

Why to Blame Marketing's Woes on MR

At least twice so far this year, Don Schultz Ph.D., President of Agora, Inc. and Professor Emeritus-in-Service, Integrated Marketing Communications at Northwestern University's Medill



Northwestern University IMC Professor Emeritus-in-Service and Agora, Inc. President Don Schultz

School of Journalism (both Evanston, IL), has publicly voiced the trouble marketing is in--and heavily blamed marketing research. The first instance came in a February *Marketing News* article, in which Schultz asserted, "Marketing research is in a death spiral and it's taking marketing down with it." That column prompted more e-mail to Schultz than all the prior ones combined he's written for the publication. He reiterated the MR-Marketing topline point and provided further detail in New York at ARF's annual conference.

Schultz told *RBR* the marketing/MR death spiral pronouncement arose from an ESOMAR presentation with Agora EVP

Heidi Schultz (Schultz's business partner) and Brand Finance Plc CEO David Haigh at the 2004 Worldwide Congress in Lisbon, Portugal. It focused on re-inventing market research and presented a detailed case that is hard for many MR pros to swallow.

Schultz, an academician, consultant and marketing industry player since 1965, sees multiple problems with MR. Foremost is its commoditization in the past dozen years. "Research no longer sells internally on value, but on the cost of techniques," he stated. "If one supplier will do focus groups for \$5,000 and another will do them for \$3,000, marketing people think, 'A focus group is a focus group, so let's buy the cheaper one.'" Simultaneously, he says suppliers have become "tool specialists," applying their methodologies to diverse client problems, regardless of appropriateness. Schultz argues, in many cases MR questions have degenerated into comparability and use of various tools, forcing research managers to focus on reducing costs, rather than complex strategic issues.

"I think everyone agrees," Schultz remarked, "that marketing doesn't reflect a 21st century marketplace, and certainly doesn't reflect a customer focus. It reflects a product focus. Marketers worldwide increasingly are saying, 'We are in real trouble, and we don't know what to do.' The root cause is they don't know anything about customers. They have a lot of data and the technology to crunch all the data, which should tell them everything they need to know about customers. But all it does tell them is the financial value of customers." He adds current MR is out-of-date. "The market and the customer have changed, the media systems have changed--yet we're still doing things as we did in 1985," stated Schultz.

Schultz questions research's ill-conceived purposes, notably to verify senior management suppositions, rather than drive decisions. MR's poor predictive skills cause management to further discount its value. MR is in a no-win position. "Bring back MR that validates management assumptions and they'll say they knew it already, so you didn't add any value. Bring MR back that says they're wrong and they'll say the research is no good," he explained. "Researchers see themselves as management support; they should be discovering marketplace issues, customer problems and needed solutions."

"I spoke to a very large company recently that is trying to implement direct customer contact," he continued. "I suggested ways for them to approach it and they said, 'No, we don't have to worry about that. We've got a Siebel or SAP system.'"

At a meeting with another company's C-level executives, Schultz watched in horror as a market researcher came in, dropped a report on the desk, and left, saying he didn't have time to explain it because he had another important project to complete.

Schultz believes MR and marketing sit too low on the totem pole to allow customer insights to impact the company. "Marketing isn't terribly relevant because marketers don't talk management talk. There are only four questions that matter to an organization: How much should I spend? What should I spend it on? What will I get back? How long will it take? *But marketing can't answer those.* All marketers do is come in with their hands out and request more money. When management asks, 'Why?,' marketers say, 'The media cost went up.' 'Do we need to buy media?' 'Oh, yes.' 'Why?' 'Because we've always bought media.' I was called into a top global company because the CFO had no idea what he was getting for his marketing spend--and he wasn't getting any answers from marketing or MR."

What Schultz views as marketing/MR's biggest problem is endemic to most organizations: silos. "Firms are vertically-structured, vertically-managed and vertically-driven by design. Knowledge and information are vertically distributed," he said at ESOMAR. "Customers are essentially on the sidelines...the critical elements are the vertical units that always report up and are continuously focused on senior management approval." With marketing and MR seen simply as organizational functions--not strategic organizational initiatives--they have relatively little importance or value, he told *RBR*.

But what of all the talk of corporations creating products around customers' demands and desires? "Find me that company," Schultz challenged. "Dell is the only one I know of that says to the customer, 'Tell us what you want, we'll make it for you.' Airlines, automobile companies, soft drink companies, none of them do that. And all of our marketing and research techniques are based on manufacturing. Most MR is about looking at the package, the advertising, etc. It appears to assume people don't matter, but we're not in a manufacturing economy anymore. In today's service economy, people are the critical ingredient--and we do a very poor job of researching people internally and externally."

