

INTRODUCTION

What Memo Did Marketers Miss?

Reinvention is rooted in six key rules that encompass a new way of examining marketing's critical role in contributing profitable sales and increased revenue to a successful company or enterprise.

DID NOT want to write this book. In fact, I avoided sitting down at the desk in my office for several months before I finally was persuaded to begin the time-consuming process of actually putting pen to paper (or, in this instance, fingers to keyboard).

The reason for my hesitancy was that while writing has always been, for the most part, relatively easy for me, the potentially controversial topic that I was encouraged to confront was somewhat problematic. That topic: the state of marketing today.

Addressing this required me to not only acknowledge but accept the reality that as a former chief marketing officer and CEO of advertising and consulting companies, the profession that I had spent more than 25 years in was sadly out of touch with the times. Particularly, I now see that my chosen field has been deficient in recognizing the changes brought about by the new technologies and Internet-based tools developed in the first decade of the 21st century; the ready availability of information-rich data and the resulting insights that could be used to exploit changing or evolving business opportunities; and our country's most recent financial struggles, frequently referred to as the Great Recession.

By way of background, the genesis of *The Old Rules of Marketing Are Dead: 6 New Rules to Reinvent Your Brand and Reignite Your Business* came about through a keynote speech that I delivered to a high-profile group of business leaders, government officials, senior marketing professionals, and the heads of leisure, hospitality, and tourism industries in Southern California in April 2009. The speech was titled “The Old Rules Are Dead: 10 Ways to Navigate the Challenges Ahead,” and it focused on ways for these leaders and business executives to come to grips with and respond to the devastating impact of the Great Recession on cities, theme parks, hotels, and resort developments located in Los Angeles, Orange, and San Diego counties.

The response to this particular speech was overwhelmingly and universally positive—far more so than I could possibly have imagined. Attendees asked countless questions, wanted copies of the speech, and (surprising at least to me) to know where to find and purchase the then nonexistent book so they could immediately begin to use these concepts to reinvent their businesses, services, and products. Subsequent speeches I made such as “Do or Die: The Reinvention of Marketing” that used the premise that the old ways of marketing have been replaced by new, more up-to-date approaches received the same response. Clearly, I had touched upon the core of the concerns marketers and business leaders had—but were uncertain about or, even worse, afraid to confront. Leaders of all sorts were in search of answers to difficult problems caused by changes that few understood—and even fewer knew how to solve. The world had changed, but unfortunately marketing had not.

Even as I sit writing this extended preamble, it continues to astound me that with all this constant and unrelenting technology-driven change—change that has impacted so many around the world, not only in the developed countries and the emerging BRIC nations (Brazil, Russia, India, and China) but also the third world—one thing has remained firmly rooted and mired in the past: the way products and services are marketed and sold.

Somehow, marketers missed the memo.

Marketing Then

As I began to better understand this new reality and talked to other leaders in business, it became clear to me that the old way of marketing is no longer able to deliver optimal results. Even worse, marketing is not leading the dialogue about reinvention, and, for that reason, it is not (or is no longer) considered vital to many organizations or enterprises.

You are undoubtedly familiar with the old ways of marketing. You were taught them in undergraduate or graduate school, as an intern or first-year junior marketing or sales associate. As a result, you have probably seen the old rules put into practice.

The old way of doing things can be summarized as follows:

- » Budgets define strategy.
- » A brand is just a brand.
- » It's all about the qualitative research.
- » Advertising is the answer.
- » Marketing results cannot be measured.
- » Technology isn't for everyone.

These “rules” were based on a number of widely accepted beliefs, primarily that marketing is more an art than a science. As with most assumptions, these have proven to be untrue, particularly in this technology- and data-rich informational era of the Internet.

Regrettably, from research frameworks and traditional concept development to planning, budgeting, distribution channels, and media placement, marketers have not kept up. In fact, marketing has not advanced in many ways, which may be why chief marketing officers don't get a seat at the leadership table. Bluntly, as a result of the rapid advancements in technology and the depth and breadth of information that is readily—if not instantaneously—available to power and propel profitable sales and increase revenues, marketing should have changed. But it hasn't. It remains rooted in the not-too-distant past.

It's a past that needs to be reexamined and analyzed through the lens of reinvention. More than that, though, marketing is a practice that needs to be reinvented to have a future—one in

which this critically important discipline leads instead of follows. Today, to be successful marketers need to change—their approaches, processes, and even their organizations. However, that doesn't mean that all the rules of marketing should be rejected. Many remain valid but need to be reconsidered in light of the changes and advancements that have been made in technologies, media, and channels and the resulting repositories of information readily available through the Internet. This book was created for that reason—to help business leaders and marketers reinvent their products and services, and their future.

