

Customer first thinking.



Transformative Marketing

Interview with V. Kumar, Ph.D Marketing at St. John's University (NYC), CEO of IMC Institute

V. Kumar:

Professor Kumar is one of the world's leading marketing scholars and the author of "Intelligent Marketing".



In 1960 the American Marketing Association's Journal of Marketing published a landmark article by a Pillsbury executive named Robert Keith titled "The Marketing Revolution". In a succinct 4-pages Keith chronicled the evolution of marketing at Pillsbury from the founding of the company in 1869.

The point of the history lesson was that Keith had concluded that business was undergoing a radical change in philosophy that would transform marketing from a peripheral role to become a dominant function. He stated that "Companies revolve around the customer, not the other way around", and that "As the concept gains ever greater acceptance, marketing is emerging as the most important single function in business".

Pillsbury's new purpose, he announced, was no longer to simply make and sell baking products but to "satisfy the needs and desires, both actual and potential, of our customers". The Marketing Department, up until then limited to managing advertising, would "direct and control" all of the processes that took its products from the assembly line to market. Newly created brand managers would have full accountability for the P&L of each product.

Keith's prediction was not inherently revolutionary – the legendary management consultant Pete Drucker had said much the same thing six years before, declaring that "There is only valid definition of business purpose: to create a satisfied customer", and that "the business enterprise has two – and only these two – basic functions: marketing and innovation". But for most businesses, marketing was still largely associated with "pushing" products into stores so they could be sold. The idea that marketing, as a central controlling function, could become a business driver was farfetched given its narrow mandate at the time.

Soon after Keith's article appeared, many prominent marketing academics came forward to make a similar case – most notably, the renowned Harvard Professor Theodore Levitt who that same year wrote his famous HBR article titled "Marketing Myopia", saying that "to continue growing, companies must ascertain and act on their customers' needs and desires, not bank on the presumptive longevity of their products."

Keith's so-called revolution turned out, in the end, to be short-lived. For a while, marketing did rise to prominence as a strategic function, involved in every aspect of product development and commercialization. But that is certainly not the case today. Marketing's role has shrunk in importance, reduced to what it started out doing, looking after advertising and promotion. That's how most CEOs think of marketers, as the ad department. But the other irony is that for businesses to succeed today, they must actually follow Keith's prophetic advice: switch from selling products to as many people as possible, at the highest price possible, to creating valuable customers by anticipating and meeting their needs.

Professor V Kumar calls this "transformative marketing": placing customers at the centre of the organization. And making it happen will

indeed require a revolution in how business operates. Because today marketers are still expected to push products, driven by an inside-out, rather than an outside-in, orientation. And that “myopia” makes businesses vulnerable to being blind-sided by events.

Professor Kumar was an early champion of customer relationship management and engagement. A former editor of the *Journal of Marketing* himself, he has published hundreds of scholarly articles and is acknowledged as one of the top marketing academics in the world. His latest book, “Intelligent Marketing”, explores the implications for marketing as new-age technologies like AI and IOT begin to transform society.

I started by asking Professor Kumar to characterize the state of marketing today (the V incidentally stands for Viswanathan).

VK

Viswanathan Kumar (VK): This criticism that you mentioned, has been levied even as far back as 15 years ago, that marketing lacks accountability and so we need some kind of response to that. So in the last 15 years, the transformation that has occurred has led to where we are today, which is we are in a transformative mode. And I’ll give you examples of how and where we have reached.

So in the 80s and 90s, we were spending...like marketing budget ... it was more of an aggregate level spending, the traditional advertising. You had the TV advertising, broadcast media, print advertising, billboard advertising, where we could not directly tie any of those expenses to the outcome measures. Because the primary purpose of advertising marketing spend was inform, persuade, and remind - nothing contributed to generating sales.

Come to 2000, where we have the database marketing coming in, we were able to track what at the customer level, you know, what they are buying, how much they are buying, when they are buying. And then our communication to customers also became individual. So we could tie exactly how much you spend on Mr. Stephen Shaw, and how much he’s buying so I can measure the elasticity at each customer level.

So that was the birth of the accountability period in terms of... But then why the criticism prevailed even in 2000, 4, 5, 6, is the fact that majority of the spend was still residing in traditional advertising. The shift started occurring only at that point in time. And today, majority is digital spend and very little traditional marketing.

So in this process of last 15 years the shift, there are three things that happened. One, the amount of money spent on digital kept increasing - the amount of money spent on traditional kept decreasing, that’s one thing. Second, the elasticity, the effect size of traditional advertising also started decreasing over time, even for the same amount of spend that you were doing, the effect was going down over time, and the digital effectiveness was going up. So we use time-varying effect size models to capture this. So we have demonstrated in our own studies, many studies, that spending shift and effect is also changing. And the third is that within the digital now, also there is a big shift like from Facebook like saying ad expenditures are going down, to Tik-Tok live streaming - they are eating up much of the spending. So it is like customers self select what they want to see. It’s like they go to a restaurant, look at the menu, and I want this item, that item, like this is what I want to see.

