



Marketing alchemy and the end of brand narcissism

This is an edited version of Alan Mitchell's keynote speech to the
Thought Leaders International Conference on Brand Management
held at Birmingham Business School, April 2007

At a glance



The alchemists went on a quest to turn lead into gold.
They failed.

Marketing alchemists have set out on a quest to turn consumers into corporate assets. They, too, will fail.



Narcissists regard and treat others around them as instruments of their own glory.

Brand narcissists regard and treat 'consumers' as instruments of their brand's glory.

Brand narcissism is marketing alchemy at work.

Marketing alchemy and brand narcissism are dead-ends.

So what is the way forward?

To reinvent brands as information services.

Phlogiston quest

Until the mid-eighteenth researchers - or natural philosophers as they called themselves at the time - were vexed by a puzzle they couldn't solve: the mystery of fire.

The prevailing theory of the time said that fire was the product of a particular form of flammable 'oily earth' called phlogiston. Things that burned had phlogiston inside them, and when they burned they expelled phlogiston into the air. So researchers such as Robert Boyle, Joseph Priestley and others went searching for phlogiston - just imagine what we could do if we isolate and harness this fire element!

But of course they never would, because phlogiston does not exist. They were on a wild goose chase.

It took an intellectual revolution for the breakthrough to be made. The secret of fire doesn't lie inside the thing that burns, declared Antoine-Laurent de Lavoisier, an unpopular aristocratic tax collector. It lies outside, in the atmosphere, in something he called oxygen.

Before Lavoisier, it was generally accepted that air was simply air - along with the other Aristotelean elements of earth, water and fire. But Lavoisier opened the door to seeing its constituent elements, which is why he is seen as the founder of modern chemistry.

Before Lavoisier, people couldn't understand the secret of fire - because they were **looking for this secret in the wrong place**. And the fact that they were making this mistake was invisible to them because of the categories of analysis they used. If you think air is just air, you are not going to go looking for oxygen.

We have hit a similar intellectual roadblock in the worlds of marketing and branding.

Marketers are searching for the secrets success in the wrong place, and they cannot see this error because their categories of explanation - such as 'product', 'consumer', and 'market' - render this oversight invisible.

These categories are so obvious that we take them for granted: we see them in front of our eyes every day. But they are actually barriers to understanding which we need to pass through.

So what is this intellectual roadblock?

It is the belief that there is something called 'marketing' which has the effect of changing the attitudes and behaviours of another thing called 'the consumer', and that it does so by 'building brands' which influence the choices these consumers make in the marketplace.

This belief is wrong or misleading in almost every respect. To find the active ingredient in the fire of commercial value creation we need to abandon this modern phlogiston quest and look elsewhere.

An industrial age paradigm

To understand the nature and strength of marketing alchemy we need to understand its roots, which lie deep in the industrial age.

The industrial age embodied, and worked by, a powerful set of core assumptions.

A value extraction mentality

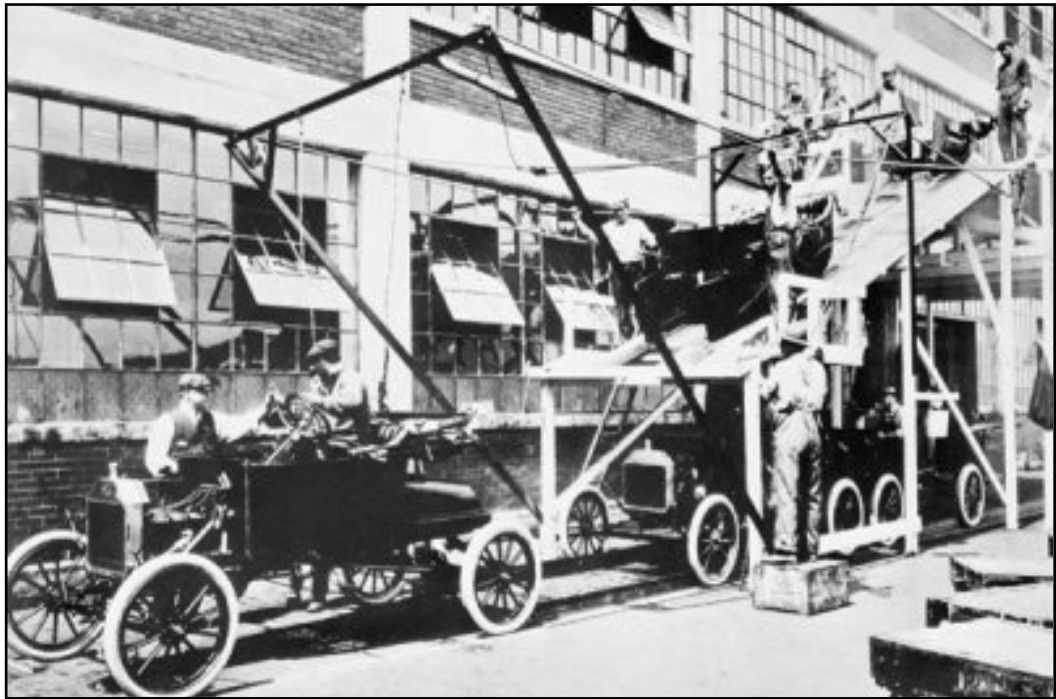
The industrial (and pre-industrial) eras were times when nature was seen as an enemy that needed to be tamed or conquered. Nature's resources were simply 'there' to be taken and exploited. We farmed the soil to extract crops, we extracted fish from the sea, coal, ore and minerals from the earth, and so on. We didn't have to pay for these resources, or persuade anyone to hand them over. All we had to do was to take them. It was *one-sided* relationship. The challenge was how to *extract* value from *resources*.

Industrial age economists invented a theory of 'rational economic man' to fit this extraction mentality. 'Rational' economic men make all their decisions solely on the basis of calculations of benefit to themselves, regardless of the effects on other parties. Rational economic men embody instrumental attitudes: they seek to use everything and everybody around them - whether natural resources or other people - in pursuit of their own benefit.

The quest for control

To extract value efficiently and effectively you have to be able to exercise

control. Industrial age man had to bring the forces of nature under control. To produce anything at all he had to control every step of the production process - mass production line cannot function without detailed control every step of the way. Thus, to industrial age man, value is a byproduct of control.



One of Henry Ford's first assembly lines. The industrial age firm lives and breathes control, because without it you cannot produce efficiently

'Knowledge is power'

Ultimately the only way to exert control is through knowledge - because knowledge gives you power over the resource in question. Only with knowledge can you turn dirty, sticky oil into electricity, or petroleum, or plastic. Only with knowledge of the inside workings of iron ore can you turn it into steel, into motor cars. So the real purpose and value of knowledge is control.

Competition and choice

In a world dominated by rational economic men, each trying to maximize the value they extract from each other by exercising control over each other, there is a danger that economic life will descend into a chaotic free-for-all where life

becomes nasty, brutish and short. Luckily however, industrial age economists discovered a robust answer. Free competition would provide an invisible hand by which the ruthless quest for self interest would be turned into something that benefited everyone.

