

BEYOND THE 4Ps: A New Paradigm Emerges

The traditional definition of Marketing ignores the transformative power of today's consumers.

by **Yoram Wind**

BY NOW, IT HAS BEEN WELL ESTABLISHED that our mental models, or mindsets, determine the way we see the world, make decisions and behave. To begin, I would ask that you identify your own mental models of the role of Marketing by rating each element below on a 10-point scale, where 10 is 'I completely agree' and 1 is, 'I completely disagree'.

A successful marketing strategy demands the following:

1. Control over my branding strategy: _____
2. A focus on targeting my heavy users: _____
3. An effective CRM system: _____
4. Focusing on each of the '4Ps': _____
5. Understanding the '3Cs': _____
6. Understanding the consumer purchase funnel: _____
7. Centering the strategy on a benefits-based positioning supported by product features: _____
8. Basing the strategy on insights from consumer surveys and FGIs: _____
9. Basing resource allocation on the results of Marketing Mix Modeling: _____
10. Focusing efforts on the selected optimal strategy as reflected in the advertising campaign: _____

If your total score adds up to 50 or higher, I have some bad news for you: you are still subscribing to the traditional mental model of Marketing — a model that completely ignores the transformative effects of empowered and skeptical consumers. The fact is, the increasing size and importance of this segment, coupled with the technological advances powering it and other changes in the business environment, require transforming our mental models of Marketing — and just about every other area of business.

In this article I will discuss the urgent need to challenge current mental models and propose a new paradigm for marketing strategy.

Challenging Current Mental Models

To illustrate the need to challenge common mental models of Marketing, let's consider the reasons why the 10 statements from the introductory quiz are no longer valid.

1. **CONTROLLING YOUR BRAND STRATEGY.** While branding and brand strategy are important and often viewed as key elements of the CMO's role, it is important to note that it is consumers' perceptions of, preference for, conversations about and behaviour towards your brand that determine its value —



Consumers' perceptions, conversations about and behaviour towards your brand determine its value.

and hence, increasingly, companies have less control over their brands.

- 2. FOCUSING ON 'HEAVY USERS'.** While engaging and nurturing your heavy-user segment is important, the findings of **Byron Sharp** clearly show that one cannot ignore 'light users'. Similarly, the findings of **Peter Field** shows that campaigns focused on penetration are much more profitable than those focused on loyalty.
- 3. HAVING AN EFFECTIVE CRM.** While an effective Customer Relationship Management system is becoming a must-have component, it does not address the challenges of increasingly empowered consumers. To effectively engage these consumers, firms should consider developing a *Customer Managed Relationship* (CMR) platform, in which customers can manage their relationship with the firm — and its competitors. For example, **American Airlines'** Sabre system facilitates travel agents' interactions with *all* airlines, not just AA. Advances in 'apps' allow for the development of CMR systems for customers of almost any product and service area.
- 4. FOCUSING ON THE 4PS.** While Product, Price, Promotion and Place are still important components of the Marketing mix, they ignore other key components (such as segmentation, positioning, and customer relationships) and the importance of an integrated offering across all touchpoints with potential customers. Most critically, they are based on the assumption that the firm is in control, ignoring the need to develop platforms to engage empowered and skeptical consumers.
- 5. UNDERSTANDING THE 3CS.** While building a strategy based on an understanding of one's Customers, Company and Competitors is still important, the 3C model ignores other key stakeholders — such as the government, suppliers, retailers, partners and strategic alliances, and analysts who can have major impact on your business strategy. The 3C model also tends to ignore the importance of engaged employees as both a source of innovation and as your firm's ambassadors. Most critically, it ignores the fact that the firm is embedded and can create an ecosystem, as illustrated by the successful ecosystems of **Apple, Google, Nike and Amazon.**
- 6. UNDERSTANDING THE CONSUMER PURCHASE FUNNEL.** While understanding consumer behaviour is as important as ever, the purchase funnel concept is obsolete because it fails to recognize empowered and skeptical consumers, the proliferation of touchpoints, and changing consumer behaviour that includes the evolving non-linear and more complicated behavior captured by the concept of the "Consumer Decision Journey," advocated by the *McKinsey Quarterly* article of the same name.
- 7. CENTERING THE STRATEGY ON BENEFIT-BASED POSITIONING SUPPORTED BY PRODUCT FEATURES.** While benefits supported by product features are still relevant for positioning, we cannot ignore the implications of the consumer's ability to compare product features and prices for all products and services. This ability is dramatically changing the nature of retailing (as evident by the fear of many retailers of becoming the showroom for **Amazon.com**) and positioning. Positioning in the age of the empowered consumer has to be much more emotional, and must allow the consumer to identify with and relate to the brand, customizing it as desired.
- 8. BASING STRATEGY ON INSIGHTS FROM SURVEYS AND FOCUSED GROUP INTERVIEWS (FGIs).** Historically, consumer surveys and FGIs were common tools, but increasingly low response rates, the limitations of closed-end questions, the increased realization of the biased nature of FGIs, and the emergence of new ways to gain valid consumer insights are changing the face of market research. Key among these developments are Big Data and analytics, including data mining and text mining — the digital ethnography of social network conversations, and the design of 'games' in such a way that the players' moves provide insight into their perceptions, preferences and actions.
- 9. BASING RESOURCE ALLOCATION ON THE RESULTS OF MARKETING MIX MODELING (MMM).** Despite the enormous sophistication of Marketing Mix Modeling and the increased reliance on it, we must recognize its limitations: the results are based on historical data; they do not capture all consumer touch points and interactions; they are limited to conventional metrics (and even these vary greatly by country, restricting significantly the global value of MMM); they do not capture the full range of empowered consumers' interactions with

