The golden age

Twenty years ago, **Mark Sherrington** wrote an article in the first edition of *Market Leader* called 'Market segmentation really is cool'. Here he reflects on what has changed since then

TWENTY YEARS AGO, a US President was facing impeachment over a sex scandal involving his abuse of power (#him too). Britain was trying to conclude a tough negotiation with Europe in Maastricht. A financial crisis hit South East Asia. We signed the Good Friday Agreement for Ireland but there was a new terrorist threat emerging from the Middle East. Microsoft launched Windows 98 and France won the World Cup. Oh, and a small start-up called Google launched something called a search engine.

And in that same year I got a phone call from someone I very much admired, Judie Lannon. "We're launching a magazine for the Marketing Society, I'm going to be the editor and I want it to be a kind of UK *HBR*-like marketing journal. Would you like to contribute an article for the first edition?" I was chuffed to be asked and of course agreed. My old company, Added Value, was doing well by selling brand positioning, innovation and segmentation projects to many of the big blue-chip brands. My particular forte was segmentation, or 'market mapping' as we called it, so I took that as my theme. The title was 'Market segmentation really is cool' and, to save you looking it up, the main points were as follows:

1. Marketing is a means to create growth.
2. Everyone thinks brand positioning is really cool as 'the pivot of strategic alignment to unlock growth'.
3. Segmentation is just as cool. It shows you where to play, how to win, how to change the rules and innovate.
4. But you need to look at market segmentation from every angle – Who, What, Why, When, Where – the 5Ws.
5. 'Needstates' are only part of the answer, just one combination of the 5Ws. There's lots more you can and should do.
6. Segmentation isn't just about tactical media execution, it's a really powerful creative and strategic tool.

To add a little colour to this – and, Lord, it needs it – I should share where the 5Ws came from. I nicked it from journalists – it's how they're taught to break down and write up a news story. If you've seen the play *Ink* you will recall Larry Lamb, editor of *The Sun*, explaining this to Rupert Murdoch in the opening scene.

It's tempting to look back at the late 1990s as the golden age of marketing, although, back then, McKinsey was already vocal in challenging the future role of marketing. Hence my desire to open my original article with an affirmation of marketing as the engine of growth – all kinds of growth. Marketing can create alignment, so it can save costs, I argued. Even in M&A, marketing assessment is a crucial part of the due diligence for a potential acquisition – how much you pay depends on how much growth you think you can generate, not just how many cost synergies you can harvest. And only marketing can create the highest-quality growth, top-line revenue growth with higher operating margins, by attacking new users, occasions, channels, benefits (in other words, new segments). On the wave of a generally buoyant global economy (Japan aside), great brand positioning, bold market segmentation and innovation with brilliant execution delivered results. Growth did not feel that hard to find.

# of marketing

So, what has changed? Quite a lot.

- Growth is hard to find for legacy businesses.
- Confidence in marketing is not so high.
- Brand positioning is not that cool any more.
- Paths to purchase are now very cool.
- Scale can be found from aggregating and targeting seemingly unconnected niche segments.
- Consumers (people) create segments (demand) – it used to be that only brands created new segments.

What is driving this change? You all know this, so I'll be brief.

- Data and technology.
- The highly demanding 'uber consumer'.
- The consequent fragmentation of everything.
- New corridors of influence, peer group review.
- Speed and transparency (the search for experience and purpose).

Let's focus on one aspect of this: paths to purchase. Back in 1998, we did not use these words but we knew about it. But we had not yet come up with a label for it; it was framed as 'context' or 'the importance of occasion', not as 'customer journeys'. The example in my article was drinks, and I used the 5Ws to explain where to target, consumer choice and the opportunity to change the rules. Fine, as far as it went, but we knew that several other factors preceded either category or brand choice. Who you were with, what was the occasion and what mood you were in determined where you wanted to go – then you decided what you wanted to drink. There was a journey, it was dynamic (your day evolved). We knew this, but we could not track it effectively and we certainly could not measure it accurately. Data and technology have changed that. We can now understand, measure and react to the path to purchase, not just the purchase itself. That's cool.