The mechanism by which competition worked was *choice*. If customers are able to choose between competing offers, suppliers are forced to keep on improving the value they offer. In this way, everyone benefits.

. . . .

Marketing was born into this industrial age and naturally carries its imprint. After all, marketers were employed by industrial age firms to help these firms achieve their goals: to sell more, more profitably. So marketers naturally applied the assumptions that surrounded them to the task at hand.

Value extraction

Marketers saw the 'market' or 'marketplace' as another *resource* - and they still do. London Business School fellow Tim Ambler sums up this philosophy perfectly in his highly regarded book on marketing metrics, *Marketing and the Bottom Line*. He writes: "The metrics used by firms reveal their implicit models of *how shareholder value is extracted from their marketplaces*."

The job of the firm is to *extract value* from a special resource called 'the market' for the benefit of the firm. This market is made up of 'consumers' or customers, so they have to be persuaded to buy the firm's products at a price which delivers profits to the firm.

The quest for control

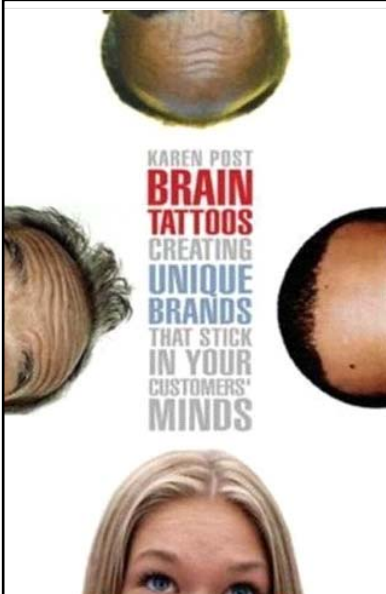
In order to extract value from their marketplaces however, marketers needed to exercise some form of control. In factories, you subject your raw materials to certain processes to get them to respond in the right way - to change their attributes and behaviours, so that lumpy iron becomes the shiny steel of a motor car, for example. Likewise marketers subject their raw material - the consumer - to certain processes or stimuli in order to get the right responses. Philip Kotler is regarded in marketing circles as the grand-daddy of marketing theory. In his classic text book *The Principles of Marketing* he writes: "The marketing mix is the set of *controllable* tactical marketing tools that the firm blends *to get the*

response it wants in the target market."

'Knowledge is power'

But there's a snag here, because the raw material marketers are working on are busy making choices. It is therefore the marketer's job to influence these choices in favour of his particular firm.

One way to do so is to build a brand. Brands can *increase market share* and levy a *price premium*, leading to higher returns. But unlike products, which are made in factories, brands are made in peoples' heads. So while the factory's job is to *change raw materials* into products, the marketer's job is to *change minds* to create brand preference.



Some marketing texts avoid stating these assumptions directly, others come right out and say it. This one, 'Brain Tattoos' sees the process of branding as carving a tattoo into the consumer's mind.

Chapter 1 is entitled "*Your brand: how to create an indelible mental mark*"

"A brand, or brain tattoo, is a psychological impression of value-based emotions, lodged in the mind of a buyer or prospect," it explains

"After any tattoo is outlined it must then be filled in with rich, potent colors that last ... The true essence of creating a great brand is consciously molding, managing and maximizing your desired mental imprint."

Do you fancy having your brain tattooed?

Marketers do this by *lodging messages* and associations in consumers' brains. These messages and associations get imprinted on their minds and act as a stimulus - a lever, or trigger - to get a response: the attitudes and behaviours desired by the marketer. So while accountants and engineers exercise control *inside* the boundaries of the firm, marketers exercise control *outside* the boundaries of the firm - in the marketplace - by using specifically designed mechanisms of control such as the 4Ps (or four Prods), and by building brands.

To do this efficiently and effectively they have to *understand* their raw material - to have deep insights into its inner workings, because only then can marketers

deliver the right stimuli to press the right buttons to get the right response.

Competition and choice

Finally, if you have this superior consumer understanding - so that can deliver the right stimuli to get the right response - then you will have achieved what you want to achieve. You will have influenced the consumer's choice, so that consumers choose you. If you are good enough at it, you will become immune to the forces of competition because consumers will become *loyal* to your brand, at which point they will be turned into a rich, constant, secure revenue stream for the company.

Marketing Alchemy

Back in the fifteenth and sixteenth centuries the alchemists claimed to know - or were on a quest to discover how to - turn base metals into gold. Of course, every prince wanted to be able to do this, so every prince in every principality employed at least one alchemist.



Today, marketing alchemists claim to be able to turn people into corporate assets, by making them 'loyal' to brands. Every right minded company wants to be able to do this, so every company employs marketing alchemists. Thus, we have Saatchi & Saatchi CEO Kevin Roberts telling companies that if they create 'Lovemarks' they will be able to "inspire Loyalty Beyond Reason. That's loyalty beyond benefit, beyond price, beyond logo, beyond attribute."

And Joe Vitale, author of a book on 'Buying Trances' promises companies that he can get customers 'begging to buy'. "This book gives you the keys to their minds. All you have to do is turn the keys", declares the blurb. "They said 'yes' to you long before you said a word."

And of course, just like the alchemists, marketers want to use the best of modern science to help them achieve these goals. One of today's great white hopes, for example, is neuroscience. What better way to deliver the right stimuli to get the right responses than to actually look inside their heads? Thus Adam Koval of the Brighthouse Institute for Brain Sciences opined that "What it [neuroscience] really does is give unprecedented insight into the consumer mind. It will actually result in higher product sales or in brand preference or in *getting customers to behave the way they [companies] want them to behave.*"

Claims like these - and there are thousands of them out there, some bold and extreme, some more subtle - have as much grounds as alchemy. They are poppycock. Nevertheless, they are very influential poppycock because companies want to believe them, just as medieval princes wanted to believe alchemists' claims that they could turn lead into gold. They are an expression of the disease of brand narcissism.

Brand narcissism

Brand narcissism is the hope/belief that people's thoughts, feelings, attitudes and behaviours can be, and should be, organized by companies to the benefit of their brands.

DSM IV - the Diagnostic and Statistical Manual of Mental Disorders - is the psychiatrist's bible. It describes the narcissistically personality disorder in these terms:

- a grandiose sense of self-importance
- fantasies of unlimited power, success and brilliance
- a belief that one is superior, special and unique
- a constant seeking for attention and admiration
- a preoccupation with how well I am doing and how favourably I am regarded by others

These five points provide a pretty good description of the obsessions of the modern brand manager.

