

The End of Marketing as We Know It

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To build sustainable and profitable brands into the future will depend on brand owners' ability to leverage 10 fundamental insights and trends.

Peter Drucker, widely considered the father of management, wrote more than 50 years ago that "the purpose of a company is to create a customer . . . business has two basic functions – marketing and innovation." The purpose of marketing, said Sergio Zyman, the former Chief Marketing Officer of Coca Cola in his book, "The End of Marketing As We Know It," is "to get more people to buy more of your product more often for more money."

For a long time marketers have battled to articulate the value of their contribution to organizations. Consumers have also grown very vocal in their criticism of the negative impact of business in its pursuance of marketing and innovation. Shareholders are also demanding tangible and measurable return on their investment.

The environment in which we operate has changed. Both the law, as guided by inter alia King II and industry watchdogs such as the Competition Commission, Parliamentary Portfolio on Communications; self regulation, guided by the Advertising Standards Authority and the Marketing Federation of Southern Africa; and society, vocally represented by the seminal advocacy of inter alia, the anti-brand, anti-globalization advocate, Naomi Klein who authored "No Logo," have re-written the rules for business success.

Marketing, the anchor of business, as we know and practice it, is history. And brands, the desired output of successful marketing – defined by Marty Neumeier in his book, Brand Gap, as "a gut feeling about a product, service, or company. It's not what you say it is. It's what they say it is" – are dependent on the judgment of consumers.

But the hallmark of great brands, as established in a 25 year study of great brands by Interbrand and to an extent by Jim Collin's study of visionary companies in "Built to Last," is anchored on three pillars – a clarity of purpose, consistent delivery on their consumer value proposition or promise and captainship (leadership) in their category. And in today's environment, the role of community (society) and collaboration with stakeholders and in many cases competition often determines the difference between sustainable success or failure.

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1. Big Ideas build Brands

Neumeier describes the relationship between strategy and creativity as the logic versus the magic. Creativity, he says, is the magic that connects a brand's strategy with consumers at the point of contact. With the proliferation of brands, "branding" and media, creativity is becoming the key strategic differentiator. The doyenne of advertising and founder of DDB Worldwide, Bill Bernbach (1911 – 1982) once said: "If your advertising goes unnoticed, everything else is academic."

In the past 24 months, three brands, Cell C, Dulux and kulula.com have demonstrated the power of creativity in building brands. Going against the route of incumbent competitors who used sport as a platform, Cell C launched their offering with a unique urban art creative and media campaign in 2001, and captured an 11% share of the 14 million cellular market in the first 18 months. Dulux's "any colour you can think of" campaign revitalized a brand and made paint a colourful topic of conversation using previously taboo South African insights on race, gender, sex, etc. And finally, upstart no-frills airline, kulula.com, employing an exaggerated superhero campaign launched the success of two companies, kulula.com which has pushed the dominant brand, SAA to consider a no-frills airline, and established kulula.com's agency, MorrisJones & Co (FM Small Agency of the Year) as a force to be reckoned with in creativity. By 2002, the partnership of the Jupiter

Drawing Room with NIKE South Africa resulted in Nike growing in excess of 20% p.a. (+400% compounded over 6 years) and Jupiter (over 80 creative awards, including eight Cannes Lions) establishing itself as one of the top 5 most creative agencies in the world.

2. Marketing is an Art and a Science

While advertising, design and events have established marketing's credentials in art, marketing has often battled to articulate its impact on the bottom line. Across different continents, Tim Ambler (The Impact of Marketing on the Bottom Line) and Roger Sinclair (BrandMetrics/Brand Leadership) are at the forefront of articulating and reducing to a financial measure, the impact of marketing on the value of companies in response to Sergio Zyman's challenge: "Shareholders are becoming increasingly serious about getting results and returns on their money."

It is now becoming a requisite practice to measure the relative importance of each resource that drives the value of a brand, the contribution of the brand asset to profits, the impact of the investment in growing the Brand Knowledge Structure (i.e. investment in integrated marketing communication that grows awareness and association), and the life of the brand.

