Six Critical Vulnerabilities

with Traditional Advertising, Marketing and Branding Initiatives

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Philip Kotler, the legendary marketing professor created an uproar at Marketing Forum 2003 in London with the following comments:

"Most television advertising is a waste of money and marketing has become little more than promotion...many marketing professionals are clueless about how effective their strategies are..." from Marketing Week September 25, 2003

Kotlers observations are certainly not new or ground-breaking. Dysfunctional advertising, marketing and branding initiatives are at the center of a growing discontent with traditional advertising doctrine. vSente's FIRSTmaneuver campaigning methodology was developed in response to this dysfunctional doctrine. This white paper addresses six critical vulnerabilities found in traditional advertising, marketing and branding initiatives and provides access to additional resources describing how the FIRSTmaneuver doctrine and process addresses these vulnerabilities. These vulnerabilities fall into six categories:

1. Sales and Marketing Organizational Conflict
2. Attrition Strategy - Traditional Approaches
3. The Agency and MARCOM Relationship
4. Focus on Costs and Infrastructure
5. Customer Delight and New Economy Myths
6. The Lack of Strategy and Intelligence Competencies

The following sections describe each vulnerability and the impact it has on revenue generation initiatives. Table 1, page 11, summarizes the vulnerabilities.

Sales and Marketing Organizational Conflict

A major source of conflict in today's sales and marketing organization is the lack of integration between the two competencies. This lack of integration creates friction driven by long held cultural differences between sales and marketing archetypes. Marketers have tended towards academic/ivory tower/creative personalities at direct conflict with the knuckle-dragging, testosterone driven, quota carrying sales rep. Marketing communications (MARCOM) managers typically talk in terms of awards, reach, frequency, impressions and clippings. Sales managers typically talk in terms of wins, share, revenue, margin and quotas. The language and culture of these two groups are different as are their motivations and rewards which leads to organizational conflict.

Next, revenue generation initiatives are typically the responsibility of marketing organizations who develop the strategies, tactics, tools and elements utilized by the sales organization. These initiatives include activities like creating and running ads, attending trade shows, generating leads, sending out direct mail, building web sites, conducting market research, sending out press releases, going on press tours, designing brochures and other collaterals, and establishing a corporate identity. While the marketing organization develops these initiatives they are not held directly accountable for the success of these initiatives, which is another source of conflict. An example illustrates:

A marketing organization for an enterprise software firm develops and launches an "awareness" campaign consisting of direct mail, TV and radio spots, trade ads, a PR blitz and a customer loyalty push. At the end of six months the campaign has received multiple "prestigious" awards for creativity and customer intimacy. The marketers have collected hundreds of press clippings, mentions, and articles. An awareness study shows a 20% increase in brand awareness. But revenues did not increase. The quota carrying sales reps did not hit their quotas. The CEO misses his revenue targets. The CFO borrows money to fund a cash flow gap. While the marketers brag about a success based upon their awards, clippings, mentions and awareness.

We have advocated for many years the integration and assimilation of sales and marketing competencies into a single integrated campaigning formation driven by the same language, motivations, rewards and accountability. Until these and other friction points are either removed or lubricated any robust revenue generation campaign is doomed to failure.

Attrition Strategy - Traditional Marketing Approaches

The roots of contemporary marketing strategy can be found in the strategies which drive mass production. Mass production is the process of producing a single widget many times. The siren song of mass production is economies of scale.

Contemporary marketing strategy is driven by many of the same factors that drive mass production. The ability to produce one message, or one ad, or one commercial and then broadcast it millions of times or print it millions of times, is at the heart of contemporary mass communication strategies. First articulated in the early 1960's, mass communication strategies can be characterized as voicing a single benefit - a unique selling proposition - via a "brand" - articulated by a logo and a slogan millions of times under the premise of "building the brand".

Mass communications strategy is based upon two notions - voice and frequency. First, maintain one voice - a consistent message - across all channels and markets, and second, consistently bombard your target audience enough times to drive the desired purchasing behavior. Once produced it is very difficult, time consuming and expensive to alter the voice.

Traditional mass communication strategies are inflexible. But markets change. Terrain changes. Competition mutates. Unpredictably in most cases - here today and gone tomorrow. Yet despite these convulsive changes, should you examine the standard marketing formation deployed by most companies today, you will see the same mix of strategies and tactics used time and time again. And when something isn't working the rallying call is more... more media, more impressions, more time and more money. Attrition strategy at it's best.

When campaigns fail to deliver their intended results, the expected finger pointing initiates a predictable series of conversations about cause and effect. What caused the campaign to go astray, and why was the outcome off target? This quickly results in questions about the agency, the MARCOM department, the message, the creative, the media, the schedule, etc.,.