And so you pick that and you customize or you personalize whatever you want to see. And this is going to prevail. Because of this, and what made this possible in this 15-year transition, is the technology. Fifteen years ago, I was building models. Today, the models that I built are all automated with even more intelligence with AI. So I’ll give you a lot of examples as we walk through. But this is one major shift in terms of what it is. Second is who to spend the money on. Is it on me or you? How much to spend, and when to spend. We precisely know your buying pattern and so we can target the spend. We built these models for many companies 15 years ago, across 17 industries. But today, it’s become quite common, like AI absorbs our models and then even do a better job. I wouldn’t say a better job I would say it’s a faster way of delivering this. So this is happening.

So this is where the shift... So as a result, the marketing function has become more important now. And one beautiful change that is occurring is companies like Amazon, Microsoft, Facebook, they’re all offering marketing academics with analytics frame of mind, with analytics skillset, 25%-time jobs, fractional jobs at Amazon. So many of my colleagues are spending three months in a year, or three months equivalent of time in a year, building these models and showcasing how marketing is so important in every organization. (10.0)

SS

Stephen Shaw (SS): This seems to be a perception challenge that - marketing used to have a fair amount of sway and influence over corporate strategy. It seems to me that there's been diminishing influence over the years. Marketing today...it seems to me, the perception of marketing by other areas of the organization and incidentally, the CEO, views it as the ad department. So I'm just wondering, given everything you've just said, is it time to modernize the mission, the model, and the remit of marketing, tie it more closely to corporate vision and strategy than it is today?

VK

Correct. It was always like that; it is just a perception challenge. And this all goes back to one company CEO - this company is headquartered in Connecticut. And this company CEO called me one day and said, "I have to give money to my marketing CMO", sorry, "I have to give money to the CMO." And the CMO says I want to use this money for one function. But the CFO says, and I also believe the money should be spent for another function.

So what are these two functions? The CMO wanted to spend the money to build customer relationships. The CFO and the CEO said, "We want you to spend the money building the brand, who we are, because once you have a great brand customers they come to your doorstep." But he was saying, unless I build the relationship with customers and give them the trust and the commitment what our company can give, they won't buy our products. How do we break this stalemate? This was the question asked of me. And that is a challenge that we addressed. And it was published in the subsequent book to what you have, which you see at the back, "Profitable Customer Engagement," the blue cover. So we showcased there how to connect brand and customer because they work in tandem. Higher the perception about the brand, higher the customer value that you can exploit. Higher the customer value that you get from the customer, higher is their perception of the brand growth, like the brand value growth is higher as they buy more and more.

So we came up with what are the brand attributes that typically customers think of, and how do we relate those eight brand attributes? Brand trust, brand affect, brand commitment, and so on. Brand awareness, brand image, brand loyalty, and then brand advocacy. Which is something that I would love to discuss with you because I saw your podcast with my buddy, Frederick Reichheld, what he wrote.

So he's a big fan of brand advocacy but how we depart from that aspect. We use that as one of the measures, not the only measure.

SS

Well, I agree with that.

VK

And we relate that to customer lifetime value. Quantitatively, we showed brand-customer alignment, which is the mantra of Procter and Gamble. Like they say unless they see brand-customer alignment, they exit the product category and they kill the brand. And this they did with Citrus Hill in the orange juice market. They were number three and Tropicana and Minute Maid were always...they were dominating and they couldn't connect with the customers the way they wished so this happened. So this has changed in terms of what the CEOs, CFOs will think about marketing. That is one thing.

Second is the fact that we have precise measurement tools now, not only the data. That we are able to bring out and show clearly, tease out the elasticities and the effect sizes much better, and show that it is not a constant number, but it varies over time. So if we allocate resources in a time-varying manner, so that we know if... I'll give you an example. This is something we did for the logistics company in the U.S., where they send relational messages to their business-to-business customers. They're logistics like FedEx, UPS, you know, like that kind of company. So they sent relational messages where the message would say, "We want to work with you, we want to grow your business, so allow us to come and spend time with you so we can customize your shipment requirements, as well as help you grow." Economic messages where it will tell them "If you ship with us, you get 30% discount. If the volume exceeds certain dollars, you get 40% discount," purely economical.

So the question was, who should get the economic message? Which one of their 40 million shippers would get economic message, who would get relational message? And then, how long they should be getting one before they switch to the other? We are able to answer this precisely. And we answered this, we published this in the "Journal of Marketing Research." And it just came in another practitioner journal "Management and Business Review," like HBR, you have MBR "Management and Business Review."

You want winning friendship or "Winning over Customers: Is it Friendship or Money?" You know, just practitioner title we gave, relational or economic message. So if we are able to

come up with tools to estimate precisely who should get how much marketing, what message, how long, there's nothing to beat that. So marketing now is sitting in the driver's seat today, it is just that they have to take off and drive and then showcase to the whole world. (15.57)

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The expectation of CEOs of their CMOs today is to drive revenue. I mean, in part, that's why you see the CMO title being discarded. So you see chief growth officer, chief revenue officer, or even some cases chief experience officer...well, that's another subject. But the challenge here, and you talked about measurement earlier, is as much as you can model the effectiveness of the messaging, it's still a messaging play and largely an ad play. Is the real breakthrough...and this goes back to my question around the marketing remit. If marketing's job is to create revenue, isn't the answer to that to create value for customers as opposed to being perceived as the delivery messenger for the brand, or even just the brand custodian? Isn't the real essence of marketing to understand customer needs and map that back to the value proposition?