Marketing Now

Do you remember life before Google?

In an era when new technologies and applications are available daily, Google was a game changer. Google reinvented how people searched for information. No longer did you need to go to the library and find microfiche copies of articles for information—you could find it, amazingly and quickly, online. All you had to do was type in a few keywords and hit “Search.” Almost magically, the information you needed came to you—swiftly, easily, and at no cost. Yes, other aggregators had come before, but none had made the process so accessible, so easy, so quick—or so cool.

Alongside Google, IBM, Microsoft, Apple, Dell, and others created hardware and software that allowed, initially, for ever-greater productivity. This included one-stop access to office-oriented tools such as Word, PowerPoint, Excel, and the all-important e-mail, the bane (or bonanza, depending on which side you represent) of litigators everywhere because it provides an all-but-permanent record of conversations, exchanges, agreements and disagreements, and bargains that serve as the basis of business dealings and transactions.

Access to information beyond the confines of one's desktop, however, over time became Google's dominant domain and what fueled its meteoric rise in awareness, usage, and market capitalization.

Before Google there really was no single global gateway to the Internet that everyone was both aware of and regularly used—it seemed as though there was no one place to go to get amassed and aggregated information. With its introduction in 1998, Google began to change behavior—and even language—with its amazing search capabilities that delivered fast, accurate, and convenient results. Today, “Googling” is omnipresent. When questions come up, the answers are “Googled”—it’s now part of the lexicon. Google is now being chased by Bing, Yahoo!, Ask .com, AltaVista, AOL, and many others, none of which—not even those search engines that predated Google’s launch—have gained the usage or the place in the cultural zeitgeist that Google almost immediately captured and continues to hold.

However, Google has one thing going for it that the others don’t: its corporate structure. Unlike Bing (created by Microsoft, the behemoth in the computer industry), Google is still flexible enough to respond quickly to and even anticipate or create marketplace needs—sometimes so transparently users don’t even realize it.

Google’s Impact

Google preconditioned users for Facebook, MySpace, and Twitter in that it taught people to expect instant satisfaction and instant answers as well as offering a way for people to connect with the information they need in an increasingly disconnected and frenetic world. Most important for those in marketing, Google’s advertiser-supported model not only changed the way traditional and online marketing was practiced, it reinvented the way people carry out and conduct both personal and professional business and brought forth an explosion of channels and transaction-oriented websites.

Surprisingly, somehow most marketers missed the memo. While consumers, customers, and the marketplace changed, most marketers—and most businesses—did not.

Many companies still practice marketing the same way today as they did in the 1970s and 1980s, clinging to the old ways of

working, seemingly not aware of—and definitely not attuned to—this new age of marketing that places a premium on business acumen, strategy, and communications. By doing so, they miss opportunities to drive profitable revenue and they set themselves up for less than optimum performance—if not outright failure.

When business leaders try to get with the new program by talking about leveraging Twitter and Facebook and exploiting new technology channels, most have not done so successfully. If they were being honest, few truly would know what success via social networking even looks like. Business leaders may throw around terms like *SEO* (search engine optimization), but they don't truly understand what it means—to their business and to their marketing efforts.

The New Age of Marketing

The new age of marketing is one in which practices like “behavioral economics” are no longer the primary drivers. According to the *McKinsey Quarterly*, “Long before behavioral economics had a name, marketers were using it. ‘Three for the price of two’ offers and extended-payment layaway plans became widespread because they worked—not because marketers had run *scientific studies* showing that people prefer a supposedly free incentive to an equivalent price discount or that people often behave irrationally when thinking about future consequences” (emphasis added).¹

The key take-away from McKinsey's article is “not because marketers had run scientific studies”: if marketers don't undertake research or utilize business analytic tools to fully understand the factors that influence and actually cause purchase decisions, how can they truly know that a program worked? Marketing on price point isn't about brand building, and it focuses consumers and customers on cycles when the product or service is on sale. It also isn't very scientific, which at its heart marketing must be. Simply put, by leveraging behavioral economics, marketers were creating commodities, not brands.

Marketing in this new data-abundant, Internet-oriented world order requires more than a shallow or superficial understanding of the customer or consumer—and more than simply “getting on” the new technology. It requires understanding that the old ways of marketing are dead. They can be found stuffed and hanging on the walls of offices around the world. The fundamentals have changed, as have the means and methods to define targets, to create more productive encounters that provide more opportunities to sell, to develop deeper and more significant insights, and to exploit singular points of difference.