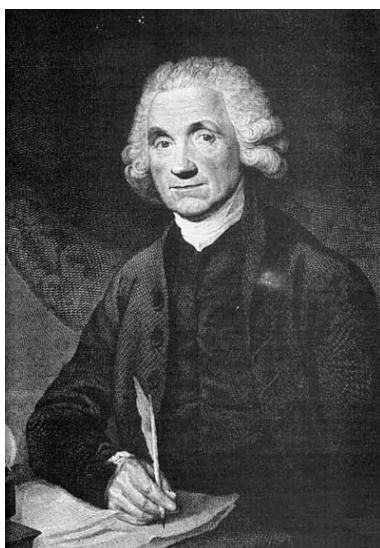
The whole mythology of branding is about the crucial importance of building brands to corporate success, and their huge 'intangible value'. Unlimited power and success is indeed what most brand managers fantasise about. Being superior special, and unique, is what differentiation is all about. Advertising is the art of constantly seeking attention and admiration. And most market research is obsessed with how well I am doing and how favourably regarded I am by my customers and my potential customers.

Customer focus

But hang on a minute. How can I possibly describe brand management and marketing as a narcissistic activity when marketers are champions of 'outside-in' thinking, of consumer focus, consumer understanding and insight? Surely, *not* being narcissistic is the very thing marketing stands for?

At one level, this is true. Marketing's mantra of 'identify and meet customer needs' lies at the heart of value creation. By identifying and meeting customer needs companies can and do generate value and win-win relationships. This is what makes marketing and brands so successful ... when they are successful.

But there is an enigma puzzle at the heart of the ideology of consumer focus. If we fail to grasp it we will remain like Joseph Priestley - got actually isolated oxygen gas, but insisted it was 'dephlogistonated air' and therefore not what he was looking for.



Joseph Priestley (1733-1784) was a genius – the first man to actually isolate pure oxygen in a repeatable experiment.

But Priestley refused to accept that it was 'oxygen'. Instead, he saw it is 'dephlogistonated air'. And since it was phlogiston that he was looking for, he regarded his experiment as a failure.

If you keep on looking for something that doesn't exist, you will never find it.

In reality, the ideology of 'consumer focus' has had the same effect on marketing

as jabs do on children. With a jab we are given just enough of a disease such as mumps or measles to enable us to build up a resistance and become immune. The mantra 'identify and meet customer needs' gives marketers just enough 'consumer focus' to do what they want, while building up a strong resistance to what it really means.

Life management or brand management?

To get passed the barriers set up by 'consumer focus' let's look at a mundane but essential aspect of every household's life: eating - the 'feed the family' process.

What's involved in feeding the family? Here are some of the basic steps.

1. Remember family's dietary needs, likes and dislikes.
2. Fit to occasion: routine, special, entertaining, celebrating.
3. Fit to menus and recipes.
4. Make shopping list.
5. Plan shopping trip.
6. Journey to shop.
7. Find items, substitutes,
8. Queue and pay.
9. Load car.
10. Journey back home.
11. Unpack and store.
12. Prepare ingredients.
13. Integrate and cook.
14. Serve.
15. Eat.
16. Clear table.
17. Wash dishes.
18. Dispose of left-overs, packaging etc.
19. Wipe up.
20. Put away

That's at least twenty different steps, all of them quite complex, each involving its own mix of investments in terms of time, attention, work, information as well as money.

They also involve different *types* of activity.

- **decision making** what meals should I make, how should I make them (using what recipes and ingredients), which particular ingredients should I use, and where should I obtain them from?
- **implementing these decisions** actually finding the recipes, going to

the shops, preparing the ingredients, combining them in the right way, cooking them, serving the meals, washing up the cooking implements and dishes, disposing of packaging and left-overs etc.

- **consumption/use** actually eating the food

Note how the actual moment of consumption is just a small part of a large process involving significant investments of time, energy, attention and information, which are needed to actually create and realize the desired outcome: an enjoyable, satisfying, nutritious meal.

Now, where does a particular brand such as Heinz Baked Beans fit in to these processes? If we compare the brand manager's concerns with the 'feed the family' process manager's concerns we can see how far apart the two sides really are.

The process manager wants to manage the whole process of feeding the family, from end to end, as efficiently and effectively as possible: he wants the best possible return for the personal assets he invests in this process - better use of time, money, energy, attention and so on.

**Life managers are not 'consumers'.
They are in business.
The most important business in the
world.
The business of making human lives.**

The brand manager, meanwhile, is worried about sales targets, sales volumes, margins, prices, promotions, packaging configurations and design, getting shelf space, advertising, how to respond to competitor activity on all these fronts, agreeing and allocating marketing budgets and so on. That's all enough to be very stressed indeed, but how much 'consumer focus' is there in the brand manager's job, really?

This disparity of concerns is a clue. The brand manager is not actually focused on the consumer at all. He is focused on the success of his brand. And he is only interested in the consumer's needs to the degree and extent that they *relate to the brand's needs* - to close a sale.

In reality, behind the friendly, helpful rhetoric of 'meeting consumer needs' marketing's obsession with 'consumer insight' is a direct expression of its industrial age focus on improving the economics of the firm by increasing sales. The marketer is 'focused' on 'the consumer' as a potential unit of demand for his product. In fact, marketing has *invented* the concept of 'the consumer' to fill this role. In reality, like phlogiston, 'the consumer' does not exist. *Consumption* exists, just as fire exists. But the categories of explanation invented by marketers to explain this phenomenon are actually barriers to understanding, not 'insights'.

Once we look at consumption in the round, rather than 'the consumer' as a unit of demand for a company's products, we enter a completely different world: the world of the *life manager* rather than that of the brand manager.

Life managers are not consumers. They are in business. The most important business in the world. The business of creating and sustaining human lives. This business demands huge investments of time, money, energy, attention, information and so on across multiple life 'departments' - home, health, money, transport, communications and so on (just like any business).

But brand managers are not interested in the needs of this business. They are interested in the needs of *their* business - the business of selling more of their brand. From the point of view of the selling firm, this is perfectly understandable. Consumer needs that do not relate to its products or brands are 'not our problem'. But what it also creates is some massive blindspots. The dimensions of value brand managers ignore when they 'focus on the consumer' include:

Decision making

All the time, effort, work and attention necessary to gather, sift, assess and deploy the information life managers need to make decisions about what to do, how to do it, and what inputs they need to source to help them do it.

The brand manager is not interested in helping consumers make better decisions, he is only interested in influencing these decisions in his brand's favour. The brand manager's subsequent attempts to influence and persuade 'the consumer' actually impose significant costs on the life manager, who now needs to sort, sift and filter mountains of spin to find a few grains of useful information.

Coordination and integration

All the time, effort, work and attention necessary to assemble, process and integrate the many different inputs needed to achieve a desired outcome. Every meal involves more than just one ingredient, for example. The logistics costs of coordinating and integrating these many different inputs is a critical driver of value.

While life managers need to handle one or a few of many different ingredients, the brand manager is concerned with selling more of just one of these ingredients (market share, sales targets, etc). This is an entirely different perspective on the world. The brand manager is not interested in the life manager's logistics, coordination or integration issues. He is only interested in his customer's needs in so far as they impact on his particular product's attributes and saleability.