VK

Beautiful question. So I just said half the story. So because we are able to precisely say what message should be given to which customer, for how long, and what would be the effect of that. What we are measuring the effect on is their revenue contribution to the company. So as a result of this exercise, the company made \$8 billion more in revenue, which we document in our study. So they're all tied to actual top line and bottom line, you know, top-line revenues and bottom-line profit. And so, every one of the measurement tools that we have developed...you know, today I can rattle out 10 metrics that personally, me and my team we have developed and helped companies implement them. Starting with customer lifetime value, customer brand value, customer referral value, customer influence value, customer knowledge value, customer engagement value, salesperson lifetime value, donor lifetime value, and then employee engagement value and business reference value. Ten metrics, we have developed it, and each one of these metrics, the definition, and the effect is all on the bottom line, not even on top line. Profit, we show exactly how much profit we are able to bring for a specific spend.

SS

Typically, marketing spending is a percent of revenue – 11%, 10% whatever that figure is. What you're suggesting here is that we can actually model the ideal spend to achieve specific

incremental lift, because isn't that the other challenge is that we don't really know what customers would have bought anyway. So that needs to be really factored in because marketing spend is only effective if it's finding new buyers and/or getting existing buyers to buy more, which is what Fred Reichheld talked about, this concept of earned growth rate. His frustration, if you heard that podcast, is that there is no room on the balance sheet for some of these figures. That's why you have skepticism amongst CFOs. It's why CFOs remain a nemesis of marketing and withholding funds to drive the business forward. So are you suggesting here that there is a way to model your way around some of these obstacles?

VK

Yeah, you raise a beautiful point. So what we have done for companies is don't come up with a fixed mindset of how much is the marketing budget. Let's look at your customer base, let's look at your customer acquisition rate, and then what profile we have to go after now. Because we profile the high customer lifetime value customers, profile them and give to companies - these are the prospects profile that you have to go after. And you need to spend so much.

So we demonstrated this more than 10 years ago in a Harvard Business Review article titled, "Getting the Most out of All Your Customers." That is how much spend is not preset first, let's look at our customers, how much they are likely to buy. To make them buy that much, how much we have to spend on them, looking at historical data pattern. And so we come up with a number for all the customers plus the to-be acquired customers and say what should be the marketing budget. Then we go and present it to the CFO and the CEO - this is the money that I need and I can give you so much incremental revenue and incremental profit. This is the way we have changed - we have the tools to present this. The question is, are companies doing this? We know the companies we work with are all doing this, but is every company in the world doing it? Not sure. (20.55)

SS

I would suggest, yeah, it's not very representative - the more advanced companies may be. But I mean, let's face it, even CEOs barely buy into the concept of brand building. You know, the more...obviously visionary ones do, or founders do, or startups may but for the most part, brand building has fallen into some disrepute. We're gonna come back to that subject. I do wanna put you on the spot a little bit here.

Say you're the newly appointed CMO of a company, major enterprise - you know you probably have three years in the job to really make your mark. The CEO is expecting you to drive revenue growth. You wrote an article in 2018 called "Transformative Marketing." What would be, as that new CMO, your transformation priorities? What core practices would you want to fundamentally change to make a real difference in the business? I mean, clearly, you're just talking about one which is the ability to model the future, to scenario design, to prove to the CFO that, in fact, marketing has a role to play here in driving revenue and incremental lift and shift in customer spending. But what would be your other transformation priorities as you're sitting there - you have three years to make a difference, keep your job basically, what would the transformation priorities be for you?

VK

Yeah, see...and again, I have to make some assumptions about what company it is and so on. But just assuming it's like a B2C company, you know, something B2C. The first thing, as I wrote in the article, I need to understand the consumer landscape. What is it that they are valuing? Is that... they're valuing convenience? Like same-day delivery or two hours delivery, or they can wait for two-three days. What is the convenience aspect of it? That is one thing. Because Target was... People could order from Target and it was coming like three, four days even a week later the delivery. But people wanted convenience so they immediately teamed up with ship and then they got the same day, the next day delivery. So the convenience was immediately fixed. So I have to look at the consumer landscape, what they want, and take action with that.

SS

That's the value proposition. So what you're suggesting is a transformation priority certainly would be for marketing to own the value prop?

VK

To understand first from the consumers what is their value proposition and deliver it. Not every customer would have the same value proposition - some would be price-conscious, some would be quality conscious, some convenience conscious. So we have to see what is the size of those segments, which segment there is less competition, and where we can show when the customers over. And do that kind of an assessment and go after that target audience. That's why you have Target, that's why you have Walmart, and then Costco. That is self-selection, you know, you have that.