Old paradigms must be challenged. There is a new way of doing things, one that, when executed properly and successfully, can help businesses reinvent themselves to win in this new global marketplace. It requires that marketers throw out almost all that they hold dear and embrace technology, a new role, and real accountability—wholeheartedly. Reinvention requires fundamental change.

The Impact of the Great Recession

Change is never easy. Beginning in 2007, as a result of the Great Recession, most marketers and many business leaders found themselves cast adrift, seeking salvation amid a sea of change. And while the government may say the recession ended in June 2009, the reality for many Americans is that it continues—and will continue until the unemployment and poverty rates go down (which, as of this writing, they have not). Only then will the Great Recession be over for Americans. Until then, the landscape for business remains changed and uncertain.

In fact, just about every aspect of American life—both personal and professional—has experienced fundamental change in one form or another since the end of 2007 and the beginning of the end of the housing bubble and the ensuing financial crisis. These sweeping changes have, in many cases, left many people (and many leaders) numb and in search of answers and new solutions, while others have been left angry—and have expressed their anger through the various Tea Party movements

that have rocked politics. Simply put, for many, the status quo is unacceptable.

But new solutions are slow in coming in a world that many believe has changed for the long term. According to a *McKinsey Quarterly* survey published in September 2010:

Notably, the share of respondents expecting better conditions in six months is lower than it was a year ago: 55 percent now, compared with 61 percent in September 2009. Furthermore, optimism on the current state of the economy compared with six months earlier started to fall in June and has taken a sharp dive in the past month. Compared with August, 10 percentage points fewer say the economy is better now. The slide is particularly notable in North America, where the share of respondents who say conditions are better has fallen 16 percentage points. After two years, it appears that at many companies, ongoing economic uncertainty is being balanced with more rigorous planning and execution of everything from daily operations to M&A. Many companies are smaller, and, at many, morale is damaged.²

The Aftermath

As a result, it seems that businesses, like their customers, are in search of remedies and a path or way out as well. While many companies pride themselves on being nimble and innovative, able to meet any challenge presented and come out stronger, this particular point of time in history seems to have shaken that faith.

In the face of this uncertainty, the idea of reinvention is hard to embrace. Reinvention requires considered risk. And, as a consequence of the Great Recession and the risk-taking by many financial institutions that caused or at least contributed to it, today this type of change can be seen as perilous. Generally speaking, taking risks is not encouraged, let alone rewarded, by large corporations and businesses overall. Institutionalizing a culture that embraces changes to business practices, operating

systems and procedures, and new processes is even harder. That is why reinvention must be the byword for this era—the change it requires is actually a return to the core of what can make a business great.

I served as vice chairman and global managing partner, brand management, marketing and communications for KPMG LLP during a decade that saw tremendous change in the professional services and consulting industries—the implosion of Andersen, the global merger of Price Waterhouse and Coopers & Lybrand, the creation—and ultimate failure from an ill-conceived and poorly executed global expansion—of BearingPoint, the acquisition of Ernst & Young’s global consulting practice by Capgemini, IBM’s purchase of PricewaterhouseCoopers’ consulting unit, and the imposition of new regulations and creation of new regulatory bodies such as the Public Company Accounting Oversight Board (PCAOB). In that leadership role, I saw firsthand how global industries and companies react when change is imposed from the outside.

As one of the remaining Big Four global accounting firms, KPMG was open to transformation and reinvention, but it was never easy. For example, when Gene O’Kelly was elected chairman of KPMG in the United States in 2002 (he served until he retired for health reasons in 2005), one of the goals during his tenure was to make the firm an employer of choice within five years. At the time, human capital was all-important because long-term aggressive market share growth was limited by constrained capacity. There simply weren’t enough people to do all the work that clients and prospects were demanding. Becoming an employer of choice required real cultural change from the ground up. It required an internally driven approach that touched every aspect of how KPMG went about its business. It also required that, as a firm, we understood the core essence of KPMG.

That center, heart and core, shared by the 2,000-plus partners and 20,000-plus professionals of KPMG was an intense competitive drive and a desire to perform and win in the marketplace. So, at the national level, we devised a plan that created a

framework for becoming an employer of choice, using the core essence of the firm's brand as the foundation. Simply stated, we made becoming an employer of choice a challenge. This framework was flexible enough to allow for customization—which local office could make its employees feel most valued, which partners best embodied the spirit of employer of choice, and so on. And we leveraged success stories to increase awareness and participation by all 22,000-plus individuals.