In order to understand this failure we need to investigate the relationship between agencies and the MARCOM departments who hire them.

The Advertising Agency and MARCOM Department

It is generally accepted that what gets measured gets done. This is just as true with advertising agencies as anywhere else. Finding out what gets measured in advertising is as easy as being pitched by an agency executive.

Let's say a CEO is meeting with an agency executive or the head of his MARCOM department to find out what he will get for his investment. The agency executive will quickly launch into a discussion of response, recall, recognition and a host of other traditional advertising metrics.

What's more, this represents the agency's "best side." These metrics embody what agencies claim to deliver – their value proposition. The side of the agency that actually delivers on the campaign – the creative department – typically has an entirely different agenda.

Awards, recognition and the freedom to "create" feed creative communities, and agency creative departments are no different. One need only look at all the awards bestowed upon agencies and the value both recipients and client's place upon them to appreciate the intensity with which they are coveted.

If brilliant creative were consistently the key to potent advertising campaigns this obsession with awards would represent a critical element in the industry's collective value proposition. However, this is often not the case as top awards are regularly given to campaigns that deliver limited results.

On the other side of the table sits the CEO, who is judged by an entirely different set of performance metrics like revenue, share, and margins. These are the "awards" that the company's board and shareholders covet.

And yet CEO's must convince boards that spending tens of millions of dollars on building recall, recognition and relationships will ultimately deliver revenues, market share and profits. The agencies' ability to make this case to the client, and the CEO's ability to sell it to the shareholders, are what holds the advertising industry together.

Until all the participants in the equation accept the fundamental leap of faith that pretty ads deliver pretty income statements the entire advertising proposition is without merit. And more to the point, how much does it cost to "buy" revenue. Isn't that what advertising budgets are ultimately all about?

Further confusing the relationship is a compensation structure that rewards agencies more for pounding out messages than delivering on specific and measurable tactical metrics. This is of course the traditional media-commission system where agencies are rewarded much more by their level of expenditure than a campaign's subsequent impact on client business.

Leading advertisers – such as Procter and Gamble – are now beginning to recognize that the system is broken, or at least severely misaligned. What will soon be discovered is that the agency-side of the relationship is only half the problem, if even that much.

A column in Advertising Age was written by a correspondent who covers the various award ceremonies agencies are famous for entering. He described the importance of awards to the thirty-something agency/client managers. He comments that

"most marketing managers would rather win an industry award for creativity than launch a campaign that increased sales (and didn't win the award)."

It seemed as if the thirty-something managers saw the awards as a "feather in their cap" when they looked for a new job.

A fundamental disconnect was revealed in this column. When agency and MARCOM managers are more concerned with their accolades than their return on marketing expenditures something is clearly very wrong. But as long as agencies continue to be judged by their creative awards and industry "mentions" this response is to be expected.

Focus on Costs and Infrastructure

There is a powerful incentive in most marketing organizations to reduce costs and gain economies of scale. An incentive based upon *saving* money rather than *making* money. Following the tenets of attrition strategy, many marketing decisions focus on minimizing the wrong costs and building the wrong infrastructure.

Traditional advertising, marketing and branding doctrine is still based upon naming a product, designing a logo, writing a tag line, then creating various communication elements to voice a tightly scripted message via various media. Typically the MARCOM department will try to allocate the lion's share of it's budget to media channels such as print, broadcast and on-line media. The expectations generated by this doctrine is that you create the message one time then broadcast it millions of times. Media buys are made months in advance, and once the campaign is launched there is little attempt to modify or change the campaign. This doctrine leads to a rigid unresponsive campaign infrastructure.

As indicated above, agency compensation continues to be determined primarily by how much media is bought. The agency receives a commission based upon how many brochures they print, how many ads they run and how much broadcast time they buy. A situation comparable to compensating a general based upon how many bullets he buys and bombs he drops. And if the message is off-target? Or ineffective? You spend more. Buy more media, increase frequency, increase reach.

Over the past ten years the infrastructure necessary to execute revenue generation initiatives has played an increasingly larger role. Historically, infrastructure requirements for sales and marketing organizations were nominal - in fact before desktop publishing a drafting board and telephone were all the infrastructure necessary to conduct a campaign. With the advent of desktop publishing, followed by the explosive growth of the Internet, culminating with various CRM, SFA, ERP and other demand chain software technologies an unsuspecting enterprise can be duped into spending tens of millions of dollars on dysfunctional infrastructure. Bottom line to technology and revenue generation is that it does you no good to automate that what doesn't work to begin with or will need to change with evolving markets.

