Marketing: Are You Really a Realist?

Sustained growth, brand differentiation, and persuasive advertising are romantic fantasies. It's time for marketers to set achievable goals.

by Andrew Ehrenberg

Marketing is under pressure, largely because it is judged by such goals as creating sustainable growth and maximizing shareholder value. If brands don't grow, the reasoning runs, then marketing must be failing.

Marketing goals are, in a word, romantic — in the dictionary sense of being imaginative, visionary, and remote from experience. Indeed, marketing often lives in a pretend world where anything goes. If we crave loyalty, marketers put on a loyalty program. To reposition a brand, they say, "For young people." To appear proactive, they intone, "Added values."

Who sets these improbable objectives? Marketers do. Yet I believe marketing is needed because it aims to impose customer orientation on our more naturally self-focused production mind-set. But even a consumer orientation will not work if romantic (or unachievable) goals are set.

Many goals in marketing are unrealistic. They are doomed to failure from the start. Such dreams include sustained growth, brand differentiation, persuasive advertising, profit maximization, and knowledge management. When marketers fail to reach these unreachable goals, they give marketing a bad name. A point-by-point analysis now exposes the romantic vision and identifies the alternative market reality.

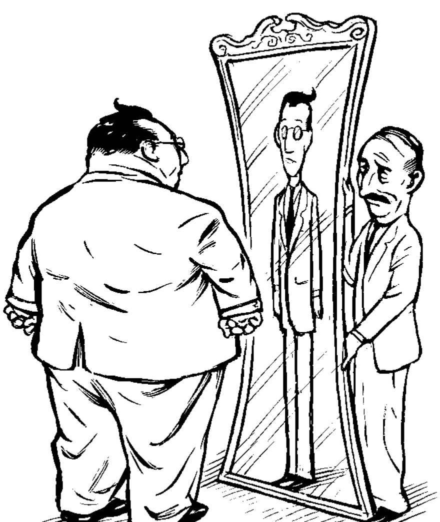

Illustration by Lars Leetaru

Goal 1: Sustained Growth

When marketers are asked about their goals, they usually say growth. Most brands and most companies, however, do not grow relative to the market. And that leads the world at large to claim that marketing has failed (again). In fact, the failure happens only because marketers set unachievable goals of big, sustained organic growth — and people believe them.

A year ago, the McDonald's Corporation was in the news for making a giant marketing turnaround. Having spent more than $1 billion to bring more variety to its menu, the company decided to change directions and simplify its core offerings and grow. "There is a plan to double the business," a spokesperson confirmed.

But when a company states,

“The mission of this company is growth,” it should add, “Unfortunately, last year…” Continuing organic growth is rare. Most often, the result will not be like-for-like growth in market share, any more than it was the preceding year, when the company trumpeted the same objective. Jim Collins discovered that out of the 1,435 companies he analyzed, only 11 became great. (See “Climbing to Greatness with Jim Collins,” by Art Kleiner, *s+b*, Fourth Quarter 2001.) Big and sustained growth seems usually to be gained only through mergers and acquisitions.

The inhibiting factor is competition. If you are a 20 percent brand, you still have 80 percent of the market against you. Survival — not growth — is therefore the name of the game: You still want to be 20 percent next year. You usually will be, if you work at it. Anything more, like gaining from a competitor error, is an occasional bonus.

But can a no-growth-except-sometimes strategy be acceptable in marketing? I believe so. Colleagues in other parts of the company do not set growth as their dominant target. Finance, accounting, human resources, production, quality control, and new product development do not have to hype themselves up by constantly chasing rainbows.

Goal 2: Brand Differentiation

For most marketers, it goes almost without saying that a brand needs to be different if it is to be bought. John Murphy, founder of Interbrand, the world’s leading brand consultancy, recently told *Market Leader*, a quarterly journal of the Marketing Society, “You must ensure, most importantly, that your brand is differentiated in a meaningful though not necessarily a massive way….Give the consumer a reason to buy your brand rather than a competitor’s.”

But this is romantic, if ubiquitous, make-believe. What single advertising-given “reason” do people have for choosing Pepsi versus Coke? American Airlines versus United Airlines? Hertz versus Avis? Bingo versus Bango? Why should some lightweight selling proposition change anyone’s behavior? Or even a mammoth reason, like changing dark chocolate into white? Effective marketing is not that simple.