The second aspect of that is, you know, the experience that you have to provide. Like, if you take, in the auto industry, Tesla selling...people would say Tesla selling car, you know. I would say Tesla is selling the experience that...unmatched, you know. I used to drive one, I gave it to my daughter because she wanted it. I would never come out of the car, my wife has to drag me out every evening, "Please come inside the house." You know that kind of experience is tough to leave behind and get out. So you need to see, is the customer wanting experience? So that is about the customer landscape. Then it's about the market: is my customer base just domestic market or is a global market? And then if it's global market, then I need to make decisions in terms of, you know, branding strategy: do I keep it the same brand or a different brand? Do I partner with a local marketing agency? Because today what has dominated in each of those countries is ritualization. And I wrote a major article on ritualization and globalization because companies ignore... you know, Nike or Adidas, the sportswear everything they sometimes ignore the ritualization in each country and market the same way, that's not the right strategy. So I wrote like, you know, what should be done taking into account the ritualization. So, even a product consumption, we talk about detergent, it sort of, you know, cleans, whitens, and this and that and so on. But then there are some cultures that they don't want pure white, they like lighter color shades and lighter things. So is the pitch the same? Is the product the same? Is pricing strategy the same? So in a global market, that is also something in a market I have to take into account.

But most importantly is the marketing function - that is, what am I supposed to deliver, the top line or the bottom line? And is it going to be based on the total revenue I bring in or by country? And this is the question that was asked to us a few years ago. And just this year, within the last 12 months we answered and delivered that. Which is, if the company CEO and CFO says to the marketing you need to deliver me the top line and bottom line, and the market is saturated, what can the CMO do? They can go to global markets. So how do they pick the market? And should they follow a waterfall strategy or a sprinkler strategy?

What is a waterfall strategy? Is sequentially entering foreign markets. What is a sprinkler strategy? Simultaneously entering multiple markets. So, that decision is the most

difficult decision because you need to have evidence to show that if you sequentially introduce there is gain from one market to the other. There are people observing, learning the benefits from the previous market, which we call it as a lead-lag country effect. There is a lead country and then there is a lag country. So lead-lag country effect. So we see that based on that information, simultaneous or sprinkler.

And then once I go to those market, then the question is how many markets to enter? And whether I follow the same, you know, selective distribution or exclusive distribution pricing strategy... You know, Coca-Cola faced the same issue when they went to India, there was a dominant local player, Thumbs Up, you know, just exactly the way I'm showing Thumps Up. They could not unseat them so what they did was they bought them. And also, you have to do something like this to keep that and you have to have this player.

So these are the strategies and we show that CMOs with the knowledge given the power, the financial discretion, like how much money to spend entering foreign markets. Operational discretion, how many markets to enter and how to enter, and when to enter. And strategic discretion is like, you know, to call it by the same brand name or same pricing strategy. All this, if you give the discretion, these kind of three powers to CMO, they are able to generate much higher value for the firm. (28.39)

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So what you've been talking about, this level of conversation between the CMO and really the CEO around the direction of the company, its business strategy, pivoting around the markets it's pursuing. That used to be a more common thing in businesses. But it just seems to me to go back to the point I was making earlier that that role is very much diminished. In most organizations, marketing has been relegated to the pretty picture department - doesn't participate in those conversations as much anymore. And that goes back to this concept, and many of the concepts that you wrote about in your book on the transformation of marketing, that to win a seat at the corporate strategy table, marketing has to come with business solutions that the CFO and CEO will recognize. And that's not the case today. Is that just a perception issue? Or is that just because marketing itself is drawn to creative, to brand, to all of the things that the CEO and CFO doesn't care about? What do you see when you're talking with CEOs and executives and companies today in terms of that dynamic?

VK

Yeah, see, we are in a transformative phase, so we have to accept the fact that it has not been given the due respect it deserves and that it's always spoken of like the way you say...when you go and do creative things about the brand and so on. But what we are doing as having one foot in the academic world and one foot in the practitioner world, is to demonstrate the power of marketing through all these mechanisms. You give them power - they will take you to global markets and give you higher revenues. You give them the budget that they are asking for, they can tell you who to get, what message and your bottom line will go up. So we are demonstrating one step at a time...tools, multiple strategies, which I call concepts, metrics, strategies, and implementation, this four-step process. We are bringing for every problem that the CEO or the CFO faces, marketing is coming up with a solution, whatever the solution. Now it's a matter of time before the people sitting in the marketing position absorb this knowledge.

See, you bring out such a profound observation which is, why it is not happening today? So the CMO himself or herself should be armed with this knowledge. So there is a lag like, you know, as soon as we discover...we take five, six years to do these studies, and then we publish it. And then it goes into "Harvard Business Review," "Sloan Management Review," they read it. And then by the time they call us and then learn from us, there's already like three, four-year lag has gone by.

So the ideal thing is when we work with those companies, those one or two companies immediately implement and benefit quite a bit. But then for the market to receive this information, there is a lag. And we have to now look at how to shorten this lag time, and as we do it, engage these marketing folks in a conversation and make them observe and learn.

SS

Well, teach them to become business strategists, which I would argue they're not today, for the most part.