Why is brand positioning no longer cool? Truthfully, outside the marketing team, it never really was. It was a great alignment tool for the brand team but the agencies never really bought into it (the first thing they did was rewrite it in their creative brief because a great brand positioning does not great communications make). The rest of the business thought it was esoteric tosh with no empirical basis – and harsh as that may sound, they are certainly right about the lack of empiricism. Or, to put it another way, the traditional brand positioning does not integrate with business-wide strategy, operations or data because it was never designed to do so.

So is growth so hard to find? Notwithstanding one's views about the global economy, there's plenty of growth out there but it's not so easy to tap for the established brands. We live in a marketing world that demands agility and authentic values and purpose: not so easy when you have shareholders, not founders. Strategy and execution need to be dynamic and fluid: not so easy when you have annual plans and budgets. I can say from personal experience that if you are a large person with big feet, you don't dance so well.

SIMPLER TIMES?

After Added Value I went back onto the corporate side as a global CMO for SABMiller in 2002. My arrival coincided with the acquisition of the Miller Brewing Company in the US. I had worked on the SAB due diligence team as a consultant. This was a business – and brand – that had been in a ten-year, long-term decline. We set out how this could be turned around as part of the case for acquisition and I was then, as CMO, in charge of supporting the local management to implement our recommendations, which were based on undertaking the most comprehensive market segmentation study and using this, creatively not just deductively, to reposition the Miller brands. It worked. Miller Lite was restored to growth. We had some luck as well: it turned out Miller contained less carbohydrate than Budweiser, at a time this issue hit the market, and there was some great creative work that repositioned Bud as the BIG brand that was good at marketing and us as the challenger brand that cared about beer and taste.

But in those simpler times – albeit in a highly competitive market – we proved that basic marketing strategy, allied with

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some ambition and creativity, worked (it still does). At a time when social media had hardly impacted, where emerging markets still offered a lot of growth just using the marketing basics, when the trade and media in developed markets was not yet that 'digitally fragmented' and procurement was not so muscular, it was great to be a CMO. I have enormous sympathy with the CMOs today (or whatever they now call themselves). Your lunch is being eaten by new disruptive upstarts taking full advantage of the data-driven 'new normal', so you want to give that a go. But then Byron Sharp shows you all this other data that proves you need to stick to mass distribution and mass spend. Yes, you can walk and chew gum at the same time but try running and dancing at the same time. And by the way, there is rightfully an increased global responsibility to do the right thing by the planet and avoid waste or any kind of negative social impact. People expect companies and brands to do their bit while still giving 'Me' what 'I' want, how, where and when 'I' want it – affordably.

So you might look back 20 years and see a more golden age for marketing, but I don't. I think we are entering a golden age. Consider the things we used to moan about two decades ago:

- You couldn't trust market research – enlightening maybe, but not that predictive – slow, slow, slow, and not cheap.
- Often hard to make the business case for marketing – finance could be cynical because we couldn't measure that much. We relied more on claimed rather than actual behaviour. And it was difficult to experiment, expensive to prototype.
- Media was expensive and inflationary because it was concentrated.
- The route to market was challenging. We had to deal with the hegemony of the retail trade, also concentrated. Automotive had to work the dealership system. Financial services had to work through intermediaries or branches. There was limited direct interaction with the people we were trying to reach.

All the factors for change – data and technology, the 'uber consumer', fragmentation, new corridors of influence, speed and transparency – are fantastically exciting. We can obtain insight better than ever; we can measure, experiment, earn media, deliver products and experiences and access the market with a far richer toolkit. We can do it faster, better, cheaper.

Yes, that opens up and levels the playing field. It is much easier for new entrants. But there are huge opportunities for the larger incumbents as well. You can run and dance, but it requires a number of fundamental changes to do so. You have to do it differently, not just try harder.

1. Embrace complexity as a source of competitive advantage.
I'd normally advocate changing behaviours first (attitudes follow behaviours more often than the other way around), but I will start with a much-needed change in mindset. There is still scale advantage but it no longer resides just in manufacturing, distribution and media clout. New competitive advantage lies in being able to manage and leverage complexity and fragmentation – this needs to be seen as an opportunity, not a threat, and tackled with enthusiasm and purpose.