"I talked to management at one client," he continued. "It had 'Mission. Vision. Values.' plastered all over the walls. We spoke with their staff, who said, 'Those are nice terms; we don't do that here.' So I asked, 'How should it be? And how is it actually?' There are three different views of the organization--and no one ever brings them together. If MR wants a seat at the table, it should be talking to employees, because employees may be as critical as consumers, perhaps even more so. In many cases, the employees--customer service people, customer-facing people in retail stores, etc.--touch

Some Cures for MR's Ills

Schultz, Schultz and Haigh suggest two drivers of MR importance in the next decade:

1) Increasing demand by senior management for measurable, quant results from their organizational investments, particularly sales and marketing. Employment of new management systems like Six Sigma and Economic Value Added necessitate new ways of understanding how an organization creates value for customers and how it might best identify organizational investments and outcomes. MR must align with the organization's needs, not just the interests of the researcher or marketing manager.

2) Increasing recognition by senior management that marketplace power is shifting from seller to buyer. Over-production, over-supply, over-retail storage, new forms of distribution and increasingly simple and widespread forms of information access have enabled consumers to take marketplace power from manufacturer and retailers. MR can further the shift from an internal, cost-reduction view to one meeting and driving consumer demand.

Further, MR managers must coordinate various organizational activities capable of developing corporate strategic direction through higher-level solutions to major organizational questions.

Don Schultz told *RBR* Australian companies are joining hands across industries on an initiative to get common methods of gathering marketing metrics, and with it some common MR tools. "The issues are exactly the same around the world," he stressed.

the customer. Marketers don't. Employees relate what your customer is really like. But if your organization isn't aligned, with employees supporting your mandate, all the customer research in the world is worthless."

"MR has the statistical sampling skills, but it can't get responses," he added. "Researchers are digging further than ever into the list of possible recruits for people willing to talk, not a group that's representative. A segmentation takes six to eight months to finish, by which time the market has changed, and it's not worth a damn. But the MRD holds onto it for three years because it costs so much."

Sample may be warped, but Schultz doesn't dwell on it. "The issue isn't better ways to sample and project; its normal curve is irrelevant given marketing's dynamics," he added. "Yet every one of our MR techniques assumes a normal curve. One study found 20% of the population don't use media at all. Researchers say, 'That can't be right; it conflicts with Nielsen Media.' Well, Nielsen never puts a monitor in a home that doesn't use TV, so its data are skewed."

At ESOMAR, the trio said because MR has failed to change with the times, senior managers are asking, "Is MR still relevant, and can it add anything to the organization?" Organizations, Schultz believes, must embrace a demand-chain market approach, rather than a supply-chain management system, with requisites such as lower costs, faster time to market, continuous product improvement, etc. A demand-based model requires a company to develop a customer-focused view and an ability to match customer demand to its production and marketing capabilities. It starts with customers, not with products and services. Customer knowledge, market information and organizational responsiveness become key ingredients for marketplace success.

Schultz, Schultz and Haigh developed a seven-step approach: an Integrated Research-Driven, Audience-Focused Organizational Roadmap. It relies on a closed-loop, continuous improvement process drawing on all of MR's varied tools and techniques developed over the years. The methodology is a process-driven series of integrated steps leading logically to an overall business strategy, not simply a group of MR projects that answer individual questions but create no comprehensive whole. In brief, it encompasses:

- Determination of Audience Demand
- Audience Identification
- Audience Valuation
- Audience Brand Value and Relationship
- Identification of Brand Touchpoints
- Brand Scorecards and Tracking Systems
- Results and Recycling

(*RBR* will provide detail into this process for any interested reader. See page 8 for contact options.)

With all his focus on customers, Schultz believes too much attention is being placed on end users. "There are an awful lot of other audiences out there that MR never talks to," he insists. "There are employees, the financial community, suppliers to the organization, the media, government and more. It's vital to understand all of these because of their worth to the company effort. Who's to say focusing on one area is more important than the others? Is it more valuable to cut capital spending by 1%, or to get a 15% revenue boost from customers? Or are the media's feelings about our company coloring their views--to the company's detriment? You don't know if you don't check it out. That translates into marketing researchers thinking like business managers."

Near the end of our conversation, Schultz posed a trivia question. "What's the most successful new product introduction in the U.S. in the last 50 years?" he asked. "The Do-Not-Call list. Sixty million people signed up for it, despite relatively little promotion. Now, what does that tell you about marketing and market research?"

Ever a realist, Schultz told *RBR* even if he were hired by a company to fix what ails it, his recommendations would fall on deaf ears. "There are very few general rules, however two issues arise in every organization: its structure and compensation. They are the two things no CEO wants to deal with. I can tell him what he should do, but I know he'll push back and refuse to confront them," he concluded. **RBR**

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