TEN DEADLY MARKETING SINS

SIGNS AND SOLUTIONS

PHILIP KOTLER

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I dedicate this book to my six grandchildren—Jordan, Jamie, Ellie, Olivia, Abby, and Sam—whom I love dearly.

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Introduction

The State of Marketing Today

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 corresponding investment of time and money. But then why do 75 percent of new products, services, and businesses fail?[1] These failures happen in spite of all the work that goes into market research, concept development and testing, business analysis, product development and testing, market testing, and commercial launch.

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* (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 implementation, an incoherent marketing mix, a misdirected STP, or ultimately incompetent market research.

But today, too many marketing departments don't handle this whole process. It's handled by a mix of marketers, strategists, financial 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. Because 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.

Here is an example of one-P marketing. I asked the Marketing Vice President of a major European airline whether he sets the fares on the airline:

> *"Finance does that."*
> *"Do you influence the food served on the airplane?"*
> *"No, that's done by catering."*
> *"Do you have a say in setting the standards for hiring cabin crew?"*
> *"No, human resources handles that."*
> *"What about the cleanliness of the planes?"*
> *"That's maintenance's job."*
> *"Then what do you do?"*
> *"I manage advertising and selling."*

Clearly, this airline is treating marketing as a one-P function.

Worse, marketing isn't handling advertising and selling very well. Ask any CEO who shudders when he gets the advertising bill in a period when sales are flat or down. "What did the advertising do for us?" he asks the Marketing Vice President. At best, the answer is that sales would have been even worse without it. "But as an investment, what did we get back?" And there isn't a good answer.

CEOs are understandably growing impatient with marketing. They feel that they get accountability for their investments in finance, production, information technology, even purchasing, but don't know what their marketing spending is achieving. Granted that marketing involves a more complex chain of events where it is harder to trace cause and effect. But some progress is being made in theory and other companies are putting it into practice. Why can't this happen in their company?

Every sign suggests that marketing will become more challenging in the future. Consider the following:

- 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 megaretailers 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. We are hearing that Generation Y is more skeptical of advertising. Naomi Klein and her *No Logo* book is making a lot of people think about how much should they pay for the more advertised brands and what effects rampant branding has on society's costs.[2]

- Companies have been embracing Customer Relationship Management (CRM) as the latest cure for their ills. This means collecting private information about individuals to 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, e-mail, and phone calls. In fact, Congress passed a law giving people the right to list their households as not available for phone calls, with a penalty of $11,000 for offending companies. Companies better move to permission or "opt-in" marketing as soon as they can.
- Loyalty schemes seem like a good idea and they work well for their first adopters. But their competitors have no choice but to launch their own frequent-buyer schemes. Today, most businesspeople carry Visa, MasterCard, and American Express and they get points whether they fly American, United, or Delta.
- No matter how cheaply a company can produce its product domestically, it can't be the cheapest as long as China has a say. China can produce everything cheaper and is beginning to make it as good. China will have the power to repeat the Japanese

game: better quality at lower prices. This has been a blow to countries that would advertise lower cost labor, such as Latin American and eastern European countries. Thus Mexico has been losing auto and other factories in the *mequiladora* area as they move to China. Naturally U.S. producers will transfer domestic sourcing and production to cheaper areas, leading to declines in U.S. employment. Falling employment means less purchasing power and fewer sales, thus producing a vicious circle.

- 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 more effective media.

- Differentiation has been the marketer's war cry: "Differentiate, differentiate, differentiate." Professor Theodore Levitt said years ago that you can differentiate anything, including salt and cement. But the problem is twofold. 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.