In practice, competitive brands are mostly very similar. Michael Porter’s “sustainable competitive advantage” suffers from two disadvantages: Competitive advantages seldom exist; and if they do, they are rarely sustainable.

Almost any difference between brands that makes a difference in sales gets copied very quickly. “The trends in our technology lead to competing products being more and more the same,” the famed advertising guru James Webb Young said 80 years ago. But Young had the wrong causal explanation — the mimicking was due to competition, as it is now, and not to the latest technology of the early 1920s. Competition consists of not letting your competitors be effectively different or better, thus preventing them from getting or staying ahead.

The lastingly better mousetrap is a purely romantic idea. Even early-mover advantages are not guaranteed: Realistically, the competition will soon have a *better* mousetrap (e.g., *three* air bags), at least briefly. They’ll also learn from the innovator’s mistakes, and try harder anyway.

Luckily, competitive brands

Andrew Ehrenberg
(a.s.c.Ehrenberg@sbu.ac.uk) is professor of marketing at South Bank University, London, and chairman of its international R&D Initiative. The coauthor of *Television and Its Audience* (Sage Publications, 1989), he is an active consultant on both sides of the Atlantic. This article was derived from ideas developed in a keynote address to the Market Research Society of Australia Conference in Melbourne.

don't have to appear different to the consumer in order for one of them to be chosen. People don't differentiate in that way among most brands. It has been shown repeatedly that users of brand A feel about brand A much as users of brand B feel about brand B.

The consumer could choose any reasonable brand by simply tossing a penny. Brands, being competitive, are more or less substitutable. The experienced consumer knows this. If A were truly much better than B — whether it be sweeter, cheaper, or whatever — at about the same price, there would hardly be a choice problem, or at least not for long. In most societies, nearly everyone would go for the better product.

But rather than tossing pennies to choose among look-alikes, the experienced consumer keeps some personal control by developing convenient choice habits ("loyalty"). Vast amounts of evidence show that consumers choose mostly from their repertoires of habitual brands, tempered by the needs or mood of the particular moment.

In a year, say, customers of brand A in a product category typically buy its competitive brands B, C, D, etc. in total more often than they buy brand A itself. It follows that if the consumer wants the product — he or she is nearly out of gas, or coffee, or condoms, or needs a hotel room for the night — then he or she has no great difficulty in choosing a familiar and more or less look-alike brand.

There are, of course, minor differences between brands. Pepsi *is* slightly sweeter than Coke. One brand of muesli has more raisins than another. Model X has a clumsy seat belt. But nobody has specifically claimed that these small differences are mostly the reason we first pick a particular brand. We don't count the raisins or run a side-by-side sweetness test before making a purchase. Normally we therefore don't even know (or care) much about such differences before we first try the other brand. A focus-group subject once famously said, as recounted by Jeremy Bullmore, the former chairman of J. Walter Thompson (London), "I know all these brands are the same. I just have to decide which is best."

Most competitive brands do not sport any uniquely effective product attribute. If they did, it would be copied.

It's not that serious product differentiation is at all difficult to achieve. There is in fact much of it around (e.g., large versus small package sizes; tomato versus tamarind flavors; two-, three-, four-, and five-door car models; a guaranteed money-back investment bond versus a fixed-interest bond). Most competitive brands, however, do not sport any uniquely effective product attribute — if they did, it would be copied.

The realist view of branding is that nearly identical goods are made distinctive by being branded just with a name, logo, some distinctive packaging, advertising, and memory associations. For the most part, they do not function differently. Nor do their customers feel very different about them, as we've noted.

Goal 3: Persuasive Advertising

The romantic view of advertising is that advertising is powerful. It persuades people to change what they feel, think, or do.

In practice, there is no generalizable evidence on any lasting persuasive effects of advertising — at least not enough to justify a global spend of billions. There is not one advertising, marketing, or economic text that even suggests advertising is powerful, let alone flaunts proof. Although people see or hear hundreds or thousands of advertisements a day, by and large people do nothing in response. Sales and images seldom change. I'm not suggesting that competent brand advertising generally fails. But people's exotic expectations of its outcome seldom are realized.

