

Prophet's 2011 State of Marketing Study

Brand-Building in the Complex New Ecosystem of Influence

Building a brand has never been more challenging.

An entirely new and increasingly complex ecosystem has emerged, which impacts the way people connect, engage, influence, and are influenced.

Establishing a meaningful dialogue with customers in this environment has become a challenging proposition, given the pace of change and its variety of manifestations. From platforms and networks (Facebook, LinkedIn, and Twitter) and devices (smart phones and tablets), to communication modes (e-mail and text messaging) and practices and trends (crowd-sourcing and mass customization), exploding and fragmenting channels have made customer relationships a moving target.

Against this backdrop, Prophet's 2011 State of Marketing Study found that senior executives in both marketing and general management are grappling with a variety of pressures as they seek to drive growth *and* build brand equity:

- The primary challenge is successfully driving growth through a brand positioning that is different from market alternatives and relevant to key customer needs.
- A majority of executives still believe, despite increasing evidence to the contrary, that the company (rather than the customer or other stakeholders) is the primary "owner" of the brand.
- Over the next three years, a quality offer (product/service) will continue to be the most important driver of brand equity, but word of mouth is expected to replace advertising in relative importance.
- Effectively targeting customers in this environment is problematic. Most tend to use similar positioning and messages for multiple customer segments—whether they are relevant or not.
- They believe their organizations are not well-equipped with the skills that are needed to build brands in the near future.

These were among the highlights of Prophet's 2011 State of Marketing Study, which focused on a variety of brand strategy issues and concerns. The survey group encompassed more than 150 executives, half in marketing

and the remainder either C-level executives or in non-marketing and business unit management roles. They represented businesses with annual revenues ranging from under \$25 million to over \$40 billion, and in a variety of industries, from consumer products to financial services to technology and telecommunications.

Meeting the Growth Challenge

When it comes to the top strategic marketing challenges management faces, meeting the growth agenda by establishing a differentiated brand position is the primary concern—cited by 55 percent of all respondents, though weighted more heavily by non-marketers (67 percent) than marketers (53 percent).

But brand positioning is only part of the equation. Non-marketers also put significant weight on activities like "identifying new paths to growth" (48 percent versus 39 percent for marketers) and "growing awareness with new customers" (43 percent versus 34 percent).

Marketers, however, were more focused on growth enablers, with a greater proportion (40 percent compared to 29 percent of non-marketers) ranking the alignment of brand and business strategies as important. They also put more emphasis on determining the most appropriate marketing investments and their levels (31 percent to 29 percent), and gaining better customer insights (39 percent versus 26 percent). *See Figure 1.*



Figure 1: Driving growth through differentiation and relevance is executives' biggest brand challenge.

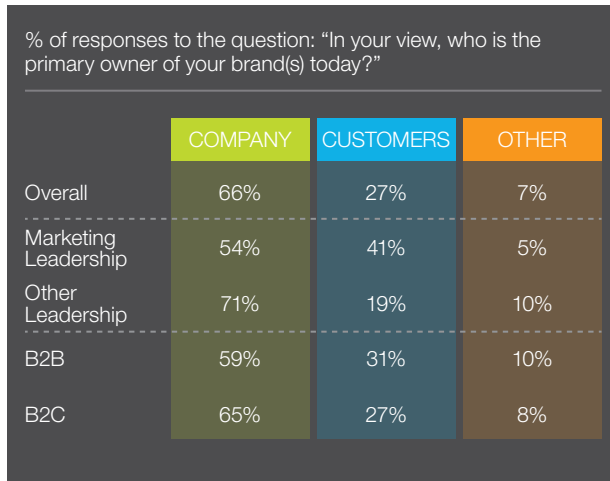


Figure 2: Many executives believe the company—not customers—owns the brand today.

Who Owns Your Brand?

Overall, 66 percent of respondents believe the company owns the brand. Non-marketers were overwhelmingly (71 percent) of the view that the company—not customers—is the primary "owner" of the brand. It was a view more prevalent in the business-to-consumer environment (65 percent) than in business-to-business (59 percent). Fifty-four percent of the marketers surveyed had that view. See Figure 2.

But all respondents also recognize that the dramatically changing dynamics between company and customers and the broader network of influencers are causing their control over their brands to slip away. Indeed, the golden era of advertising, marked by one-way communications directed at consumers, has long since given way to networked brand building, characterized by multiple channels and influencers (the brand "owner" not necessarily the primary one) over brand relationships.

