2. Map your customers' needs, perceptions, preferences, and behavior, and motivate your stakeholders to obsess about serving and satisfying the customers.

3. Develop a good understanding of your major competitors, and their strengths and weaknesses.

4. Build partners out of your stakeholders, and generously reward them.

5. Develop systems for identifying and stimulating opportunities, ranking them, and choosing the best ones.

6. Manage a marketing planning system that leads to insightful long-term and short-term plans.

7. Exercise stronger control over your product and service mix.

8. Create strong brands by using the most cost-effective communication and promotion tools.

9. Build marketing leadership and a team spirit among your various departments.

10. Constantly add technology that will give your business a competitive advantage in the marketplace.

ABOUT THE AUTHOR

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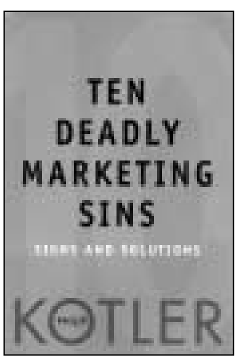

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