End-to end processes

All the time, effort, work and attention necessary to manage the whole process of achieving a desired outcome from end to end - all 20 steps in the feed the family process, for example.

In contrast, the brand manager is only really interested in just one of these steps: whether the consumer buys my product or not.

Dark energy

A few years ago, the scientific world was rocked by the realization that, until very recently, we have been unaware of three quarters of the universe. This missing three quarters has been dubbed 'dark energy' because it fails to register on our measuring instruments. It's now known that dark energy lies behind virtually all of the phenomena in the universe, explaining puzzles such as galaxy formation. "Astronomers have been starrng at its handiwork for decades without realizing it", noted Scientific American in an article on the subject.

Once we manage to peer behind the intellectual veil created by 'consumer focus' we discover our very own dark energy. What really drives markets - what really explains how and why economies evolve as they do - is the dark energy of life managers' ongoing efforts to achieve their own goals and improve their own economics; efforts that simply fail to register on marketing's measuring instruments - or if they do, only as a faint and distant echo.

Dark energy deals with an entirely different set of substances to those that dominate the marketer's working day. These different substances are the centre of gravity of life management. They revolve around better use of personal assets: better 'return on attention', more productive use of time, value for money, better use of information, better use of energy. Marketing's failure to see or understand this dark energy is both a symptom and a cause of brand narcissism.

Marketing myopia

To see just how deep the misunderstandings created by brand narcissism are, consider this simple statement by former Heinz CEO Tony O'Reilly.

“The acid test of brand loyalty is where a housewife, intending to buy Heinz Tomato Ketchup in a store and finding it to be out-of-stock, walks out of the store to buy it elsewhere or switch to an alternative product.”

O'Reilly's only consideration here is a narcissistic one: whether the housewife [life manager] prefers his brand enough to switch or not. Note how O'Reilly is completely oblivious to, and doesn't care two hoots about, the housewife's economics: her time, her energy, her hassle and inconvenience. They don't register on the Heinz Tomato Ketchup brand performance metrics for the simple reason that brand managers are not employed to improve the life managers' economics; they are employed to improve the company's economics.

But this is not only condescending to the 'housewife'. It's also damaging to Heinz, because it distorts the company's priorities. If you take O'Reilly's statement at face value, the obvious next step is to ask 'how can we make this consumer truly loyal to our brand?'

An alternative and much more realistic interpretation would take the company in a completely different direction: 'if it's not in stock, our supply chain isn't working properly and we need to fix it'.

If you see your problem in terms of brand loyalty, you try to fix brand loyalty. If you see your problem in terms of business basics, then you try to fix these basics. So what was Heinz's problem here. Its brand? Or its supply chain?

Ultimately, brand narcissism is a way of not looking reality in the face.

Marketing schizophrenia

So far, we have only looked at the doctrine of 'consumer focus' and 'identify and meet consumer needs', as it relates to the product. But that's only half the story. The other half relates to marketing itself: the processes and practices the company deploys to reach out to and communicate with its target customers. Here, something strange begins to happen: marketers suddenly completely 'forget' all about meeting consumer needs.

When focusing on the product marketers try hard to meet the consumer's product needs because otherwise they wouldn't buy it. But once marketers switch their attention to going to market, they suddenly switch to a different mode: that of persuasion. How to persuade the consumer to buy our brand? How to change consumer attitudes and behaviours in its favour? This dimension of consumer needs - 'go-to-market' as distinct from consumption needs - is simply thrown out of the window by marketing because meeting the consumer's go-to-market needs might get in the way of closing a sale.

Bizarrely then, the only corporate activity that is exempt from the mantra 'identify and meet customer needs' is marketing itself - the process of bringing the brand to market. But this schizophrenia is instantly understandable once we remember marketing's industrial age roots and role; its real job of helping the firm sell more, more profitably.

Which is why many consumers 'love' the product but 'hate' the marketing - because they know the product is designed to meet their needs, while the marketing is not.

'Consumer focus' is, therefore, actually an expression of brand narcissism. When push comes to shove, it is actually driven by the brand's needs, not the consumer's. Like the concept 'air', it *seems* to be a satisfying explanation. But its real effect is to block further investigation.

The persuasion paradigm

But just how effective are marketers' efforts to persuade, change and influence consumer attitudes and behaviours?

The alchemists wanted to turn lead into gold but failed because they made faulty assumptions about the nature, and degrees of malleability, of the materials they were dealing with. Marketing alchemists are guilty of the same mistake.

The persuasion paradigm goes something like this.

The raw material of the market is the customer's mind, which is where brands are 'made'. Marketers need to shape this raw material. They do this by developing deep customer understanding and insight, which they use to craft messages which lodge themselves in the customer's brain, and which 'press the right button' or 'pull the right trigger' to get the customer to 'respond' in a desired way.

This message may be a rational appeal: 'we have better functionality or price'. Or it may be 'emotional' - an association such as 'sexy', or 'high status', or 'friendly'. This changes the customer's attitude towards the brand, in time influencing their preferences so that they choose to buy it.

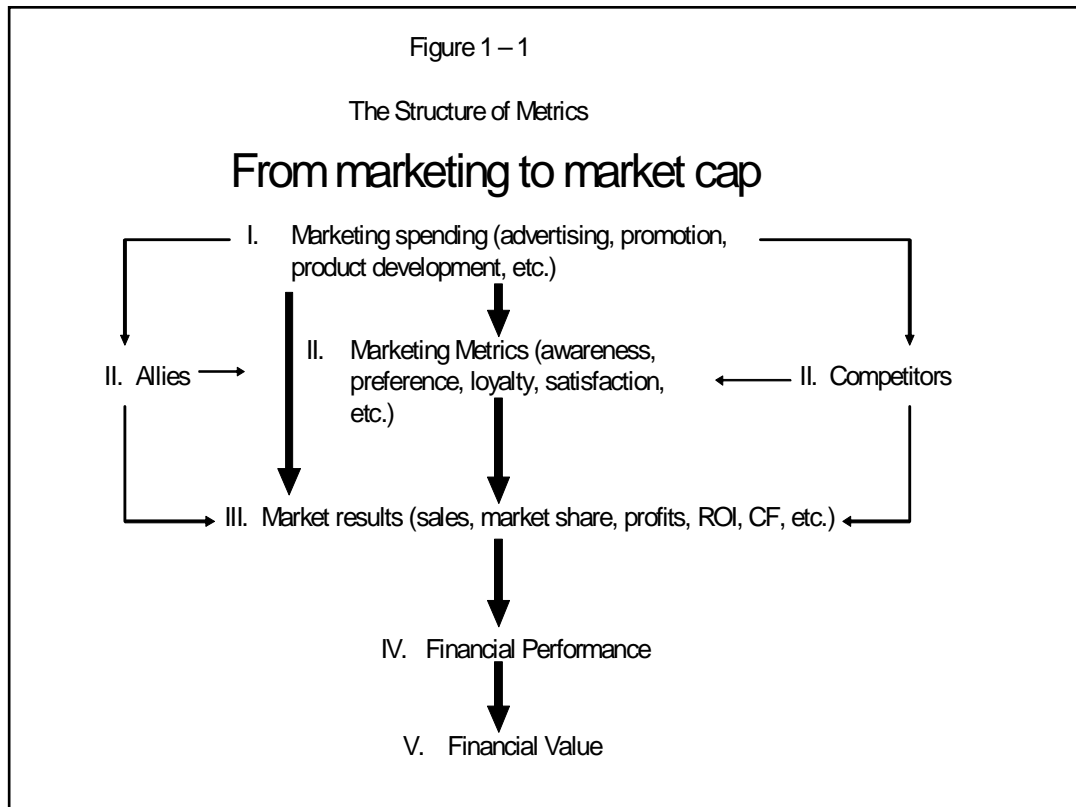
The mistake that marketers make here is the assumption that human minds can be 'changed' in this way. The whole approach is based on out-dated and discredited behaviourist psychology which sees the human mind as a blank slate just waiting to be written on, and an impenetrable black box where the only things that matters are inputs (stimuli) which automatically lead to outputs (responses).