2. Change your business models.
With this new mindset, bigger businesses have to change their business models in terms of how they organise internally, take decisions (risks), and how they access the market. There is plenty of growth out there but not if you do what you always did the way you always did it. This will require a better understanding of purpose. The purpose is to satisfy demand (and to create it), it's not to sell brands; brands are just a means to an end – a heuristic for purpose.

3. Develop new, more dynamic, strategic tools and processes.
Traditional strategic tools still have a role. A good old SWOT analysis or a market segmentation study, even a brand positioning of some sort – they still hold value for the reflective part of strategy. But life happens in real time and, with technology, so does data. So strategic tools and processes must become more iterative and dynamic as well.

4. Connect your marketing.
This requires marketing, internal and external, that is hardwired to the business operating model, strategy and purpose. It requires a systemic, symbiotic way of marketing that makes the best use of data and information in all its formats. So, yes, that means algorithms, but not in the

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automated, paint-by-numbers way some people seem to think. Algorithms are just a tool. They can make some things programmatic and, with the advance of the Internet of Things and artificial intelligence, there will be more of this. But, more powerfully, they can provide insight, line of sight, control, the ability to model and experiment – the ability to create competitive advantage out of complexity, the ability to be creative.

5. Keep faith with ideas and market intimacy. It has been said (by me, among others) that some of the big management consultancies, who have emerged as the lead business partners to guide big business through this tech/data revolution, don't 'get' marketing and that this is a concern. Why? Because they see strategy in terms of financial returns, marketing as executional and systems as a way to allocate budget. Not all bad, so in what way do they not get marketing? Marketers are fundamentally curious, they have passion for ideas (and respect for those who have them), they want to live and breathe their products and services, experience things first hand, and they want to get intimate with the people they are trying to reach. And they have the courage not to ignore the data, but not to rely on it either. Strategy is creative, it's ideas with a plan, it is not purely deductive logic. The people who know this, the 'agencies', have not been able to make their case strongly enough because they are rewarded directly or indirectly for how much they persuade you, the client, to spend. We have to find a way to reward advisors for outcomes not inputs.

6. Do the right thing, express your passion. Finally – and this is something that should excite us all – the combination of heightened social responsibility and increased transparency (magnified by social media) increases the opportunity and rewards to do the right thing for society and the planet. Twenty years ago, any CEO or CMO who took a stand on sustainable supply chains, diversity or responsible marketing would be taking a risk if it affected profitability. Today, it is taking a risk not to. There is no penalty and every incentive to run value-based businesses that act responsibly and do meaningful marketing. Big business is not necessarily at a disadvantage to founder-managed businesses. It's a much better and more stimulating environment to do marketing that makes a difference and makes you proud.

A BRAVE, NEW WORLD

Looking at this list should prompt two very reasonable questions. First, what will really create change? Second, what exactly can marketing do? The answer is technology. The dictionary defines technology as 'the application of science for practical purposes'. Technology-based systems change behaviours and, as noted, behaviours change attitudes.

I'm not a complete fan of social media but there is no doubt that the practical application of that technology-based system has fundamentally changed the nature of social interaction. You have more people in your social group, you know more about what they are doing in real time, you interact with them faster and more often. Social media has changed the way a lot of people live their lives and how ideas (good and bad) get shared.

New systems, based on technology that harnesses art and science, will change behaviours – it can set you up to win in the 'new normal'. What marketing needs to do is to lead the charge in the development and application of a new enterprise-wide, technology-based system for marketing. Twenty years on, I am still working in marketing – still chuffed to be asked to write for *Market Leader* – and committed to help create the change in marketing needed to restore its role in driving growth.

A lot has changed in 20 years and it has changed for the better. If you are prepared to embrace complexity, make changes, get outside your comfort zone, then there has never been a better time to be in marketing and to be proud and passionate about what you do for a living. We are entering a golden age of marketing where we can reassert enterprise-wide marketing's role in creating high-quality growth ahead of the curve. We can do it better, faster and more cost-effectively than ever before if we develop more dynamic business models, tools and processes; if we ensure our marketing is truly connected, internally and externally, strategy-to-execution; and if we do so with a passion for ideas, market intimacy, purpose and values. Come on, that is pretty cool.

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