The last cost can be the most damaging of all. This is the potential damage to core competitive business models. While the objective of a revenue generation initiative is to enhance competitiveness, the large percentage of initiatives that fail is evidence that expectations regularly fall short of reality. And the initiative may backfire, as in the case of a poorly positioned branding campaign or a dysfunctional CRM initiative. In these cases the damage can extend well beyond initiative and organizational costs, and can fundamentally damage long-term competitive advantage through unhappy customers or improper perceptions.

Customer Delight and New Economy Myths

In business we campaign for customers. We measure the success of our campaigns in market share, revenue and profitability. But before you can have customers you must first have a competency - a product to sell or service to provide. In the escalating game of customer delight we sometimes listen to the customer too closely. And blindly follow customer requests without reconciling the customer voice with core competency. Which can lead to a jungle of line extensions and warehouses of SKU's. Sometimes we're better off sticking to our knitting and not taking the order. Especially when the business is outside of our core competency. Campaigning for customers involves a continuous reconciliation of competency and opportunity.

Before I can sell to a customer or develop a customer strategy I must first understand my competency. More specifically, my competency relative to my competition and competitive alternatives. As a salesman, sales manager, strategist or CEO I need to understand my relative strengths and weaknesses in order for me to optimize opportunity. Customers are evolving opportunities that require constant calibration in order to maximize profit. In other words a customer is a transient target of opportunity. Every time we transact business with a customer we deal with a new set of interactions that may present threat or opportunity. Most sales organizations today are slow to react to these rapidly changing events.

What does it really mean to be customer-driven? Customer-centric, customer-intimacy, and customer-delight are all phrases used to describe various contemporary approaches to managing customer relationships. While nobody would argue with the importance of customer-driven initiatives we find many companies executing "customer delight" strategies where profit is secondary to the development of a long term relationship. This approach to managing customer relationships sounds good and feels good but it is not sustainable. The customer is but one of three voices that require calibration. The other two voices represent the competency of the seller and the voice of other enterprises competing for the business.

Winning and maintaining a customer is an intense competitive conflict between you, the customer, and the competition. Quite often the most difficult competitive conflict is the one between you and your customer. Typically the customer wants to buy as much of your product for as little as he can, and isn't at all shy about engaging your competition in their fight. There are legions of school-marm consultants who advocate "customer advocacy"... a practice of putting the customer in control. Any firm who puts the customer in control loses control. Unrealistic customer delight strategies combined with residual "new-economy" myths continue to make sales and marketing organizations vulnerable to attack from aggressive competitors.

Strategy and Intelligence Competencies

The greatest vulnerability facing most sales and marketing organizations is the lack of strategy and intelligence competencies. We group these competencies together because great intelligence precedes great strategy. Unfortunately, it is rare to find a robust intelligence function in any organization. Intelligence from the standpoint of gathering, assimilating and disseminating competitive intelligence. The ability to systematically comprehend industry dynamics, profile competitors, detect market trends and conduct basic market research are key missing ingredients. More importantly, the skills necessary to convert this intelligence into strategy and tactics is also missing.

What is strategy? Arguably the best definition of strategy we've come across was eloquently stated by Colonel John Boyd. His definition of strategy:

"A mental tapestry of changing intentions for harmonizing and focusing our efforts as a basis for realizing some aim or purpose in an unfolding and often unforeseen world of many bewildering events and many contending interests."

The idea of operating at a smarter tempo than one's opponent was communicated for the first time in the 1980s by the American strategist and legendary fighter pilot John R. Boyd. Boyd concluded that... "operating inside your opponent's O-O-D-A loop" enabled one to generate sustainable competitive advantage.

O-O-D-A stands for Observe, Orient, Decide and Act. Boyd's O-O-D-A Loop (also known as Boyd Cycles) is probably one of the least understood concepts in both business and the military. To many, Boyd was simply about speed. Getting there first. But Boydian theory is much deeper than tempo or cycle time.

Boyd researched mathematical logic, physics, thermodynamics, biology, psychology, anthropology and conflict in order to explain how humans might exploit cycle time. The essence of Boyd's research was condensed and explained via a theorem, a principle and a law...or Godel's Incompleteness Theorems, Heisenberg's Uncertainty Principle and, the Second Law of Thermodynamics.

Boyd distilled much of his theory via his legendary 13 hour "Patterns of Conflict" lecture. It was during this lecture that he laid the groundwork for the best definition of strategy ever written

FIRSTmaneuver utilizes proprietary process and doctrine to calibrate campaign cycles in a manner allowing better decisions to be made faster than competing forces. Traditional advertising doctrine is attrition strategy at it's best, and is the antithesis of maneuver theory. By applying maneuver theory, campaigners can approach Sun Tzu's ideal of winning without fighting. Sun Tzu's approach to fluidity in shape and intentions is a major FIRSTmaneuver influence:

"So a military force has no constant formation, water has no constant shape: the ability to gain victory by changing and adapting according to the opponent is called genius."