Importantly, these efforts were not one-offs—partners and employees didn't simply get an award or trophy and then go back to the old ways of doing things. The firm held both partners and employees accountable for what would become a true change in culture by evaluating their efforts using GE's nine-box methodology, a balanced, effective performance management and standardized measurement methodology, to ensure their commitment and performance, and then rewarding them based on long-term contribution and achievement.

By knowing the target audience, creating a strategy that both appealed to and leveraged employees' strengths, and making change rewarding in the aggregate as well as at the individual level, KPMG became an employer of choice (as measured by its appearance on *Fortune's* "100 Best Companies to Work For" list) in three years, not five—and reinvented its culture. The reinvention of KPMG had a direct and singular impact on performance as the firm became the industry growth leader during this period, increasing its U.S. audit market share from 11.8 percent to 23 percent.

Cultural change takes time and requires a spirit of reinvention. There must be an understanding that while change may be difficult, it is also necessary. Americans are undergoing changes that many still don't completely understand or embrace as a result of the Great Recession and the corresponding implosion of the job and housing markets that cost many their nest eggs and sense of financial safety and security. These changes have created a new, difficult landscape, one that requires leaders and marketers to do something that is embodied in the American spirit—reinvention.

The Reinvention of Marketing

These days *reinvention* may be seen as a very “New Agey” term that more often than not speaks to how individuals “make themselves over” to meet and confront the next stage or phase in their lives. That same conceptual construction is also directly applicable to brands, products, and services—and to marketing as a whole.

For the purposes of this book, here is the simplified definition of reinvention that we will be working with: *Reinvention is the process by which a brand, its core essence, and its key attributes are examined, and through the rigorous application of market-based data (as well as applied findings and customer and consumer insights), the next phase or evolution of the brand that capitalizes on those qualities and optimizes profitable revenue is determined—all while staying true to the essential core nature of the product or service.*

The Rules of Reinvention

Reinvention begins at a brand’s core essence and is constructed from there. It is not change that is artificially created or imposed externally, nor is it change for its own sake. Rather, it is rooted in six essential and critical rules that encompass a new way of examining and scrutinizing marketing and undertaking and optimizing growth initiatives.

These rules, along with the principles that constitute them, also serve to organize the book you are currently holding. Over the following pages, this book will delve into and explore six fundamental rules applied by way of 23 principles of reinvention to demonstrate how to advance and bring marketing into the 21st century. More important, it will show that it is crucial to reinvent and strategically position marketing as a business partner to allow it to accomplish its imperative goals: to drive profitable sales, create growing brands, and increase market share.

The rules are as follows:

Rule One: The Core Is Everything

Reinvention begins with understanding just what a product or service is at its core. More often than not, lost in the go-to-market processes and sales methodologies is the need to define the true core essence of the product or service that is being marketed. Knowing and understanding that core essence not only makes a product or service more relevant, it also creates a touchstone for all the work that will follow. Everything that is undertaken must be true to the essence.

Rule Two: You Have Nothing Without the Foundation

Reinvention is not an art, nor is it a science—it's both. Once the core essence of a brand, product, or service has been determined, it's necessary to develop the foundation for creating and reinventing the brand. In marketing, there is a tendency to think of branding as “building a house.” This tenet deals with creating the architecture and laying the foundation for the brand house—that's part of the science.

Rule Three: There Are Many Choices but Only One Customer

Reinvention does a product or service no good if it's not effectively and efficiently conveyed and shared with the key audience—the potential buyer or acquirer of that product or service. Having “built the house,” it's crucial to determine the plan for going to market and creating the metrics to ensure or exceed a targeted return on investment. Here, the focus is on planning, creating consistency, developing messaging, and determining channels to reach that key audience—the customer.

Rule Four: Do The Right Things for the Right Reasons

Reinvention requires an understanding of the circumstance and context in which the product or service is taken to market. There are no shortcuts or easy fixes. Before putting the brand house “up for sale,” there is a need to ensure there are no unexpected or unanticipated barriers or constraints. These could involve regulatory issues; reputational concerns; customer, client, or prospect relationships; and even entering into partnerships that elevate or accelerate acceptance and purchase of the product or service.