Advertising lacks consistently dynamic effects because of, once again, competition. Your competitors' omnipresent retail availability, quality control, category management, CRM, promotion, and advertising all interfere. Left to itself, advertising your brand would, of course, work wonders.

Realistically, I maintain that advertising works as paid-for creative publicity. A competent ad automatically publicizes its brand and brand name. Ads can create and refresh memory traces and associations. True results can be rediscovered often. But often they aren't. This kind of publicity can then affect whether consumers find the brand salient, familiar, and reputable — in short, a brand they may want to buy. Indeed, the more alike two brands are, the more effective creative publicity can be, as it is virtually the only thing that separates them, in both the short term and the long term.

The realistic task for advertising is not to change what people think about your brand, which is always hard to achieve, but to have them think about your brand at all. As Dr. Johnson said almost 300 years ago, "Men more frequently require to be reminded than informed."

Goal 4: Profit Maximization

Maximizing shareholder value has become the plaything of the Western world. You can always seek more profit. But seeking to *maximize* it would let your competitors undercut your efforts.

Technically, the ubiquitous precept to maximize or optimize is a bad taskmaster. It leads to extreme decisions. Sophocles' Antigone chose to reject the laws of Thebes (and her uncle) in favor of the laws of her gods. She paid with her life. Should executives, asks Charles Handy, aim to sacrifice career to family, or vice versa? All of one or all of the other? Economists would have us similarly believe that consumers choose the brand with the *optimum* utility. But in a customary near-steady-state market, each rationally optimizing consumer would then always choose the same "best" brand. The empirical and theoretical evidence on consumer behavior, however, shows otherwise. As we have seen, consumers run with *repertoires* of brands.

The realist method of optimizing is therefore to "satisfice," as the late and great Nobel laureate Herbert Simon put it some 50 years ago — combining the words *satisfy* and *suffice*. Both managers and consumers choose what is "good enough," not what is supposedly "best." They strive to make a *good* profit, to reach *suboptimal* multiple goals, and to choose an *adequate* product (since nothing better can usually be found or made). It's not survival of the fittest, but survival of the fit enough.

The idea of pursuing multiple goals is of course not new. But it requires us to religiously forgo the simple mathematics of maximizing or optimizing things, the mathematics romantically beloved by economists and management scientists through the ages.

Goal 5: Knowledge Management

Knowledge management is the latest marketing mantra. It is unrealistic when we are mostly drowning in catadupes of undigested data.

Blindly accepting our sophisticated colleagues' analysis techniques would require a romantic act of faith. No statistically derived "best" cluster, market segment, price elasticity, or econometric sales–advertising regression like S=5.39A + 14.56 has ever passed into lasting marketing know-how or textbooks. Where is the "best-fitting" cluster or model from 10 years ago? With the current PC-induced spate of multivariate regressions, there should be, of course, not just one or two such success stories, but hundreds, even thousands, of them.

Generalizable knowledge of marketing phenomena is prominent primarily by its absence. Open a textbook or modeling report and you will find an analysis procedure applied to just one single set of data (SSoD). The romantic delusion is that this isolated result is then best.

The realist alternative is to build on *many* sets of data (what is called MSoD and is the empirical basis of all generalizations in science, versus SSoD). Success then is not an SSoD best fit, but a grounded benchmark known to hold across many different brands, products, or services, across years, across countries, and across other varying conditions, within known limits and with known exceptions.

This is called science (with a small *s*). It provides marketers with generalizable and reusable knowledge to manage, such as that loyalty does not vary from brand to brand except with market share, and that price promotions appeal merely to existing customers (i.e., you're giving your money away), and brand A users say about A just about the same thing as brand B users say about B, as we have said.

Marketers complain that their business colleagues and the public don't take their work as seriously as they would like. But marketers have only themselves to blame. They tend to set goals that cannot be fulfilled: sustained growth; brand differentiation; persuasive advertising; added values; maximizing profits or shareholder value; and instant new knowledge based on just a single set of isolated data.

When these romantic goals fail to materialize, marketing gets blamed. To combat that, the creation of more realistic goals will let marketing be appreciated for what it can and cannot do. ✚

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