If you take this black box as a given then you don't worry at all about what might be going on inside it: the intentions, goals, plans, priorities or purposes of the human being 'inside'. You simply turn your attention turns to which 'inputs' will generate which 'outputs' - which is what most marketing debates revolve around.

Controversies include 'how often does the consumer have to be 'exposed' to the message before it is 'effective'? What's more 'effective', many short exposures or one, long 'engaging' one? Do we need to gain the consumer's attention to get the message in, or can we deliver the payload unconsciously while the consumer isn't paying attention? What is the best 'effective' stimulus - is it humour, is it emotional appeal or is it rational self-interest such as price and product feature? And what is the best delivery channel? Is it TV still, or the Internet, or PR, or direct mail?

This 'black box' model of marketing effectiveness - which removes the purposes of the individual being worked upon from any real consideration - is mirrored in the best academic work now being done on marketing metrics. Take this example from Professor David Reibstein, professor of marketing at Wharton business school

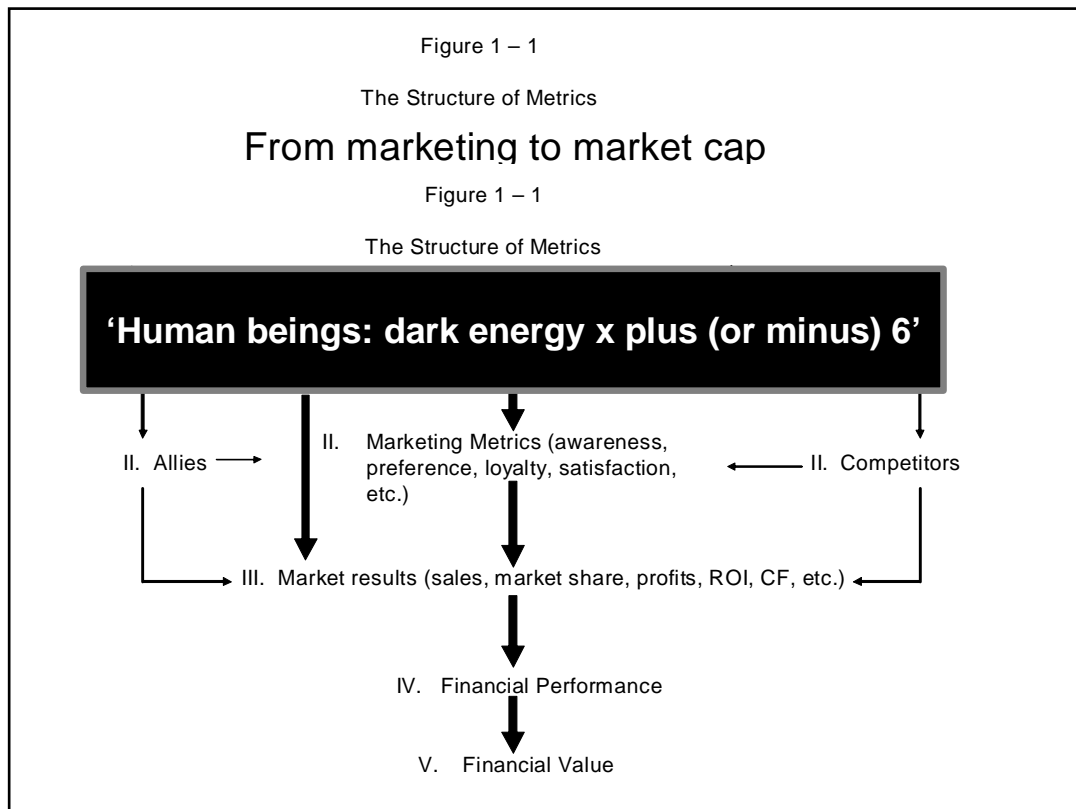
and co-author of the best selling book *'Marketing Metrics: 50+ Metrics Every Executive Should Master'*.



Note the value extraction mentality: the end purpose is to improve the firm's financial performance by extracting value from the market. And note how it is done: by spending money on marketing stimuli (advertising, promotion, product development etc) which generates a response which is captured by metrics.

And note the invisible elephant in the middle of this model: the human being and his or her purposes and decision-making processes. Just as the concept 'air' rendered the possible existence of oxygen invisible, so today's theories of marketing render the dark energy of economics invisible: life managers' quest to improve their own economics.

If Professor Reibstein included the 'target' of all this activity in his model it would look rather different. We would suddenly discover that all those stimuli are being filtered by a very sophisticated information processing entity which has evolved to be finely attuned to other peoples' intentions, and which is very good at searching out information that it finds valuable - and discarding the rest.



This information processing entity is called a human being. In very simple terms, if the stimuli he receives are useful and valuable to him, he will pick them up and respond to them - providing the ‘response’ that the marketer is looking for. But if these stimuli are not useful or valuable, he will simply ignore them or even worse react negatively to them - as an intrusion or a waste of time or an insult. In which case, the response measured by the marketer is actually negative.

As with the pneumatic chemists’ search for phlogiston, the mental model of marketing now being taught by the world’s best business schools actually renders the real catalyst of the fire of wealth creating exchange invisible, helping to keep us ignorant of where it resides and how it works.

The advertiser’s illusion

But how can this be? Marketing and advertising have been proved to work. Otherwise, why would companies globally spend over \$1 trillion doing it each year?

The answer is simple. The *results* are real enough, just as fire is real. But the results marketers are measuring are not what they think they are measuring. When a substance burns, it *appears* to ‘give off’ something, which the pneumatic

chemists called phlogiston. When advertisers advertise, they *appear* to change consumer behaviours because sales go up (sometimes at least).