VK

Correct, yes. So how do we now disseminate this aspect? So that's why this younger generation... And I can tell you, my daughter is like, head of marketing at one of the leading fitness clubs in New York. And if I talk to her...sit and talk to her, she's like, you know, late 20s, just becoming in the 30, but already head of marketing. If I tell her all these things, you know, she says, "I already know it because these are the measurement tools. I'm in the digital world, I know exactly

what to do.” And they are doing it correctly. The problem we are having is with the little bit senior level who are still like, you know, the business visionary. They know they have the wealth of talent, but in terms of execution, and in terms of exposure is what is lacking. And they don’t have time to even read these things. (33.14)

SS

So let me dig into this a little bit further because, again, in many organizations, they have a responsibility, marketing has the responsibility, to be the brand custodian. But you also have what you’re describing, the digital marketing arm of companies, now called performance marketing, you know, maybe that was called relationship marketing or direct marketing in a previous era. But whatever, it now encompasses any sort of direct-to-consumer interactions. And it seems to me that performance marketing folks, much as you’re describing with your daughter, are winning the day. The concept of brand building, the halcyon days of brand building, are over with. That, in fact, as I said earlier, most CEOs don’t even necessarily understand brand equity and its impact on the value of the business. So you see this chasm now between the brand builders who are more creatively inclined and the performance marketers who are data-driven and digital natives for the most part. So there’s this internecine battle for budget going on. Yet both are required in organizations - I’m sure you would agree - if the concept of marketing pivots around messaging and persuasion still, then brand building is very important. So what do organizations need to do to build greater unity to eliminate that divide, that chasm, stop the squabbling over dollars and take a more unified approach to their go-to-market strategy?

VK

Yeah, I’ll answer this with this example. Harley Davidson is a great brand, okay, but it filed for bankruptcy and it had suffered from like, not being able to sell. It used to sell 265,000 motorcycles every year on the average a decade ago, it went up to like more than 400,000. But then there was a backlash from the core franchise customers that they cannot make thin bikes, they have to have the standard size bikes. But then if you look at today’s customers, they don’t want the big-size bikes, they’re gas guzzlers, they pollute the environment, and they’re also health-conscious. So how can this company rediscover themselves? Can they just say we are Harley Davidson? They’re suffering, the brand didn’t do anything. Here is where the connection has to be made

with today’s consumers: what do they want? And finally, it took them 10 years to realize, and after losing money, and everything, to say that we want environmentally conscious vehicles like electric scooters, electric motorcycles, is what they’re going after. And the fact that emission is something that they care about, what the today’s Gen X, Gen Y, Gen Z, they all care about, that is they’re now transforming.

So could this have been done by very senior marketing of the brand? No. They were sitting there letting this go by. But today’s brand leaders who are younger generation, they are coming and saying this is what we want. So the person who’s going transform Harley Davidson into meeting the needs of - today’s consumer needs - is going to be somebody who’s younger, who’s like late 20s, early 30s, those kind of marketing people. They don’t care about whether the title is CMO or not it is that they are transformative marketing specialists. And the way they’re going to do that is also...one key component of transformative marketing is transformative pricing. Today how are products sold...you know, forget the staple products and all but generally like, you know, I wanna travel from here to Paris tomorrow. So I go to priceline.com and I say that, you know, this is what I’m willing to pay, who is willing to give me a seat? Name your own price, pay as much as you want. You can also...they will say that, you know, here’s a product take it...give me as much money, donation. Or go and eat free in a restaurant, tip the person. So, there are multiple transformative pricing strategies.

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Dynamic pricing.

VK

Yeah, dynamic pricing too. And dynamic pricing is another area where... You know, in the road traffic it happens when there is large traffic, you know, sitting...there is a separate toll lane, you pay a higher price, you go there. So all these are...these are transformation that is being brought into the marketing function, you know, how do they market the tollways? You know. So marketing, I want to go back to... repeating this, is sitting in the driver’s seat waiting to take off into space with all the tools, technologies, concepts, metrics, strategies. It’s just that we need more people ready to launch this. (38.13)

SS

But it’s still in the end, Professor Kumar, a battle over dollars. And marketing is still organized around channels. And marketing is still largely tactics and not strategy. Mark Ritson complains about this all the time. He says, “There’s no more

marketing strategists anymore.” On the level that you’re talking about, which is the ability to connect the marketing, go-to-market strategy, with business strategy, and so hence, you have this divide between brand and performance marketing. Maybe...and I’m just gonna throw this out there for a second. Maybe one of the ways to grab the strategic levers here is this whole concept of brand purpose, which we’ve obviously been hearing a lot about for the last number of years. This idea that a company has to stand for more than maximizing profit, that it must serve all stakeholders, first and foremost customers, customer-first thinking, obligation to make the world a better place. These things really connect with younger consumers, younger marketing professionals as well. But should marketing take the lead now in shaping brand purpose? Because brand purpose ultimately drives value proposition, drives connectivity. Or the way marketing is today, does that risk simply making it another public relations exercise perceived as inauthentic? And we’ve seen many examples of that. So what’s your perspective on marketing’s contribution to the mission statement of a company, the brand purpose statement, if you will?

VK

Now, I see these are two different thought processes. One is what should the CMO be doing to prove himself or herself that he or she is worth sitting in the C-suite? That’s what we’re focusing on. Now you’re going beyond that like, you know, in the process of developing a brand for the value proposition for the company, should there be a bigger purpose? And that answer is a strong yes, because from just maximizing firm’s profit, we have gone to stakeholder wellbeing maximization.