NIKE is positioned as a brand that enhances and inspires performance. The brand's mission – to bring innovation and inspiration to all athletes all over the world – captures what drives the organization. In a recent valuation of the NIKE brand in South Africa, it was established that the top three resource sets were, sponsorship/endorsements (28%), innovation (21%) and global halo (20%) – and that the brand – NIKE – contributes to 70% of the profits – empirical facts brilliantly captured in the mission statement. Also clearly spelling out the priorities of the company – innovation & inspiration.

3. Brands are Valuable

In evaluating the brand values of over 300 brands across numerous diverse industries, BrandMetrics established that the brand's contribution to profits ranged from 50% in the paint industry to over 90% in the printed media industry.

Globally, Coca-Cola's brand value, at \$69b (61% of market capitalization) and McDonald's (71%) lead the 30-year trend on the stock market. In a study of brands on the stock market in the UK, by Interbrand, it was established that brand value as a % of market capitalization across the stock market and industries has grown from 10% in 1970 to an estimated 50% in 2010.

With the advent of Capital Gains Tax (CGT) in South Africa, many brands have been furiously valuing their brands primarily to provide South African Revenue Services with a base cost value to be used to calculate the portion of a sale price in the future that would be subject to CGT. While in South Africa it is still not permitted to use brand valuation as a basis for the net value of their assets (tangible and intangible) for the balance sheet, those days are very near the end. Rupert Murdoch was ahead of his time when he used the valuation of his News Group brands in his annual report in 1984, four years before Nestle paid an estimated 5b pounds (more than 5x the book value) to win control of the Rowntree Group (and brands).

4. Society is at the heart of every Business

Naomi Klein's "No Logo" touched a raw nerve on society when she said: "Brands have come to represent a fascist state where we all salute the logo and have little opportunity for criticism because our newspapers, television stations, internet servers, streets and retail spaces are all controlled by multi-national corporate interest."

Business' contribution to morality, animal rights, safety, health (AIDS), environment (rain forests, pollution, etc.) and crime, etc. is being questioned more than at any other time. When Pick n Pay offered a R5m reward for the arrest of the culprit responsible for spiking products in their stores with cyanide, it was with an acute awareness of the impact of consumer revolt and brand devaluation if they did not take extreme measures to ensure the safety of their consumers and sustainability of their brand.

Trust in brands, brand reputation and investment in CSR are now a feature of any brand health report. King II triple bottom-line reporting recommendation is a ringing realization that society is anchored firmly at the center of any brand's success. A study by the Henley Center in the UK established that 87% of consumers will first look to a brand they trust for something they want and at least 70% across the US, UK, France, Germany, Italy and

Spain will recommend a brand if they trust it. In the orally oriented African tradition, one can imagine the percentage will be even higher. It is no doubt then that most of the brands consumers trust have proven their mettle over time – 90% of the world's top 50 brands in the world were established before 1980 (Interbrand/Citibank). Among South Africa's most admired brands and the most loved everyday South African brands, only Vodacom was created in the last 10 years.

A Millennium Poll on Social Responsibility (1999) established that 67% of consumers maintain that an organization must go beyond tradition of paying taxes, employing people, corporate governance and make a contribution to society, and that one in five consumers will in future reward or punish companies based on their perceived social performance.

At over R2b in corporate social investment versus R1b plus for sponsorship in 2002, corporate social responsibility has emerged as a key marketing vehicle for organizations.

5. Local (brands) is lekker

In the 2002 Markinor study of Top Brands, eight of the top 10 most admired brands are South African, led by Telkom (#1 Coca-Cola and #8 Toyota being the only international brands), Eskom, SABMiller, ShopriteCheckers, Pick n Pay, ABSA, Standard Bank and Vodacom. The top 10 magazines, led by Bona (100k circulation and 3m readership), top 10 retail outlets (grocery), financial institutions, clothing stores, newspapers and insurance companies are all South African.

The International Marketing Council (IMC) and Proudly SA are at the forefront of driving a belief and support for everything South African. And why not?