In both cases, what's missing is the real connections between cause and effect. The concept of 'advertising' is similar to the pneumatic chemists' air. Air is an amalgam of many different gases (nitrogen, oxygen, carbon dioxide, argon etc) each with their own attributes. Likewise, advertising is an amalgam of many different functions. Here are some of them.

Superior value

Some advertising simply alerts the buyer to a value opportunity. If the product is better than the competition in terms of price, quality, functionality, innovation etc advertising alerts buyers to this, and as a result those buyers who are interested in this category become more likely to buy it. This is why many advertisers like to have a 'unique selling points' and why advertising is more 'effective' for outstandingly good products than for duff ones.

But please note: this advertising is not really 'changing' consumer attitudes or behaviours. It is simply being picked up and used by buyers who are continuing to do what they have always done: search for better value.

Awareness

Awareness advertising does actually 'change' consumer behaviour for a simple reason: If you are not aware of something, you cannot buy it or search for it. Making somebody aware of something (or reminding them that it exists) can have dramatic results, therefore.

At the same time however, once you are aware of something and have assessed its value to you, 'more' awareness has little effect. Awareness advertising can, therefore, have huge effects if it is taking people from non-awareness to awareness. But once we get past that stage, the effects quickly tend to zero. That is why advertising of new products tends to have much more demonstrable sales effects than advertising of existing products.

But please note (again): the real driver here is not marketers' ability to 'change consumers' minds' but their ability to fit into the buyer's challenge of 'searching

for and finding the things I need'.

There is one important knock on effect of awareness advertising. Given a choice between two products, one of which is famous and the other which is totally unfamiliar, we will tend to choose the familiar one because it seems less risky. This is a form of preference which is created by advertising, though it is driven more by decision-making heuristics than by the advertiser's ability to 'change minds': see below.

Decision-making heuristics

At the last count, there were around 8000 different mortgage products on sale in the UK. If you vowed to get the best possible deal on the market by, say, investing six minutes per mortgage to understand its fine details, charges, penalties, flexibility, standing of provider etc, it would take you 48,000 or 800 hours to do your research. At a working rate of 40 hours a week, that would take you 20 weeks - costing you around half your annual salary.

Similar calculations apply across all products and services in all life departments: health, home, money, transport, communications, leisure and so on. What they show is that, within the current commercial set-up, the cost of making (and implementing) better, more informed decisions often massively outweighs the benefits of doing so. Faced with this dilemma, most consumers resort to a series of decision-making short-cuts aimed at making the best possible decision with (very) limited time and information.

There are many such decision-making short cuts. Some of them are listed below.

1. Buy what I bought last time. As long as what I bought last time turned out to be satisfactory, this slashes decision-making costs to zero, yielding huge go-to-market productivity savings.
2. Buy from my current provider. This is essentially the same as 'buy what I bought last time', but applies to other products rather than the same product. It saves the hassle of shopping around: better the devil you know.
3. Buy what's easiest to buy. If it's front of me right now, while other alternatives are miles away and involve a long trek, buying what's in front of me is a probably a better use of my limited resources.
4. If it's famous it must be OK. Companies that advertise their products are risking their reputations when they do so; companies or brands that I've never heard of represent a risk.

5. Buy the cheapest. The money saved is probably worth any slight differences in quality.
6. Buy what's on promotion. If I can get a better quality product at a lower price, or just a lower price, of course I'll seize the opportunity.
7. Buy what my friends recommend. They've got experience that I haven't got, and I can trust them to look out for my interests.
8. Buy what experts recommend. If it's a category where I haven't a clue what I'm talking about it's probably best to listen to what the experts say.
9. Buy the badge or celebrity, because if I'm going to buy it I might as well use it to say something about myself.
10. Buy the most expensive - because 'you get what you pay for'
11. Buy what's most ethical or socially responsible, because that's the right thing to do.

Separately and together, these decision-making short cuts account for many of drivers behind so-called brand 'loyalty' and explain why most if not all common marketing practices have arisen.

But please note (again). These marketing practices are not 'effective' because they have 'changed' consumer attitudes or behaviours. If they are effective, they are effective for precisely the opposite reason: because they have aligned themselves to (and, sometimes, taken advantage of) pre-existing decision-making heuristics.

'Couldn't care less' switching

There is one more aspect of marketing activity that seems to prove marketers' ability to change consumer attitudes and behaviours beyond doubt. In many markets and many categories, consumers are aware that most of the products and services on offer are pretty similar in quality, attributes and so on. They couldn't really care which one they buy, as long as it satisfies their need. This means they are very 'open to persuasion' by anyone offering them a good reason for switching from one to the other - such as a price promotion.

The sales effects of such marketing initiatives can be spectacular. Sales can double during promotional periods: if this is not 'proof' of marketers dramatically changing consumer behaviours, then what is? However, in reality, something else is happening. As far as the consumer is concerned, this switching behaviour is merely a *continuation* of the same underlying purpose - the quest for better value. And the switching only takes place when the costs or risks of opting for A instead of B are close to zero: where the consumer couldn't really care which one

he buys, in other words.

Once the marketer tries to change something a little deeper however - to prefer cider to beer, for example, or to believe this rather than that - suddenly the marketing programme is like water off a duck's back.



The net result is perverse. In their desperate quest to 'prove' effectiveness and accountability, marketers naturally look for the biggest changes between 'before' their campaigns and 'after'. Yet these 'biggest changes' occur in exactly the areas that matter least to the consumer - where switching is 'no skin off my nose'. Here, the consumer is acting a bit like a punch bag. The punch bag's centre of gravity is fixed, heavy, very

slow to move and hard to change. This is the stuff that 'really matters to me'.

On the other hand, the tip of the punch bag flies all over the place, in response to the latest 'stimulus' precisely because 'I don't really care which way it flies'. In their quest to find metrics that demonstrate effectiveness marketers get sucked to the very tip of the punch bag- to the areas where consumers care the least. In this way, marketers satisfy with themselves with endless demonstrations of the 'effectiveness' of their marketing ... while actually having zero real effect on the underlying consumer attitudes and behaviours they are trying to change.

The myth of 'marketing effectiveness'

Does this matter? If the net result is that the company manages to increase its sales, who cares what the real causes and effects are?

We now know that sometimes alchemists did actually manage to produce gold ... because, on this particular occasion, they happened to be conducting their experiments with gold ore. Of course, when they did produce gold they paraded it around as irrefutable proof of the power of alchemy. But they hadn't understood how or why they had managed to produce gold (often using materials on the basis of superficial 'qualities' such as softness, colour and weight). When they repeated the experiment using other substances with similar colours, softness or weight, they were disappointed.

Their misunderstanding meant that they never had any foundation for real learning, so they never made any progress. Instead, they were doomed to perpetually make the same mistakes.

Something similar is happening with marketing. Sometimes, marketing campaigns are hugely successful, generating a massive return for the company. Marketers then parade these successes as irrefutable proof of the power of marketing, turning them into 'case studies' which become immortal in books, articles, on the conference circuit and in agency presentations.