brands and with others; and most importantly, unlike experiments, they do not identify causal relationships, offering only causal inferences. Thus, while they offer a starting point for resource allocation decisions, they should be augmented with adaptive experimentation.

- 10. FOCUSING ON A SELECTED 'OPTIMAL STRATEGY', AS REFLECTED IN THE ADVERTISING CAMPAIGN.** While focus is still important, given the increased complexity and speed of change in today's environment, as well as the unpredictable behaviour of consumers, the idea of a single, optimal strategy is a myth. The alternative is the adoption of an 'adaptive experimentation' approach that encourages the design and implementation of innovative initiatives, measurement of outcomes, ongoing learning and improved decisions over time. This entails a corporate culture in which failure is okay, and its lessons are rewarded.

A New Model Emerges

Individually and collectively, the 10 points illustrated above indicate the need for a new Marketing paradigm that is capable of effectively addressing the increased importance of empowered and skeptical consumers and the socio-economic and technological contexts in which they operate.

The emerging new models of Marketing strategy involve a blend of some old but universal principles: the centrality of the consumer and the need for a 'portfolio perspective' that facilitates the design and implementation of strategies for diverse segments; some 'modified' rules that require some changes to the traditional concepts; and some newer rules derived from new mental models for the age of the empowered consumer. Following are six facets of the new Marketing paradigm that must be embraced in order to thrive in today's environment.

1. THE AGE OF PLATFORMS

Successful marketing in the age of empowered consumers requires engaging those consumers by creating platforms in at least four areas:

- **PLATFORMS FOR ENGAGING CONSUMERS AS CO-DESIGNERS AND CO-PRODUCERS OF CUSTOMIZED PRODUCTS AND SERVICES.** Consider the success of **Build a Bear**, **Nike** and **Dell**, all of which engaged customers in the design of customized products. The trend towards 'customerization' has been increas-

ing over the years, encompassing most product and service categories.