To challenge the established global brands in other categories the job remains for South Africans – creators of products & services and creators of communication – to strive to lead the drive to make South Africans proud of their country. Being South African extends well beyond just stamping a Proudly South African logo on your brand. Our brands operate in two worlds – 1st and 3rd – creating selling propositions that are 1st world, and solving 3rd world functional needs. Before Nelson Mandela wore a, now called, Madiba shirt to parliament, it was unheard of to be so overtly African in dress in such an “auspicious” place. America, France and the UK have done an excellent work of selling their countries – sans the Proudly Country X badge – to the world, by celebrating the uniqueness of their countries – French romance, American expediency, etc.

Madiba's shirt, Telkom's Mhlobo 'Wam's commercial, the evolution of the Castrol commercials through the years and a series of Vodacom's commercials since 1994 are the beginning of a welcome creative direction in celebrating our unique South African insights.

6. Sponsorship is not Philanthropy

The CEO of John Hancock, David D'Alessandro, aptly observed, “when it comes to sponsorship, there's a sucker born every 30 seconds.” At an investment of over R1b annually, corporations are buying into properties without a clear understanding on the role and impact of sponsorship in building their brands. Phillip Kotler, widely accepted as the father of marketing, says if you cannot measure the return of your investment in sponsorship, write it off to philanthropy.

Although it's size relative to CSR is declining, sponsorship will continue to be a key vehicle to build relationships with consumers because more than any other marketing vehicle, it provides a real time opportunity to experience the brand and involve the entire organization in the activation of the opportunity.

To succeed, there are three imperatives: there must be a strategic fit with the brand, a clear understanding of the emotional ties (and interests) that bind consumers to your brand, and an obvious association (consumers should not be asked to make a quantum leap to make a connection).

7. Customer Success, not Customer Satisfaction Drives Business Success

The pay-off lines of Nashua's (saving you time, saving you money, putting you first), ABSA's (today, tomorrow, together), and Cell C's (for yourself), among others, are the most compelling customer value propositions that are in tune with today's skeptical consumer. They represent a clear understanding, as observed by Michael LeBoeuf (How to Win Customers & Keep Them for Life) that consumers only buy two things – feelings and

a solution for their problem. Any brand that puts you first or partners with you to create mutually satisfactory solutions understands what Tom Peters proposes is the revolutionary in customer service – customer success, and not customer satisfaction drives business success. Bob Nardelli, formerly a vice president at Jack Welch's General Electric, says the question to ask one self is – are customer's bottom lines really benefiting from what we provide them?

Peters says the future lies in partnering customers in creating memorable value-added solutions, successes and experiences. And for that it will take a total enterprise responsiveness, beyond functional walls.

8. A Brand is an Experience

In describing the success of Harley Davidson, a senior Harley Davidson executive said in Results-Based Leadership: "What we sell is the ability of a 43-year-old accountant to dress in black leather, ride through small towns and have people be afraid of him."

Events, sponsorships, concept destinations and strategic promotions afford marketers a platform to bring their brands to life. It's an opportunity for the consumers to experience the brand's values and principles, and it's understanding of consumer needs. It's a platform to best demonstrate not only the functional benefits, but the brand's understanding of the connection between itself and the identity, personality, lifestyle and personal goals of its consumers. It's a platform for the brand to reinforce it's position in the mind of the consumers.

Concept destinations such as NIKE Town in London and New York, Extreme 16 in Johannesburg; sponsorships such as NedBank's Cinema Privés, the Nedbank Golf Challenge, Standard Bank's Graham's Town Festival, Red Bull's Extreme Sports, Harley Owners' Group (HOGs) serve as classic platforms which go beyond the traditional promotion, sponsorship and event marketing to provide a memorable experience and bond for their community of consumers which bring their brands to life.

This era of experience has devalued the role of promotions, which according to multiple studies by Prof. Andrew Ehrenberg of South Bank Business School, recruit few, if any new customers, nor do they reinforce existing customers' in the medium or long term. Promotions, the traditional vehicle of luring or rewarding consumers, it was found only attract some of the brand's existing customers, just when it is on offer. Any price or promotion can be matched by your competition. Consumers buy into more than a price when selecting a brand. Value, is not only monetary. It's emotional and rational. A strong, differentiated brand, which has invested in building commitment to its brand over time, can weather any price challenge, if you understand the key drivers of your industry and brand, and the value consumers put on your brand. And events, sponsorships, concept destinations AND strategic promotions which provide a memorable bonding experience for consumers, serve as a differentiation strategy that cannot be matched overnight. Experiences offer mutual rational and emotional profitable benefits for the brand and their consumers.