But because this success is understood in terms of the persuasion paradigm marketers draw the wrong lessons from it, seeking to understand and repeat those particular 'stimuli' that triggered such a great 'response' - type of message, media buying schedule, choice of channels etc - the equivalent of the alchemists' softness, colour and weight. And then, when they try to repeat the experiment they are disappointed.

The reason is simple. The only communication that is 'effective' is the marketing - the information - that life managers find useful. Just like products and services, in other words.

Lavoisier realized that the secret of fire is not emitted from the substance into the atmosphere but the other way round.



Lavoisier realized that the catalyst of combination lay not inside the burning object but outside: oxygen in the air.

Likewise, the catalyst of value-creating commercial exchange is not the messages that marketers send, but how useful these messages are to their users: so-called consumers.

'Effective' marketing doesn't change consumer attitudes or behaviours. It identifies and meets the information needs of its users.

Likewise, the secret of marketing success does not lie in the 'persuasive power' of the stimuli it sends out. It lies in whether these stimuli are actually deemed valuable by busy life managers. Paying attention to marketing is an investment of precious and scarce resources: (remember those 8000 mortgages). Life managers only bother making such investments when they are confident of a decent return: when the marketing helps them achieve what they want to achieve. If marketing wins this investment, it sets alight. If it fails to win this investment it doesn't catch.

Marketing communications can be hugely 'effective' (i.e. picked up and used by consumers), but only if and when they fit the consumer's information needs and priorities; when they stop trying to *change* the consumer but focus on providing *value* instead. The 'secret' of go-to-market success is exactly the same as the secret of product success: if it is useful and aligns to the consumer's needs and priorities (in this case, informational and go-to-market needs) it will win favour. And if it is not, it will be ignored.

Metrics madness

Bearing this in mind, we can see the utter absurdity of current debates about marketing 'accountability' and 'effectiveness'.

Companies, quite understandably, want to know whether the enormous sums of money they spend trying to communicate with consumers is earning a return or not. But note the narcissism at the core of the debate. There is endless hand-wringing about how much marketing and advertising costs - *the company*. There is intensifying pressure to make marketing more 'accountable' and to demonstrate 'effectiveness' and 'returns' - *to the company*. There are ongoing attempts to measure the value of brands - *to the company*. It is always returns to the company, never value to the consumer.

So, the one thing that marketers really need to measure - whether or not what their campaigns are delivering any value to their users; whether or not there is an ROI for the consumer - is not even measured at all. All that is measured is whether there has been a 'response'.

This explains the pathetic results of Professor Reibstein's research. Having exhaustively chronicled and analyzed every single marketing metric used by companies across a wide span of industries, he asks the \$64,000 question: "Where

are we in terms of generating empirical generalizations about the numerical size of the various links?" (i.e. between marketing stimulus and measurable response).

His answer is very simple. "Sadly, we are not very far along". As long as marketers continue pursuing their quest for phlogiston - the perfect 'stimulus' to deliver the perfect 'response' ('loyalty beyond reason', customers 'begging to buy', the ability to 'get customers to do what we want them to do') - 'empirical generalizations about the numerical size of the various links' between stimulus and response will continue to elude them. Because they do not exist.

An alternative paradigm

So let me briefly outline the bare bones of an alternative - information age - paradigm.

From value extraction to reciprocity From the one way traffic of value extraction to the two way traffic of reciprocal benefit. This in turn requires a two way exchange of information to define exactly what this benefit is.

From control to alignment From one side trying to exercise control over the year towards both sides negotiating better, mutually beneficial alignment.

From 'knowledge is power', to shared knowledge for the purposes of better alignment Under 'knowledge is power' you aim to hoard knowledge and keep things secret, because if the other side don't know something you might be able to get one over them. We are now beginning to realize that there is much greater potential value in using knowledge as a way of achieve mutual understanding and better alignment.

From choice to voice In the past, we put choice on a pedestal, seeing it as an answer to all the problems that can or will ever emerge in the market. In reality, many of the most important market challenges can only be resolved via the mutual exchange of information; by enabling and encouraging *voice*.

The power of alignment

Alignment is the Cinderella of wealth creation.

If we look back at the history of economic theory, economists focused almost exclusively on factors of *production* such as land, labour and capital. Recently there was an enormous kerfuffle because a few economists suggested we should add an 'intangible' factor - 'knowledge' - to that list. But all of these categories focus on the problem of production in isolation. They ignore the problem of consumption. Or assume it to be solved. Or trivial. The possibility that 'the consumer' might be the most important factor of production of all - central to the production of human lives - is not entertained.

Alignment focuses on the problem of production *in relation to* consumption. This is important because production without alignment is *wasting*.

There are many ways of producing without aligning. You can produce things that people don't want. You can produce too many of the things that people do want. You can produce them in such a way that they remain inaccessible. Increased, improved alignment creates wealth in two ways:

- Stop squandering precious resources on things that add no value
- Use these resources to add extra value

Improved alignment is therefore the source of a virtuous spiral: the better aligned you are, the more you achieve, using less resources.

Industrial age marketing recognized the value of alignment in the one area that fitted its agenda: aligning product design to customer needs or desires. But the real potential of alignment stretches far beyond this product focus to:

- Operations
- Markets
- Information
- Values

It's no accident that some of today's most successful companies have put alignment at the heart of their business philosophies and practices.

Toyota is one example. By far the most successful car company in the world, its 'lean' production system is driven by a simple principle: define value from the customer's perspective and eliminate all activities that do not add value from this perspective, because they are waste. So Toyota applies this principle to

everything it does, not just its products.

One of the things it does, for example, is to seek to align what it makes to actual levels of demand. That's because overproducing is wasting; using up resources that deliver not value to customers.

This is almost the complete opposite to mass production as epitomized by Henry Ford. The Ford model is driven by the quest for economies of scale, which deliver reduced unit costs, which in turn deliver increased sales and margins - *assuming you can sell what you have made*. That's how and why the model results in push marketing. The more you chase scale the more you produce, the more you need to sell, the harder you need to push.

Tesco is another example of alignment at work. Tesco uses the data it collects from customers via bar code scanning and its loyalty scheme to continually align what it does to what its customers 'tell it' they want via this information. This process of constant adjustment applies to everything it does: to what products it stocks, to new product development priorities, store opening times and staffing levels, promotions, marketing messages, etc. By constantly aligning these activities to customers' actual behaviours, Tesco is able to invest less resources doing things that customers don't value, and to divert these resources into doing things that they do value. This is one of the reasons for its current success.

Two ways of doing alignment

But there are basically two ways of doing alignment:

- Seek to align customers to what the company wants them to do
- Seek to align companies to what customers want them to do

As we've seen, much of the rhetoric of marketing is about aligning the company to the customer, but industrial age business model imperatives and mindsets mean that most of the practice of marketing revolves around push: getting customers to do what the company wants them to do.

It is this that it is now changing.