- **PLATFORMS THAT ALLOW CONSUMERS TO MANAGE THEIR RELATIONSHIP WITH YOU (AND OTHER COMPANIES.)** Customer-Managed Relationship (CMR) platforms — in contrast to the traditional Customer Relationship Management systems (CRM) — allow consumers to manage their relationship with all relevant brands and providers. A number of firms are currently experimenting with such platforms, including one in the beauty area and one in the financial services area.
- **PLATFORMS FOR ENGAGING CONSUMERS AS (CREDIBLE) SALESPEOPLE AND MARKETING ADVOCATES.** Consider for example the success of **diapers.com**, which created a platform and incentive system to encourage its customers to recruit new customers. Companies such as **Groupon** and **foursquare** also provide customers with a platform to recruit and engage others. And social networks such as **Facebook** provide a platform in which a brand can leverage the friends of its followers.
- **PLATFORMS THAT ALLOW CONSUMERS TO DETERMINE THE PRICE AND VALUE OF YOUR OFFERING.** An early example is **Priceline.com**, but others, including restaurants, have been experimenting with letting their customers determine the price they are willing to pay for a meal or in some cases, for a bottle of wine. A surprising finding of these experiments is that some consumers actually paid higher prices than what the restaurant would have charged.

2. BRIDGING SILOS

The benefits of specialization have led many organizations to have separate functional units devoted to R&D, Manufacturing, Marketing, Sales, IT, Compliance, Legal, Finance and other functions. Unfortunately, to address the changing role of empowered consumers and their desire for integrated offerings, speedy response and value, it is key to coordinate and ideally, to integrate the capabilities of these functional silos. This changes the role of Marketing quite dramatically, from an isolated business function to a link between the external world of the consumer and an organization's internal siloed functions.

Consumers are looking for a consistent, relevant, timely and valuable story and experience delivered creatively in a fun, easy, informative and entertaining way through all touch points — anytime, anywhere. These touch points include not just traditional media, PR and new digital media, but also the sales force, call centre, product and package design and store design.

FIRMS AND PRODUCTS THAT SUCCESSFULLY CHALLENGED THE MENTAL MODELS OF THEIR INDUSTRIES

Digital

Twitter
YouTube
Google
Samsung
iPhone
iPad
Facebook
Napster
MIT's Media Lab Laptop
TiVa

Transportation

Google Car
Tata Motors
NetJets
Toyota Prius
Southwest Airlines

Games

Microsoft Xbox
Wii
Zynga

Retail

Apple Stores
Costco
Walmart
Starbucks
Home Depot
Groupon
eBay
Priceline.com
Build-a-Bear

Products/Brands/Services

Viagra
Sayaka Endoscope Capsule
Cirque du Soleil
Post-it
XNA Creators Club
FedEx
Hopper
Google Glasses
Quicken
Prosper Loans
Nike
CNN
ATM

Achieving this demands a bridging of internal silos and also external silos, since every one of these functions has a growing industry of special services behind it.

Challenging and changing mental models is not easy. Consider establishing the role of a 'network orchestrator' and changing the entire organizational architecture (culture and values, processes, structure, resources, rewards and incentives) to facilitate the orchestration of the various silos.

A key challenge is determining which model the network orchestrator should follow: that of a traditional conductor of a symphonic orchestra; that of the modern conductor such as **Ben Zandler**, who views as his prime responsibility the empowerment of the musicians; or that of a string quartet or a jazz ensemble. Once this is decided, the critical question is, who should play the role of the network orchestrator? The CMO? The CEO? Should it be a new function within the organization? Or a traditional or new type of advertising agency?

3. ON-DEMAND MARKETING

One of the major findings of early studies of empowered consumers has been their interest in customized products and services. In addition, growing segments of consumers are irritated with spam and irrelevant offers by owned and paid media. Demand is increasing for 'on-demand' marketing and advertising that is always relevant and timely. Advances in enabling technology make this possible and force major changes to the way marketing and advertising is created and delivered, suggesting a shift from a campaign model of delivery to a 'newsroom' model.

4. OPEN INNOVATION

No organization can recruit all of the diverse disciplines required to solve its challenges, and as a result, open innovation is a must.

In advertising, **Victors & Spoils** is a great example of a new type of agency that has a growing network of over 7,000 creatives. Similarly, **She Says Shout** is a NY-based agency that created a network of thousands of professionals capable of addressing all aspects of marketing and advertising assignments.