Given this reality, over 40 percent of the business-to-consumer respondents said they believed they would have less control over their brands over the coming three years than today. (By contrast, only 28 percent of business-to-business participants were of that view.)

And while 36 percent of all the executives surveyed said product and service quality would remain the most critical driver of brand equity in the future, 20 percent said Word

of Mouth will play a key role (versus 10 percent today). By contrast, only 6 percent of the respondents gave that kind of weight to advertising's future role. See Figure 3.

Standing Out in the Crowd

In today's complex new ecosystem, how the brand is positioned with a variety of distinct audiences is a critical concern. Positioning has always been about differentiation. But in this unfolding environment, differentiation is short-lived. Of greater impact over the long term is the issue of relevance to a vast number of stakeholder groups—from current and future target customers to channel partners to traditional and Web-based media. And what's relevant to one won't be relevant to all.

Against this backdrop, more than 75 percent of the study respondents do not believe they are executing their customer targeting strategy effectively—despite the fact that over 50 percent consider their strategies well-defined.

Over 90 percent of respondents are targeting more than one segment, and over half of these do so with multiple positionings of a single brand. Importantly, however, those multiple positionings are similar—what's different among most in this group are the tactics used in bring them to life. See Figure 4.

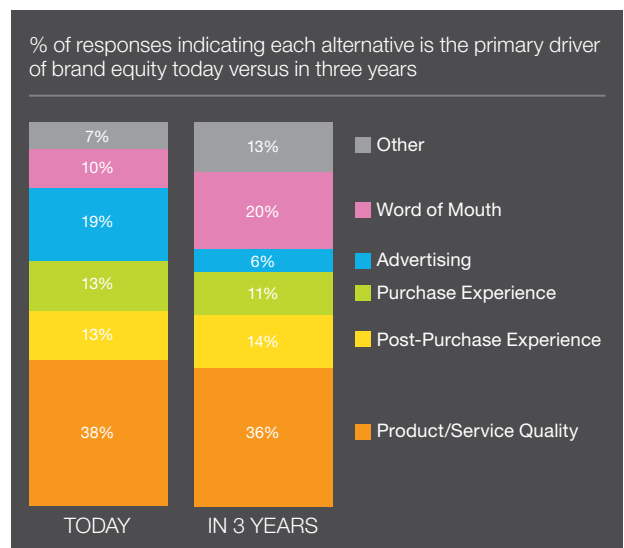


Figure 3: Executives believe word of mouth is effectively replacing advertising as a perceived driver of brand equity.

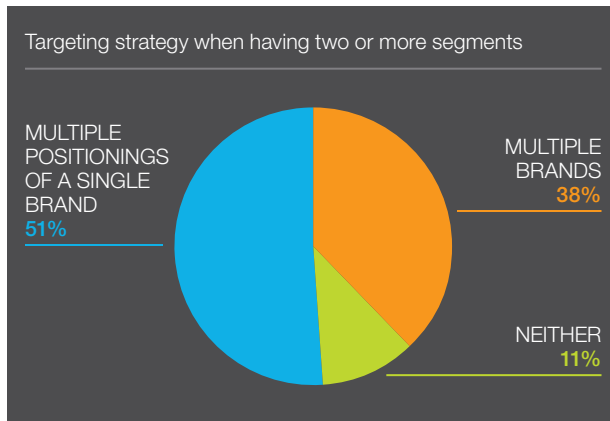


Figure 4: Most companies are targeting more than one segment, and with multiple positionings of a single brand.

Such practices may be effective when weighed against the effort of devising distinct positionings for various stakeholder groups, but just using different tactics will not build long-term differentiation and relevance into a brand. This requires thoughtfully-tailored “micro-positionings” built around specific benefits and messages that underlie the marketing tactics. *See sidebar to right for more info.*

Are Marketers Up to the Brand-Building Challenge?

Marketers who intend to prove their worth in driving the growth agenda must adopt new skills and mindsets. And while executives believe their organizations are well-equipped with traditional marketing communications capabilities, they also believe their teams are lacking in what’s needed for the path that’s emerging.

In evaluating their top three organizational capabilities when it comes to brand building, 46 percent cited skills at developing in-market advertising, messaging, and creative, followed by the ability to communicate customer insights internally, at 36 percent. And 34 percent identified their ability to identify new areas for the brand to drive growth.