Rule Five: Infrastructure Is More than Just Pipes

Reinvention begins with a product or service, but it does not end there. It directly impacts and shapes the operating infrastructure that supports it. As the product or service is taken to market, it becomes important to focus on the type of support necessary for the successful implementation of the plan. There is no “magic bullet,” but there are avenues that must be explored and optimized, requiring a clear and undiluted understanding of the role marketing is to play in the company or enterprise and the creation of the right type of marketing organization.

Rule Six: Lead and Others Will Follow

Marketing must demonstrate leadership to ensure that reinvention is not only seen as contributing to the bottom line, but in fact does so successfully. Beyond that, it must continue to contribute time and time again over a long period with ever-increasing efficiency and effectiveness to drive profitable revenue growth.

The Business of Reinvention

As a practice essential to a company or enterprise, marketing has failed in many ways. The key failure is one of accountability. By not producing hard metrics on how it contributes to the bottom line, and by positioning itself as more of an art than a science, marketing has left itself open to being viewed as a cost center that isn't vital to a company's ongoing success. While nothing is further from the truth, without providing proof of both contributing to and exceeding a targeted return on investment, marketing sets itself up for skepticism if not outright cynicism, disbelief, and failure.

In a time when consumers and customers are ever more careful in evaluating, distinguishing, and selecting from among the countless choices presented to them, marketing is now more than ever very serious business, and the role of the chief marketing officer (CMO) or chief development officer (CDO) is crucial.

Another breakdown of marketing is one of leadership. One aspect of leadership is an understanding of—and curiosity

about—the future that allows leaders to anticipate change. Too many marketers missed the importance of the “green” movement and have had to play catch-up in understanding how “green” can differentiate and advance a company, product, or service in the marketplace. Additionally, as of this writing the idea of “sustainability” is something the vast majority of marketing professionals have not embraced. It’s a hard concept to comprehend, let alone communicate or market, but it is one that can further differentiate and predispose the purchase of a product or service with its many audiences because of the heightened consumer awareness brought about by increased media coverage and the controversial government regulation of industries that are viewed as contributing to global warming and the ongoing buildup of human-related greenhouse gases.

Marketing must provide leadership in its most traditional sense. An overused word but an underpracticed concept, *leadership* requires guidance, management, and rigorous assessment. Leadership drives breakthrough performance, which should be the hallmark of marketing. The art of reinvention must be integrated astutely with the data-driven science of marketing in this technology-oriented world where change is a given and a constant. And that takes leadership.

Marketing drives business by creating perceived value; this leads to trial and ultimately to the purchase and continued purchase (or repurchase) of a product or service. Businesses only make money when they sell something, not when they manufacture something—you can’t sell something unless you market it successfully.

The Old Way Versus the New Way

The key difference between the old and new ways of marketing is that the new way recognizes that marketing must be applied strategically, in the context of today’s technology and data-centered world. The new way also more often than not requires marketers to reinvent their products and services.

As the president and chief executive officer of a nationally recognized management consulting firm that specialized in business and brand strategy, consumer and business insights, and marketing best practices and organizational design, I saw firsthand many Fortune 1000 companies and their marketing executives simply throw dollars at the marketplace without thoroughly and completely understanding their brands. These C-level executives were not looking to the core of their products' or services' essence. Their marketing organizations were not leveraging and exploiting today's technology-driven and data-rich environment or the real insights and reasons why a customer or consumer makes the decision to purchase. Rather, they continued to do things as they always had—maybe changing the packaging in an attempt to attract new customers. Those are among some of the reasons their products and services were so commoditized and their go-to-market approaches suboptimized.

In this new world order, marketers have no choice but to reinvent their brands to keep pace with the changing marketplace. They need to know what those brands are at the core because if they don't, in all likelihood target audiences won't know either. The result of failure at any level is that audiences simply won't buy the products or services—initially or with the frequency that the company or enterprise desires. Remember, the all-critical goal is profitable sales, growing brands, and increased market share.

That memo marketers missed? It's the one that requires marketers to break out of old routines by:

- » Applying the six rules of reinvention
- » Viewing what they do as essential to the business
- » Recognizing that marketing is accountable for results
- » Providing leadership, not simply following the leader (Often the leader stands alone; that can be daunting, but it is ultimately rewarding—when done correctly.)
- » Understanding that businesses make money only when they sell something, and you can't sell something unless you successfully market it first

This book is the follow-up to the memo marketers missed. Its intent is to serve as a road map and guide for business leaders and owners, marketers and sales executives, and all other individuals interested in the survival, growth, and future prosperity of a business or enterprise. In a world of unrelenting change driven by forces including technology, economics, and regulation, its messages cannot be missed again because the successful reinvention of businesses and brands depends upon it.