In particular, marketing strategy can benefit from open innovation in the generation and dissemination of creative strategies. Consider the case of **Victors & Spoils** and others to utilize the 'wisdom of the crowd' in developing and distributing user-generated content in the form of (a) new products and services via apps, (b) the development of compelling and sharable videos and their dissemination via **YouTube** and other social networks and (c) advertising, as demonstrated by the winning **Doritos** commercial in a number of recent Super Bowls.

5. ADAPTIVE EXPERIMENTATION

The only way to truly understand the causal links between your actions and their outcomes (and to learn by doing) is to adopt an adaptive experimentation approach. If management has great confidence (either as a result of Marketing Mix Modeling or intuition) that the 'best' strategy is X, it should consider investing 80-90 per cent of its resources in this strategy and allocate 10-20 per cent to experimenting with other strategies. The advantages of adaptive experimentation include:

- Learning about causal links between strategies and outcomes;
- Encouraging management to experiment with truly innovative options;
- Forced measurement of outcomes;
- Creating a culture of innovation by making it okay to fail and learn from failure;
- Fast action — fail fast, and if successful, scale big; and



Consumers are looking for a consistent, relevant, and valuable story and experience delivered creatively through all touch points.

- Competitive advantage: the more complex the experiment, the harder it is for the competition to figure out your strategies.

6. EXPANDING OBJECTIVES BEYOND THE FIRM

Enlightened managers and boards now realize that businesses have to take a more proactive role in addressing society's challenges. Consider, for example, the initiatives of companies such as **Unilever**. **Jim Stengel**, the former CMO of **Procter & Gamble**, begins his book *[Grow: How Ideals Power Growth and Profit at the World's Greatest Companies]* by stating, "The data from a ten-year growth study of more than 50,000 brands around the world show that companies with ideals of improving people's lives at the centre of all they do outperform the market by a huge margin." He goes on to quantify the impact: "An investment in the Stengel 50 — the top 50 businesses in my ten-year-growth study — would have been *400 per cent more profitable* than an investment in the Standard & Poors (S&P) 500."

Next Steps

The dilemma facing management today is, how to move forward in implementing some of the proposed changes to current mental models of Marketing. Based on my research and experience in challenging mental models at a number of leading firms, a process that works will include the following steps.

- 1. IDENTIFY YOUR CURRENT MENTAL MODELS.** Look at the key challenges you face and the approach you are taking today to address those challenges. Examine the mental models underlying these approaches; for example, if your main challenge is 'recruiting the right talent', and the approach you use relies on your own personnel to recommend people from their network, the underlying mental model is that 'the competencies we will need to thrive in the future are reflected in the talent pool of our current people'.
- 2. CHALLENGE YOUR MODELS.** Once you identify the key mental models underlying your activities, it is time to challenge them. Illustrative approaches include challenging the validity of your assumptions; visualizing the future, and checking the extent to which the current strategies can lead you to this desired future; and 'idealized design', in which you imagine that your current organization is destroyed and you have to design a new one from scratch. This phase typically results in the development of a series of alternative mental models.

3. COMPARE MODELS. The next step is to evaluate the pros and cons of each model and test them vs. the current model to decide whether to revise it to incorporate aspects of the new models, or replace it entirely. This testing is best done via experiments.

4. SELECT A REVISED MODEL. Once a revised or new mental model is selected, the implementation phase is basically the same as for any organizational change.

5. REVISIT THE PROCESS ON A REGULAR BASIS. Develop a process that allows for the continuous challenging of your mental models and assessment of the degree to which they address the rapidly-changing business environment.

In closing

The enormous changes to Marketing that we are currently experiencing do not pose a threat, but rather, present enormous opportunities to revitalize Marketing and increase its relevance and impact on business, society and our lives.

The innovations we are experiencing every day — from Google, to **Twitter**, to highly innovative firms and individuals, suggest to me that the new paradigm described herein could very well mark the beginning of a golden age of Marketing. **RM**



Yoram Wind is the Lauder Professor and Professor of Marketing at The Wharton School, University of Pennsylvania. He is also director of the SEI Center for Advanced Studies in Management and Academic Director of the Wharton Fellows Program. This article is adapted from Prof. Wind's chapter in

The Routledge Companion to the Future of Marketing (Routledge, 2014).