However, in the next three years, more diverse skills and capabilities will need to be demonstrated. Chief among them, according to 84 percent of the survey group, will be more innovative approaches to targeting and marketing. Sixty-eight percent cited capabilities in digital media strategies. And 57 percent pointed to the need to approach marketing from a P&L mindset. *See Figure 5.*

Micro-positioning: How Apple Does It

When it comes to positioning a brand, one size does not fit all in terms of customers and other stakeholders. It’s not just an issue of the effectiveness of the traditional barometer of differentiation. It’s establishing the relevance of key benefits to audiences whose interests, influences, and motivations can be vastly different. Enter micro-positioning.

Apple does it through a winning vision that’s supported by a tightly integrated business and brand strategy cutting across distinct stakeholder groups. The vision: People should experience technology that maximizes productivity and wonder through immersive experiences enhanced by simplicity and elegant design. It supports this vision through the attributes of simplicity and ease of use; intuitive and accessible design; and access to relevant, engaging content. Here’s how this plays out at the micro level:

Consumers: “Devices should help you experience your life exactly the way you want to.” Critical enablers of this positioning include Apple’s revolutionary user interface (UI), its simple ownership experience, and the experience delivered via its Genius Bar, App Store, iTunes, etc.

App developers: “You can be part of the future, have an impact on people’s lives, and generate value along the way.” Critical enablers include Software Development Kit access, Apple’s revenue sharing model, its easy approval process, and easy marketing.

Media companies: “Your business will thrive and your content will be experienced better than ever before.” For this audience group, critical enablers include Apple’s revenue sharing model, its interactivity-enhancing ad model, and the ability to more effectively target customers and thrive.

Tech bloggers: “You win when you make the future understandable to the masses.” Critical enablers include information flow that’s designed to drive traffic, excitement and buzz, and broader reach.

Over three-fourths of the group surveyed for this year’s State of Marketing study do not believe they are effectively executing their customer targeting strategy. Apple’s success with micro-positioning is worth studying by those looking for a better way.

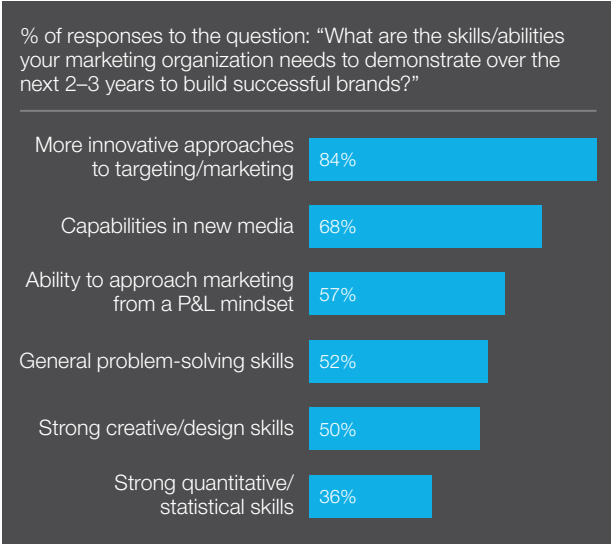


Figure 5: Respondents believe new, different skills will be required to win in the future.

And no one is convinced that these capabilities exist in their organizations today. Only 10 percent ranked their organizations as well-equipped when it comes to targeting customers and marketing to them in innovative ways. Only 14 percent said they were well-equipped with digital media capabilities. And just under one-third were confident in their ability to apply a P&L lens to marketing's challenges.

Making the Shift to Respond to the Challenge


Adjusting to this changing landscape will be a process, where marketers must guide their organizations from a tactical orientation to one that is more visionary in scope.

This requires marketing leaders and their teams to become more aligned with the C-suite and board of directors by adopting a P&L and operational mindset. It requires a perspective keyed to the business growth agenda, and being accountable for meeting it—in the short and long terms. And it requires continued

development and use of deeper customer insights, particularly as applied in a network-led environment.

It will take five distinct shifts to drive this transformation:

- From creating marketing strategies to driving business impact.
- From controlling the message to galvanizing your network.
- From incremental improvements to pervasive innovation.
- From managing marketing investments to inspiring marketing excellence.
- From an operational focus to a relentless customer focus.

The new ecosystem that continues to unfold holds considerable promise for deeper, more meaningful, and more profitable relationships with customers and other stakeholders. How effectively businesses go about realizing the potential in the next several years is the issue. 

This point of view reflects the collective thinking of Prophet leadership, and was spearheaded by Mike Leiser (mleiser@prophet.com), Senior Partner; Andy Flynn (aflynn@prophet.com), Partner; and Jesse Purewal (jpurewal@prophet.com), Engagement Manager. Prophet (www.prophet.com) is a strategic brand and marketing consultancy that helps its clients win by delivering inspired and actionable ideas.