9. If you own it, protect it, legally

The Republic of South Africa, our country, does not own the rights to its domain name. The owner is an entrepreneurial American who demands at least \$250 000 in exchange for the name. McDonald's, one of the World's Most Valuable, visible and admired brands had to endure several court battles with a small East Rand business owner who'd registered the brand name in South Africa, before securing the rights to use the brand name to start trading in South Africa in 1994. More recently, Justin Nurse, taking a leaf from the assertions by Naomi Klein's "No Logo," fought a protracted battle with SABMiller, the world's #2 brewer, for the right to commercialize the brand's perceived social malpractice in a series of critical, and popular, t-shirts.

BrandMetrics and IMC have just concluded the valuation of Brand South Africa, putting a numerical value and identifying the drivers that build this, our country, into a sustainable and desirable brand. That value, as the value of any brand – which is a repository of the values, emotions, long-term investment, and financial reward – is worth protecting.

To do that successfully, a brand's proprietary features – the name, territory, shape (Coca-Cola bottle), colour (colour green by BP in the category of petroleum), typography (Coca-Cola signature), smell (smell of roses for Pirelli tyres), gesture (such as that of nose

tapping by a British building society), slogan (Just Do It) and technology (NIKE Air) must be protected legally.

Registration accords the brand owner with the monopoly of distinctive recognition and association – the most valued anchors of strong brands.

10. A purpose gives meaning to (brand) life

Although it is topical to talk about positioning today, the concept was first introduced to the marketing lexicon and practice of advertising in 1972, when Al Ries & Jack Trout started writing a series of articles entitled "The Positioning Era" for "Advertising Age." In the over-communicated, multi-media (there's over 300 newspapers, 60 television channels, over 350 consumer magazine titles and over 100 radio stations in South Africa today), multi-brand world we live in, only those that are differentiated, distinctive – in other words, those that are truly clearly positioned in the minds of the consumer are going to have a chance to survive the battle for top of mind awareness and customer success association battle. As Martin Luther King best captured it in 1968 – he may as well have been referring to brands – "If a man hasn't discovered something that he will die for, he isn't fit to live."

Positioning – how you differentiate yourself in the mind of your consumers (Ries & Trout) – is the difference between success and the also-rans. A brand's value proposition, architecture and identity – as defined in the mind of consumers are a valuable strategic decision. Thus, ABSA, ranked 5th in the most loved everyday South African brand in the annual Markinor Top Brands Survey, has leveraged the position as the top ranked financial services brand ahead of Standard Bank and FNB (also in the top 10) to drive a position as the – Most Loved Financial Services Brand, and have put the message everywhere they interact with consumers – ATM, highway, billboards, annual report, branches, etc. And their financial results at the end of 2002 fiscal year, weathering the storms of Unifer and free internet services, bear testimony to a well positioned brand, six years after consolidating the four brands of Trust, Volkskas, United and Allied Banks, and repositioning the brand from an Afrikaans oriented bank to a single South African bank.

Conclusion

The craft of building brands – insights and concepts – are as old as the origins of branding, which derives from the Old Norse word, brand, which means to burn, and has its roots in the timeless tradition by which cattle owners used to and still mark and identify their herd. It's about creating differentiation in our customer value propositions, rewarded by the mutual profitability shared by brand owner and consumers. These 10 insights on building sustainable and profitable brands are timeless, grounded on a clear appreciation of what binds consumers to brands.

Consumers, Allen Rosenshine (Campaign) observed, will make choices based on how a product fits into their lives, both rationally and emotionally. Brands, the repository of value for investors, will become the main weapon in the battle for consumer's custom.

Understanding consumers, anticipating or leading their needs, and delighting them with unmatched customer success, articulated by brands, will remain the foundation for building profitable and enduring brands into the future.

With brand valuation and measures of customer success, inter alia, marketers will be able to account for the impact of their craft on the bottom line and the value of the organization.

Sustainable and profitable brands are not simply better than their competition, but different. Long live brands. Invest in them. And buy Proudly South African brands.

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