Last three articles I wrote are all focusing on stakeholder well-being, how to get to the stakeholder well-being. So who are the stakeholders? In the process, we are looking at employees are major stakeholders, customers major stakeholders, suppliers, distributors, the environment, and the community also, you know, they’re all there. And of course, firm is there. For firms, these are the stakeholders.

So the question is, how should they prioritize? Let’s start with engaging employees is more important or engaging customers more important? We answered this question a couple of years ago, saying that while on the surface it appears engaging employees should come first, unless you empower the employees, it’s not getting any benefit. So

better to go with engaging customers first, and then engaging employees second, because not every company is willing to empower their employees. You know, very few companies with their frontline employees they do that.

Then the third stakeholder - should it be the community, the society, or the suppliers and the distributors? And we look at the CSR literature. And today we talk about it as ESG, you know, the terminology we use Environmental, Society and Governance. So if you look at...just announcing that I’m spending so much is not enough to take care of the community or the society, you know. It has to be tied to the individuals who are seeing the message, should be able to relate to that. Example, I am living in a community and I do not have a park for the kids to go and they have to cross the highway, they have to go somewhere and do it. But if the company says that I’m building better roads, you know, so that, you know, there are no potholes in this thing. And I’m saying, well, I don’t really care that much. But if you’re building a park where my kids can go and...you know, that is more something I can relate. Both are public service they are doing. So this purpose also has to be related...tied to the community, the customers in the community, whether they perceive they are able to relate to that or not. That’s the well-being there. (42.55)

SS

The idea of brand purpose in my...you know, maybe a slightly different angle on this, is largely the question of, how do I make my brand more integral to the lives of the customers I’m serving? So I may want to share their worldview, I may not. But the fact is, I gotta find a way to make my brand stand out in their lives versus the competition; otherwise I’ll be perceived as a parity product in a world of commodity products. It strikes me that marketing being supposedly closest to the customer will have the most insight as to the “start with why” question, right? This is what do we do as a business that serves my customers and the world at large? Marketing should be driving that conversation, I would imagine.

VK

Marketing is driving the conversation, the brand purpose, you know. There is no question about marketing not driving it. See, I don’t stop with just marketing, driving the purpose, I go beyond that to say, how do we even do it? And that’s what I was explaining to you, that companies that are saying...like IBM saying I’m doing CSR. Look at...in the US Open Tennis

Tournament, I'm able to measure my speed, how fast the serves are being done, you know. And I'm sponsoring this event so the public can benefit, subsidize the ticket. Really, the users of IBM, they don't care about it, you know. There's totally disconnect in terms of where they spend the money. And I'm a sports buff, but I have nothing to do with IBM's products. It's my institution that subscribes to cloud services from IBM and they use it. So this kind of disconnected spend is not driving the brand purpose.

SS

And it also gets confused with Corporate Social Responsibility spending, right? It's great, the charitable contributions and the philanthropic contributions but really, I think brand purpose is to create a North Star for the business, right?

VK

Yes, exactly. So it has to touch every customer's lives in some form. And not every customer wants to be touched the same, with the same thing, you know. Some people...like one example, you know, you go and stay in a hotel and, you know, you ask for a room, and the room is not available. So now, clearly, the brand purpose, the state, as it's stated as customer convenience, customer happiness, or something. And at the same time, you know, an employee made the mistake. It's easy for the hotel to point the finger, sorry, we made a mistake, this employee didn't log it in. And then giving out the employee to the customer is not the right thing to do. You know, instead, they have to say, so this has occurred, what do you think will fix this problem for you? The purpose is to, you know, ultimately not affect one person, give the happiness to the other person.

And this happened to me recently in a hotel, and I said, "Well, if there is another hotel nearby, put me in that and then bring me back here tomorrow." Because I just want that kind of facility because I teach from that room and I have meetings in the room. So I actually booked an apartment kind of room in Marriott and they'd given it accidentally to somebody else. So I told them, put me in another apartment and bring me back. And that's what they did. So, here is like not blaming anybody. They could have easily blamed somebody else. And, you know, they tried to protect their brand, they tried to satisfy everybody, not give out that employee. And so the employee also felt good about it, you know. And I'm doing this research, I'm seeing through this, the whole thing. And I told the employee, like, "You know, it's good you work for this brand because

they are taking care of you very well." You know, I clearly... and the employee laughed. She laughed and said, like, you know, "I'm thankful. Today's my lucky day."

And so this is just one example of a brand purpose. The same thing in a restaurant also, you can see, the brand purpose is that I'm a vegetarian, and they make mistake delivering non-veg, put something chicken or something in the soup without telling me. And I'm like, come on, and I can scream, I can do whatever they want. And they could again, blame the employee for that and so on. And all they can do is accept, yes, mistake has occurred. And I'm sorry, this happened. You tell how we can fix this for you, leave it open. And so that's the kind of...you know, the purpose of the brand is accept the mistakes and then move forward rather than defending themselves. (48.11)