Table 1: VULNERABILITIES OF REVENUE INITIATIVES

Vulnerability	Impact
1 Sales and Marketing Organizational Conflict	**Wrong organizational formation creates friction and distrust**. Traditional sales and marketing organizations have conflicting cultures. They work against each other rather than with each other.
2 Attrition Strategy - Traditional Marketing Approaches	**Wrong execution paradigm focused on mass production.** The cost and inflexibility of traditional mass communication strategies have rendered them obsolete.
3 The Advertising Agency and MARCOM	**Wrong emphasis on awards and commissions.** Ad agencies and MARCOM departments favor creativity over effectiveness. Agency/MARCOM relationship dynamics is extremely destructive.
4 Focus on Costs and Infrastructure	**Wrong motivations for reducing costs and building rigid infrastructure**. Sales and marketing organizations have deeply grooved traditions and competencies that are ineffective and nonresponsive.
5 Customer Delight and New Economy Myths	**Wrong rationalization of customer relationships**. School-marm assumptions that delight and loyalty (and not profit) as keys to sustainable profitability neglect harsh competitive realities.
6 The Lack of Strategy and Intelligence Competencies	**Wrong core competencies**. Strategy and Intelligence competencies are missing from most sales and marketing organizations. Creative and production competencies emphasized over strategy and intelligence.

Source: vSente (2003)

Summary

Six critical vulnerabilities found in contemporary sales, marketing and branding initiatives have led to rigid, defensively entrenched organizations, devoid of strategic intelligence and engaged in battles of attrition. vSente defines a functional sales and marketing organization as fluid, offensive and infused with strategic intelligence.

We offer the following white papers on the FIRSTmaneuver methodology. Please visit our web site at www.vsente.com to request PDF copies.

THE MOMENTUM CURVE - SHAPING CAMPAIGN FORCES . The momentum curve visualizes campaigning forces that shape competitive advantage. This white paper describes maneuver theory, Sun Tzu and Boydian theory as synthesized via the momentum curve.

RAPID CYCLE MESSAGING - THE ART OF CONTEMPORARY BRANDING One of the primary reasons why so many 21st century branding initiatives fail is their reliance on 17th century attrition strategy. This 100 slide powerpoint deck deconstructs the single message broadcast millions of times paradigm driving current brand strategy.

THE FIRSTMANEUVER INTRODUCTORY BRIEFING . This 20-page PDF briefing introduces vSente’s proprietary FIRSTmaneuver campaigning methodology. The briefing introduces basic maneuver theory along with the FIRSTmaneuver doctrine and process.

What is vSente?

We're campaigners. We battle for market share. We launch products, defend share, attack competition and reposition weak offerings. We campaign via a proprietary, battle proven methodology called FIRSTmaneuver. FIRSTmaneuver utilizes maneuver theory to generate competitive advantage. FIRSTmaneuver is the antithesis of branding. FIRSTmaneuver has delivered 50% revenue increases and 20% reductions in sales and marketing budgets for many campaigns. FIRSTmaneuver has evolved out of strategies and tactics utilized in more than 500 campaigns over a 25 year time frame.

vSente was founded by Mike Smock an internationally recognized expert on strategy. Immediately prior to vSente, he was the Executive Vice President Sales and Marketing for CRM vendor Moss Software (recently sold to E.piphany) and Chief Revenue Officer for outdoor apparel maker Gramicci. In his early career Smock held senior sales and marketing positions with AFG Industries later sold to Asahi Glass and Allied Tube and Conduit now part of Tyco. He was the Cofounder of Dynaquest Corporation an artificial intelligence pioneer, and led the successful leveraged buyout of Associated Piping and Engineering from Johnson Controls. As an advisor his clients have included GTE, Marshall Industries, IBM, Phillips, Texas Instruments, Jacobs Engineering, Weider Nutrition, Luxul Broadband, SyQuest Corporation, Christensen Boyles Corporation, Lockwood Greene and many small, privately held enterprises.

British marketing expert David Burdon spearheads vSente's European operations. Burdon, 46, with 25 years experience working with European multinationals has established a London bridgehead to support growing demand from vSente's European clients. His experience includes: Cosmosair Plc - Sales and Marketing Director, Opus Trust Venture Capital Fund - Divisional Manager, Lansdowne Venture Group - Managing Director Designate, Planit On Line - Managing Director, Thames Gateway Kent Partnership - Chief Executive, Stena Line UK - Chairman UK Marketing Group, Hi-Tec Sports Scandinavia - Managing Director, Carlsberg Brewery Ltd. - Marketing Director www.vsente.com

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