Many years ago the Nobel prize winning economist Herbert Simon summed up the dilemma of the information age thus. The real design problem, he said, "is not to provide more information to people, but to allocate the time they have to the available information so that they will get only the information that is most

important and relevant to the decisions they will make.”

In other words, in an information age, the real epicentre of value better decision-making: the ability to align the information that is available to what the user’s current purposes and priorities, to help the user make and implement better decisions, quicker and easier.

We are now making great strides in this direction.



Herbert Simon

The real design problem ...

“is not to provide more information to people, but to allocate the time they have to the available information, so that they will get only the information that is most important and relevant to the decisions they will make”

It’s a peculiar fact of information that you only know its value after you have spent time ‘consuming’ it. The more information there is available therefore, the more time you have to spend consuming large amounts of information that has little or no value to you, *just in case* the bits you want happen to be there. So, the more information you have at your disposal, the more time and effort you waste.

By letting you specify in advance what you are interested in, Google eliminates 90% or more of this waste. Google is a tool of alignment, revolutionizing the economics of aligning information to users’ needs.

Now consider another online phenomenon: the price comparison site. Before price and product comparison services, if Mrs Smith in Birmingham spends time and effort researching the market for say, digital cameras, when she finishes researching and purchased her product, the fruits of her research are effectively thrown away. Not used again.

There is no way that Mr Jones in London can pick them up and use them for himself. So when he decides to buy a digital camera, he has to start the research process all over again. In today’s markets, this process of reinventing the wheel is repeated millions of times every day across millions of consumers and billions of purchases across thousands of categories.

The price comparison site captures this accumulated research and knowledge and

makes it available for re-use - revolutionizing consumers' costs of acquiring go-to-market information. Say it costs me £100 in terms of time, effort and information acquisition to research a market. If I use that information once, it effectively adds £100 to the cost of the purchase. But if 10,000 people use the same information, the cost per use falls to a penny. Not a 99% improvement in information productivity, but a **99.9%** improvement.

These are just two examples of the way the information age is revolutionising the processes, and the costs, of aligning information to user need.

A third plank of this revolution is the shift from choice to voice, from push to pull. Until very recently, the only economically effective, technically feasible method of transferring information on a mass scale was via top-down, one way mass communications such as TV, newspaper and magazine publishing etc.

In this environment, 'the consumer' was just 'an audience'. Passive. Receiving messages.

But now we are rushing into a new era where sideways or peer-to-peer and bottom up flows of information flows are reaching critical mass. Voice is moving centre stage. This is creating a completely new information environment where it is possible for individuals to send messages to companies and markets saying 'Here I am. This is who I am. And this is what I want.'

Again, this is a recipe for a leap in information productivity by many orders of magnitude. Recently, a car company analyzed what proportion of the audiences viewings its TV advertisements were actually in the market for one of its cars. The answer was less than one per cent. Its advertising was irrelevant - and therefore a waste of time and money - for over 99% of the people who viewed it. By moving from pushed to pulled information we can - as with Google and price comparison services - eliminate 90% or more of the waste that's currently endemic to the marketing system.

Personal Information Management Services

Google, price comparison services, voice: these are just three examples of an unfolding revolution in the costs of acquiring, storing and passing on information. As a result of this revolution, the economics of personal decision-making are being transformed, creating a new mass market for 'personal information management

services' or PIMS.

PIMS will help people acquire, store, analyze, protect, share and use the information they need to make and implement better decisions at lower cost - not only money cost but time cost, attention cost and hassle cost.

PIMS will become the first port-of-call for individuals going to market - a source of decision-making support they can trust. As a result, PIMS will emerge as *the* pivotal channel and interface via which interactions and transactions between individuals and organizations flow. In doing so, they will transform the marketing environment, shifting the epicentre (and processes) of added economic value to better use of information as a personal resource: better decision making.

The industrial age paradigm started with a product, and then moved on to the question 'how to influence consumer purchasing decisions so that they buy this product?'. The emerging information age paradigm starts with people using information to make better decisions, and then searching for value as a result of those decisions. This is a multi-dimensional shift:

- From seller-centric to person-centric.
- From top down to bottom up.
- From influencing to aligning.

The future of marketing and brands

Does this mean 'the death of' marketing and brands?

Not at all. When Lavoisier demolished the phlogiston theory and discovered oxygen, he initiated an explosion of research, discovery and value creation. What would we do today without chemistry?

Likewise, demolishing marketing's own phlogiston theories - the search for the secret of marketing success in the things companies 'do to customers' - isn't the end but the beginning. The emerging era of personal information management service will unleash the oxygen that fuels of fire of wealth creation: information about the exact scale, nature and shape of demand - information that can only come from where it is created - the human being or 'life manager'.

The 'new' marketing will apply long established skills and tools of analysis and communication to use these new information flows to eliminate waste, invest in

what truly adds value, and to identify opportunities for new products and services. It will mean an explosion of opportunities to provide new and better products and services at lower cost, and to bring them to market much more effectively, at lower cost. It will be the source of new win-wins between buyers and sellers, 'producers' and 'consumers'.

Within this environment brands will flourish. Brands are names that help us to identify products and services quickly and easily. As concentrated packages of information they are ideally suited to an information age. But to flourish they will have to jettison their long-held narcissistic dreams and to accept their real role.

It is not the job of the brand to change customer attitudes and behaviours to feed companies' sales and profits. That is brand narcissism, the phlogiston quest of marketing. The job of the brand is to provide its users with an information service including:

- specialist technical and other knowledge that is crystallized into specific products or services.
- expert advice relating to the problem the life manager is trying to solve
- reliable, expert, trustworthy information that helps individuals navigate their way to best value (going to market)

In this way, brands as information services will **EARN** life managers' time, attention, trust - and money: by helping them improve their own personal economics.

Conclusion

The industrial age origins of marketing instilled it with certain deep assumptions including the following:

- That value is created by firms and 'sold' to 'consumers'
- That the job of the consumer is to exercise choice between competing offers
- That marketing is something that is done by companies 'to' or 'at' consumers
- That the purpose of marketing and brands is to influence these choices
- That marketing success is measured by improvements in the company's metrics (sales, margins etc)

We are now beginning to glimpse the outlines of a completely different logic.

- Value is created both by firms in their operations and by life managers in the process of producing lives. Value is not passed just one way from producer to consumer via a sale. Instead different forms of value are exchanged by different types of producer in the marketplace.
- We are moving from choice to voice, where the input of information from life managers increasingly drives the processes of alignment, matching supply to demand and connecting buyer and seller to eliminate waste and adding value for both sides.
- Marketing is not one-way communication but the two-way exchange of information revolving around meeting the life manager's - not the company's - purposes, priorities and decision-making processes.
- The purpose of marketing is to build win-win value exchange where firms improve their own economics by helping life managers improve their economics: not only via better products and services, but by better information and processes too.
- Marketing success is measured by improvement in both sides' metrics - starting with the metrics of the life manager: ROI on personal assets such as time, money, energy, attention and information.

The sooner we can move beyond alchemy to create chemistry the better.