SS

Well, and this touches on the whole idea of customer experience and what constitutes an ideal customer experience, and how much do we want to commit as an organization to achieving that. Which brings me to a couple of other subjects, and one of them is the concept of marketing planning and processes. And traditionally, correct me if I'm wrong here, but most organizations have an annual brand plan with spending commitments generally allocated by channel, and some of the methodologies and modeling you described earlier can help with that, direct the spending where it's going to make the greatest difference. But I think there's a general recognition now that that old planning model, that classical planning model, perhaps a better way of describing it, is too slow-moving, right? So we've recently seen the adoption of this idea of Digital Pods, for example, to support cross-disciplinary and field execution more effectively, agile processes, and so on. We've seen a huge shift to digital spending, you described that at the very start of this conversation. But it seems to me that organizationally, not much else has changed. So for marketing to evolve, to become more of a strategic lead in the business, the very things you've been talking about throughout this whole conversation, what needs to change about the structure of marketing, the organizational structure of marketing? And how do you start to put, as you were just describing, putting the customer at the center of the experience? How do you put the customer at the center of the planning process? What organizational changes are required here, in your view, to make that happen?

VK

Yeah, first, we have to educate the C-suite. And I'll tell you even till today, this is a tug of war between the marketing and the finance function. You go to the CFO, and the CFO says, "I'll give you \$10, I want you to maximize the ROI for this and give it to me". So what that means is, I don't care if you spend the \$10 on one customer and get the highest return, or if you spend \$1 on multiple customers and maximize, I still want the \$16 at the end of the day. And as marketing, what I am saying is that I need customers. If I focus on just maximizing ROI, sometimes I have to spend more than what is necessary. For example, I spend \$10, I get \$20 back, ROI is 2. I spend \$15, I get \$35, so ROI is 2.33. Now I spend \$20 and I get \$50 back, ROI is 2.5. Now I spend \$25, and I get \$60, it drops down to 2.33. And so, the CFO is saying spend only \$20 so that you get \$50 back, 2.5, stop there. And marketing is saying that I cannot stop there because we are living in a non-contractual selling world because they don't have a contract. If I don't satisfy all the needs of this customer, selling everything, even though I'm getting more profits, but the ROI is not maximized, ROI goes down, I will lose the entire customer to competition. Because the competition can spend that... because it's non-contractual, I get to lose. The CFO is not understanding this, still insisting ROI maximization. And the CMO is saying profit maximization is what it is.

So I wrote an article just to clarify these two, saying that always as marketing, don't give up on profit maximization, else you lose the entire customer to competition. This education first has to come to the C-suite as to what is important from a customer perspective, we have to educate them. That's one. Second, the marketing executives themselves should be armed with this knowledge. I don't know how fast we can educate them, maybe there should be Coursera courses or something, that they should not hesitate to get their hands dirty, like to understand and to look at what all can be done. And the third most important thing is to be giving them the discretion, like the powers. If you don't even give the power, you keep demeaning them, it's not going to change. So we have demonstrated that you give them power... if you give them this power, they're going to do the strategic discretion. If you give them operational discretion, financial discretion they are going to do... You give all three of them, they're going to get you the entire world. And we've shown

that empirically. And the reason why there is hesitation in the C-suite is even the CEO, CFOs are also old schoolers, old-timers, and they also have to grow from the end. So I feel that there's going to be a generational shift in the leadership. And one example we saw is the Twitter CEO whose probably... life is short-lived. This guy is 38 years old, and the CEO [inaudible]. So that's the kind of mindset that companies are now going after, you know, engage, you lead, you know exactly what is going to happen. (53.47)

SS

So when I talk about organizational structure, what I really meant is that marketing is still a collection of silos organized around channels. That this idea of below the line, above the line still actually exists today, believe it or not. Is the option here to reorganize marketing around the customer journey. And you write a lot about customer relationship management, you've written a lot about customer retention, "Managing Customers for Profit." Is the opportunity here, again, putting customers first to organize around the customer journey as opposed to the channel in an omnichannel world?

VK

Agreed, that's what exactly we are doing. We call them three stages of customer journey: pre-purchase journey, purchase, and post-purchase. So post-purchase, we call it as customer engagement stage. Pre-purchase, we call that as a sampling stage. So we have the product sampling stage, service sampling stage, then actual purchase stage, and then engagement stage. Three stages of customer journey.

We are actually working with companies how to manage products through these three stages in an omnichannel environment. And I'll give you the study that we're doing, just an example. And I'm not going to give the answer in this interview, but this is for the audience reading it to reach out, is that here is like a company like P&G or Unilever, they have a nice new product, you know, consumer product, CPG consumer packaged goods, and they want people to sample. What is the best strategy for them? Should they go to the store and distribute it as in-store sample to all the things? Or should they direct mail to households? Or they should just send a postcard and what P&G does is they will say come to pg.com and register yourself and ask for the sample, we'll send it to you? So they're able to track it also that way. So which channel, online request, or a direct mail, or in-store, which is going to generate higher sample usage, one. And given the sample usage, which one is going

to generate better experience. And which one is going to result in purchase...higher level of purchase? And then once the purchase occurs, which one is going to help them repeat purchase engagement?

Now, you can say this is the same product, how can it provide different experience? This is where the expectations vary. If I'm going and requesting reading about the product and requesting it online, I set up a higher expectation for the product. If it falls on my lap and I don't even ask for...it falls on my lap, it's a freebie. I don't have much expectation, even if it does a little bit, I'm okay. So this customer journey, understanding and connecting with these channels is the biggest issue we need to resolve today. (56.51)

SS

Yeah, and that goes back to how you organize. In the few minutes remaining here, Professor Kumar, I did wanna cover off technology because you wrote a book recently called "Intelligent Marketing," which some people would argue is an oxymoron. Because data knowledge and data use is way low down on the skillset for marketers today. They're on a journey of their own trying to figure out how to leverage all of this first-party, second-party, zero-party, third-party data. But, you know, now there's this Cambrian explosion of technologies, you know, 9,000 marketing and selling solutions out there. You have, as you write about in your book, the new-age technologies, AI, augmented reality, now we have the metaverse, we have Web3, for God's sake. Loaded question here but you answer it in your book, to some degree. How do you see the convergence of these technologies impacting the role of marketing in the enterprise? I mean, today, you've got a Frankenstein sitting over there, half the tools aren't used. Now you have these emerging technologies that are gonna fundamentally alter the customer experience. Do marketers, as a result of this, start to take the lead on experience design and that becomes their remit going forward because we live in this technology immersive world now?

VK

Yeah. See, this is... So we know the tools exist, and we know there is a need for it but the question is, are people sitting and making decisions, are they knowledgeable enough to bring these tools and put it into use? And that is the gap that we see today.

And over the next three to five years, this gap is going to narrow because most of our programs, including the one

that I just started at St. John's University MS, in marketing intelligence where I bring in all this AI, blockchain and all... teaching the next generation of executives how to use these tools and strategies. So that gap is going to be filled but that doesn't take away from the value these new-age technologies can deliver.

And just one example, I'll give you. Take blockchain. The authentication that's coming through blockchain is the biggest benefit. Example, we have luxury brands then we have fake, isn't it? Like many fake brands, like you buy a product and first question my friend will ask, is it fake or real? And how do I now come up with blockchain - authenticate what I have is that so I can demonstrate that, you know, this authentication? So blockchain is there in terms of selling products, how authentic it is, and even contamination. Like, you order...I mean, I have to say this without saying the brand, shaving razor, you know, we order. But there are some sites we order, they call it by the national brand name, global brand name, but we know once it comes, it is not that. It is made in some other country and it's coming... So those things will be taken care of so consumer trust will grow.

If you talk about robotics, in terms of consistency of service, robots are going to help us streamline that, you know. I go to a restaurant, I order something and it comes, somebody who's smiling, sometimes somebody doesn't smile. So a lot of these issues, the consistency in service quality will come. You go to drones, you know, we have... I order food, and it comes after an hour and a half and say, "It's too much traffic," and drones will deliver in 15 minutes. So that's going to change the landscape.

So new-age technologies and artificial intelligence is never-ending. I mean, it's phenomenal in terms of me sitting and saying, "Alexa, do this for me," "Alexa, do that for me," and so on. So, everything is being provided as information so our lives are getting transformed. We want this transformation as consumers; therefore marketing has to transform and if not, the company won't transform. So marketing... I want to say this: marketing transformation is the bridge between consumer transformation and company transformation.

SS

Yeah, good point. That's a really good point. Exactly right. Now, let me ask you one final question, Professor Kumar. You talk to everybody, from CEOs to CMOs, to aspiring marketers in your classroom. Given the next generation

coming along, what's your advice to that aspiring marketer today, to your students, in terms of their career aspirations and the future of marketing?

VK

This is what I tell them, that every 20 years there is transformation coming. And this 20 years started 2020, and the next 20 years is a transformative era that you're there. You're there to shake up the whole world, to shake up the business, you're going to make a name. So you're in the right time, you are not at the tail end of a generation, you are at the beginning of this generation today. So the next three to five years learn whatever you want and then you run with it so you will see the benefit of it.

And then we are customizing the knowledge to even specific industries, service industries versus product, B2B versus B2C, domestic business, global business. So we can do this kind of segmented delivery that we are preparing tomorrow's leaders today in a very efficient manner.

SS

In other words, if I can synopsise, it's the best of times for marketers, not the worst of times.

VK

Yes, exactly, I would say that.

SS

Yeah, it's an exciting time to be a marketer. So, I wanna thank you, Professor Kumar, because this has been such a...well, it met my expectations for sure, of talking to a real marketer, actually understand strategy. It's always very refreshing. So thank you for the time you gave me.

VK

Anything you need more, I'm there with you. Don't feel constrained.

That concludes my interview with Professor Kumar. As we learned marketing is going through another period of major transformation. First there was the era of mass marketing half a century ago, when marketers could use mass broadcasting to market their products to everyone. That was followed two decades later by the gradual adoption of more targeted marketing methods as audiences began to fragment with the rise of specialized channels. And then of course digital media ushered in an era of more interactive marketing. Each transformative era was triggered by a major change in people's media habits. But today most brands are no longer part of the customer conversation. And so we are on the brink of a new transformative era in marketing – a true revolution - characterized by the use of technology and data to create memorable experiences along the customer journey.



Stephen Shaw is the chief strategy officer of Kenna, a marketing solutions provider specializing in customer experience management. He is also the host of a regular podcast called Customer First Thinking. Stephen can be reached via e-mail at sshaw@kenna.ca.